

Appendix A

London Borough of Barnet Annual Internal Audit Opinion 2014-15

Caroline Glitre, Head of Internal Audit

	No	Limited	Satisfactory	Substantial
Audit Opinion and Direction of Travel 2013/14 Annual Opinion: Satisfactory				

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1. Introduction and Overview

Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2014-15 and the key internal control environment strengths and weaknesses identified within the year. This report is used to inform the Annual Governance Statement that accompanies the Statement of Accounts for 2014-15.

The Internal Audit function sits within the Assurance Group, which provides independent oversight and assurance to the Strategic Commissioning Board (SCB) and to elected members. Its remit is governed by the Internal Audit Charter which is approved by the Audit Committee.

Overview of our approach

In line with the Public Sector Internal Audit Standards, the 2014-15 Internal Audit plan was risk based and was formulated by:

- Reviewing the updated corporate and group risk registers and selecting a number of the high to medium risk areas for audit review;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Meeting with officers in order to understand strategic and operational plans for 2014-15 that were likely to have a significant impact on the control environment;
- Asking officers for confirmation of any grant payments that required internal audit oversight;
- Asking officers for information that would help to inform our plan, for example regarding self-assessments, recovery or action plans, projects, contracts or IT issues; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support achievement of the Council's overall objectives.

I can confirm that during 2014-15 in all material respects the internal audit service has conformed to the requirements of the Public Sector Internal Audit Standards.

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 order to reach this opinion and to set our annual plan, in line with Public Sector Internal Audit Standards requirements, we must undertake sufficient audit work to determine whether risk management processes are effective at the Council. In 2013-14 these arrangements were reviewed for us by PwC, our internal audit Strategic Partner, providing Satisfactory Assurance that risk management arrangements were appropriate and operating as intended. In 2014-15 we followed up the recommendations made and confirmed that the Risk Assurance framework was in line with the expectations of the Public Sector Internal Audit Standards. The Risk Management service continues to benchmark its arrangements through CIPFA and also during 2014-15 the Risk Management Framework: Policy statement and Procedures was revised and reported to the Audit Committee.

In broad terms our Internal Audit approach takes into account the following (according to 2013/14 audited statement of accounts):

- **Annual gross revenues of approximately £662m** - Internal Audit perform key financial system audits of the major income systems each year (for example Council Tax and National Non-Domestic Rates). 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 £887m** – Each year we perform key financial system audits of the Council's accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend, for example payroll.
- **Long term assets of approximately £1.184bn** - The majority of assets are property and so present a relatively low risk to the Council. We generally undertake one review in this area each year based on risks identified.
- **Other assets of approximately £294m** - We annually review treasury controls and the Council's administration of investments.

Overview of our work

The Annual Internal Audit Plan for 2014-15 highlighted that a total of 47 systems based audits were planned. This included 3 joint audit reviews with the Corporate Anti-Fraud Team (CAFT), a new approach introduced this year.

We have communicated closely with senior management and strategic partners 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 internal audit resource. This included reaching an agreement with Capita that we would undertake the internal audits of the key financial systems run by the Customer Support Group (CSG).

As a result of this liaison, some changes were agreed to the plan during the year. Some projects have been added/deleted/merged or carried forward from the plan. Quarterly reports to the Audit Committee include any changes to the published plan and a summary of these changes can be found at Appendix C. Consequently, the total number of audits undertaken in 2014-15 was **58 systems based audits and 22 school based audits**. See Section 2 Overall Summary.

We generally undertake individual audits with one of two objectives in mind. The majority of reviews are geared towards providing assurance to management on the operation of the Council's internal control environment – 'Assurance' activity as defined by the Public Sector Internal Audit Standards. Other reviews 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 – 'Consultancy' activity as defined by the Public Sector Internal Audit Standards.

All audit reports include 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;
- **Key themes identified** during our work in 2014-15 and an update on those themes identified from the previous year; and
- **Performance of Internal Audit** – a summary of outturn against our performance indicators and the Quality Assurance and Improvement Programme (QAIP) in place for the Internal Audit service.

In this report, we have drawn on the findings and assessments included in all of the reports issued. Senior Management and the Audit Committee have separately received summaries of the outcomes of the audit work through progress reports issued throughout the year. As a result the detailed findings have not been replicated in this report.

2. Overall Summary

2.1 Analysis of Non-Schools audit assurances

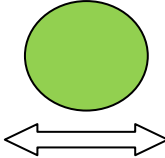
Overall, as illustrated in the tables below, we have noted a slight reduction in the percentage of 'Limited' and 'No' assurance reports issued compared to the prior year (19% in 2014/15 compared to 20% in 2013/14).

There has been an increase in the percentage of reports issued with 'Not Applicable (N/A)' for the assurance opinion (41% in 2014/15 compared to 14% in 2013/4). A rating is considered N/A if, for example:

- The audit result is either a 'pass' or a 'fail'. We started undertaking quarterly Troubled Families Payment By Results reviews in 2014/15 and there was also an increase in the number of grants requiring Internal Audit sign off;
- It could be misrepresentative. We introduced Data Quality spot checks in 2014/15 which look at only one Performance Indicator in detail within the sampled area; or
- The audit is an in-depth follow-up, requiring significant audit resource, which measures improvement rather than providing an initial assurance opinion.

For detail of which reviews received each level assurance please see Appendix B.

Based on the internal audit work completed in 2014-15 I can give **Satisfactory Assurance** on the Council's overall internal control environment.

	No	Limited	Satisfactory	Substantial
Audit Opinion and Direction of Travel 2013/14 Annual Opinion: Satisfactory				

Summary of report ratings

Assurance opinions	2014-15		2013-14	
	No.	%	No.	%
Substantial	1	2	1	2
Satisfactory	22	40	33	64
Limited	11	19	7	14
No	0	0	3	6
N/A	24	41	7	14
Sub-total	58		51	
Schools audits*	22		23	
Total	80		74	100

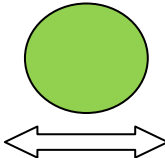
* For breakdown of Schools audit assurance ratings see 'Analysis of School audit assurances' below

2.2 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 22 schools reviewed.

The results highlight that broadly schools are performing consistently in respect of financial management capability, compared to the previous years. It is important to note that we are currently on a three year cycle for the audit of schools and we are not comparing the same schools year on year.

Based on the school audits carried out during 2014-15 I am able to give **Satisfactory Assurance** that there is an adequate system for financial management processes and controls among the Council’s schools.

	No	Limited	Satisfactory	Substantial
Audit Opinion and Direction of Travel 2013/14 Annual Opinion: Satisfactory				

Summary of report ratings

Assurance opinions	2014-15		2013-14	
	No.	%	No.	%
Substantial	0	-	0	-
Satisfactory	20	91	17	74
Limited	2	9	6	26
No	-	-	-	-
Total	22	100	23	100

3. Key themes

Reviewing all audit reports for the year and considering **all** recommendations made, not just those that were Priority 1, enables us to draw out key themes around Internal Control and Governance that require attention by the Council. Where pockets of poor control have been identified, the Council needs to consider if this is indicative of a wider issue. The table below summarises new themes identified during 2014-15, progress against the themes identified in 2013-14 and any issues that are relevant for consideration in the Annual Governance Statement (AGS). It should be noted that the narrative below primarily relates to work undertaken by internal audit as opposed to other contextual information which will be reflected within the AGS.

Issue identified 2014-15

1. Human Resources (HR)

This is a new issue for 2014/15 due to both findings from specific audits of HR and also from other service audits related to workforce management, HR practice and processes or the service. This isn't solely about the contracted HR service provided by CSG, though this is the most significant challenge.

During our audit of Payroll we noted that work is in progress to review all HR policies; copies of leavers' letters were not available for the whole sample tested; and there was a lack of compliance with the Leavers policy. We also noted that a previous recommendation around HR risk management had not been implemented, in that there was no evidence that HR/Payroll risks were formally recorded in a risk log for their on-going management. In 2014/15 significant issues with the delivery of the HR service by CSG have been acknowledged; the lack of a coherent risk register reflecting these risks was, in our view, a contributing factor to these risks being realised.

During our review of Compliance with Ofsted requirements we found that one requirement had not been fully met, in that there was not a complete and up to date workforce profile available from HR for social care staff working with children in need, children subject to child protection plans, children looked after and care leavers.

During our audit of The Care Act LGA Stocktake Submissions we noted that some relevant employees within the Adults and Communities delivery unit had not been included on training lists and therefore had not yet received the required training on the Care Act. One of the root causes of this issue was that the Council does not have an accurate establishment list.

In 2013-14 our audit of People Management provided Limited Assurance. During 2014/15 we had a further audit of People Management planned but due to a lack of capacity, both within the Council and CSG, to support the audit it had to be deferred to 2015/16. During the year, it was recognised that CSG was not delivering an effective HR service. The Council has taken a number of actions to work with CSG to improve HR performance and has brought in a new senior HR lead to oversee this aspect of the contract.

Across the Council it has been recognised and acknowledged that there are issues with the new HR system Core and with the data within it. In 2015/16 we will not only complete the People Management review already planned of pre-employment checks but we will also undertake an audit of the establishment list.

2. Data Quality and Audit Trails

As noted above, there are known issues with the data within the new HR system Core.

In our review of the Key Financial Systems in December 2014, we consistently found that there was a lack of audit trails to support reported financial information. At the time of the audit it was evident that not all staff were fully comfortable with the functionality of the new finance system Integra. Therefore there were some delays in the requested information being provided and not all the required audit trails had been retained. We followed up our audit recommendations in January and March 2015 and by year end could confirm that these issues had been resolved.

Across a number of other reviews, we raised recommendations around Data Quality and in particular around a lack of audit trails (Information Management Strategy, Internal Governance Q4 – Council Decision Making, Data Quality – Self Directed Support).

Issue from 2013-14	Audit Findings 2014-15
<p>3. System Access Controls – ensuring the integrity and security of data</p> <p>Data protection having fit for purpose systems to manage data in relation to children and vulnerable adults remains a</p>	<ul style="list-style-type: none"> • We identified a potential data breach in a published schools budgets spreadsheet; • SWIFT & Wisdom follow-up – interim controls have been put in place but ultimately the introduction of the Mosaic system in Adults Social Care has been delayed;

Issue from 2013-14	Audit Findings 2014-15
<p>priority particularly to support good records management. A number of reviews in 2013-14 identified weaknesses in IT systems. In particular two IT audits were undertaken which provided No Assurance (IT Access Controls and SWIFT & Wisdom in Adult Social Care) and the issues identified had data protection consequences.</p> <p>The SWIFT system in Adult Social Care was found to have significant functionality issues. Officers had to resort to keeping files and information locally where it was not protected. This leads to an increased inherent risk of a data protection incident occurring. In addition, at the time of the audit evidence was not available to confirm that data was appropriately backed up.</p> <p>Records Management and Data sharing – in a number of reviews there were some concerns noted for restriction of access to systems and data contained within those systems. Data sharing is a necessary aspect of work across partnerships for delivery of outcomes for Children in particular but needs to be done under an appropriate framework.</p>	<ul style="list-style-type: none"> • Decommissioning of SAP – there was no requirement for staff to obtain management authorisation when requesting SAP information; • Review of Self Directed Support - unnecessary team members had access to restricted folders. <p>This area is a residual issue for consideration within the AGS. During 2015/16 we will continue to review access controls and audit data security where appropriate</p>
<p>4. Roles, Responsibilities and Accountabilities - During the course of 2013-14 we repeatedly found a common theme in respect of responsibility and accountability issues.</p> <p>We noted that improvements were needed to the clarity of</p>	<ul style="list-style-type: none"> • A number of audits found a lack of clarity over roles at an operational level where CSG and delivery units needed to be working together (Disabled Blue Badges, Children’s Centres Financial Management, Community Capacity Grant, Bus Subsidy Grant, Trade Waste Invoicing).

Issue from 2013-14	Audit Findings 2014-15
<p>roles and responsibilities between Commissioners, internal and external delivery unit Directors and the retained functions at the Council to ensure co-operation and collaboration in the delivery of outcomes. All parties need to take ownership of the control environment and taking forward the required improvements.</p>	<ul style="list-style-type: none"> • Key Financial Systems (KFS) – some of the issues identified resulted from changes in personnel and staff structures as responsibilities were moved from the Council to CSG. • Commissioning for Outcomes – we recommended that the Council update its RASCI (Responsible – Accountable – Support - Consult – Inform) diagrams to provide better clarity on roles. We found that relationship building was needed, particularly between commissioners and the Internal Delivery Units. The Council has subsequently addressed these issues with the introduction of the SCOT (Strategic, Critical, Operational and Transaction) framework and changes to the Commissioning Group structure. • Re Joint Venture Arrangements – we were not provided with a copy of the Re Authorisations manual so could not confirm that financial and procurement limits for Re directors and staff were appropriate. • Schemes of Delegation – the majority of the Schemes of Delegation across the Council under which decisions are delegated are currently in draft form. • Policies and procedures – in a number of reviews we found these were not documented or were not up to date, leading to a lack of clarity for staff over what they should be doing (Children’s Centres Financial Management, Complaints, Disabled Blue Badges, Data Quality Re KPI 2.2, Data Quality CPI 1005, Compliance with Ofsted Requirements, Health & Safety, Mental Capacity Act, Payroll, Schools Budgets). <p>This area is a residual issue for consideration within the AGS. During</p>

Issue from 2013-14	Audit Findings 2014-15
	<p>2015/16 we will review the Council's Schemes of Delegation and we will consider how the Council collaborates with other organisations such as the Clinical Commissioning Group (CCG).</p>
<p>5. Contract Management Framework and Benefits Realisation</p> <p>During the course of 2013-14 we repeatedly found a common theme in respect of contract management and benefits realisation.</p> <p>Our contract audits in 2013/14 confirmed that there was not a consistent Contract Management Framework in place across all the Council's contracts. Without such a framework in place we noted inconsistent practices on how contracts were managed across the organisation. In addition, our reviews consistently found weaknesses in Benefits Management and therefore Benefits Realisation for contracts and projects within the areas we audited. The baseline and measurement of intended benefits was not always clear. Monitoring of whether intended benefits were being achieved was inconsistent and in some cases non-existent.</p>	<ul style="list-style-type: none"> • Our review of Contract Management confirmed that towards the end of the year a Contract Management Framework was introduced at the Council. In 2015/16 we will review a sample of contracts across the organisation to confirm whether the Framework is now being complied with. • We found the section in the Contract Management Framework on Benefits Management requires enhancement. • The Barnet Homes contract management follow-up found the majority of recommendations fully implemented but that Benefits management is still in progress. • Commissioning for Outcomes – we found that the Review stage of the Commissioning Cycle needed more attention as it was not always clear when something had been achieved and thereby when outcomes were being realised. • Your Choice Barnet – we found the Council had not applied the contract change control process when introducing changes to the contract payments mechanism, and that the contract did not include a risk and issue management process or a clause relating to employees / agency staff having their Right to Work status confirmed. • Passenger Transport Contracts (PTS) – we found that two contractors had been secured outside of the PTS Framework for transporting children. There were no records of how those contractors had been validated. For the contractors used

Issue from 2013-14	Audit Findings 2014-15
	<p>under the PTS Framework we found that not all annual reviews had been completed, and where they had been completed the records around DBS (criminal record) checks were not sufficient. Both of these findings represented a safeguarding risk.</p> <p>This area is a residual issue for consideration within the AGS. During 2015/16 we will look at developments to the Contract Management framework and compliance with it, particularly for smaller contracts not managed by the Commercial Team.</p>
<p>Business Continuity and Resilience – overall the direction of travel for improvements to business continuity and disaster recovery resilience had been gradual since 2007 with the overall assessment of the controls remaining Limited over a six year period and not considered sufficient to prevent large scale failures in service provision. This was particularly the case for information systems, and plans to rectify this through the CSG contract were delayed due to the judicial review of the contract in 2013.</p>	<p>During 2014/15 we followed up the Business Continuity audit conducted in 2013/14 which, at that time, provided Limited Assurance. We were able to conclude that the recommendations raised had been implemented.</p> <p>Plans to address the historic weaknesses in Business Continuity have been put in place via the CSG contract and there is now a Business Continuity Strategy. During 2015-16 we will continue to monitor progress and will conduct an audit to confirm that the Strategy is being implemented as planned.</p> <p>This area is not a residual issue for consideration within the AGS, although the Council's Disaster Recovery Plan does still need to be formalised and an audit of this is planned for 2015/16.</p>

4. Performance of Internal Audit

95% of the 2014-15 Audit Plan was delivered by the end of the financial year (March 2015), meeting our target.

The number of high priority recommendations reduced overall this year from 42 in 2013-14 to 35 in 2014-15. However, within this overall figure it should be noted that for non-schools audits the figures increased slightly (from 22 to 24). The reduction in high priority recommendations raised for Schools is due in part to the fact that the schools auditor post was vacant for part of the year.

Year	2014/15	2013/14
Non-Schools	24	22
Schools	11	20
Total	35	42

The direction of travel for implementing audit recommendations on a timely basis deteriorated with 73% of high priority recommendations confirmed as having been implemented within agreed timescales in 2014-15 (100% in 2013-14).

A summary of the status at the end of the year is as follows:

Status	Number	%
Implemented	44	73
Partly Implemented	15	25
Not Implemented	1	2
Total	60	100

Internal Audit evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.

In line with the Public Sector Internal Audit Standards there is a Quality Assurance and Improvement Programme (QAIP) in place for the Internal Audit service. After each audit we request feedback from senior management and service managers to ensure we address any perceived or actual weaknesses. This year we received 19 performance questionnaires back following completion of

audits. These questionnaires give a rating from 1 (Excellent) to 5 (Unacceptable), with our target for the Internal Audit Service being to achieve 90% rated over 3. This year the service achieved 95% (100% in 2013-14) rated satisfactory (3) or above.

During the year we conducted a survey of managers across the Council to gather their wider feedback on the service. 36 responses were received, with many areas of the Council represented. Key points to note were:

Do you think Internal Audit adds value?

Yes – 89%

No – 11%

Comments included:

They provide an independent view on processes and procedures	Because they tie up resource, which is already extremely short and time-pressured, for hours on end
Objective, external set of eyes to check for gaps in process, areas of weakness and to recognise areas of success	Sometimes the auditors do not really understand the area they are investigating and it takes up huge amounts of staff time just explaining what they are seeing. This impacts on the ability of staff to focus on their day to day responsibilities.
Pretty fearless in identifying and addressing issues e.g. the IT problems highlighted recently	
It ensures the council upholds the highest values and maintains the integrity and trust of services to make sure the council spends money appropriately and exercises its functions fairly	
Strong method, good auditors in place, able to help highlight areas where improvement is needed	

Assurance, best practice, improvement	
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*What did Internal Audit do which you found **most** useful last year?*

Around **half** of the respondents gave comments referring to particular audits:

“Following feedback from managers, assisted us to approve our PIs and KPIs”

“Provide support to the Troubled Families programme”
--

“Prompted thinking about the effectiveness of enabling boards”
--

“The review challenged the process resulting in changes to the Financial Regs”
--

“Review of the relationship with Barnet Homes. They prompted the sorting out of the movement agreement that had become ‘stuck’ ”.

*What did Internal Audit do which you found **least** useful last year?*

Around a **third** the respondents gave comments:

Communication: <i>“Communicating risks across sections – sharing knowledge”</i>

Too narrow an audit, or conversely, an audit too wide which encompasses things which were not valid: <i>“ToR were incorrectly drawn and the results too narrow”</i> versus <i>“checking 2 to 3 year tender processes”</i>

Risk being reported as too low or high: <i>“needed to be stronger in terms of raising to managers the importance and fines associated with not meeting external audit practice”</i> versus <i>“higher assessment of risk than was justified”</i>
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We continually strive to improve the Internal Audit Service and found the feedback from the survey extremely useful. In 2015/16 will be introducing new approaches to increase efficiency and to streamline the audit process for officers across the Council. In addition we will be ensuring regular input to the Audit Plan throughout the year from all stakeholders. The Audit Plan will be responsive to the pace of change at the Council and any emerging risks.

The service has made further improvements during the year including:

- Jointly procuring a Framework contract for the provision of internal audit, risk management, investigation and advisory services. The Framework is with five other London boroughs (Camden, Enfield, Harrow, Islington and Lambeth) and the supplier is PwC. The vision for the 'Cross Council Assurance Service' is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively and the ability to deliver more for less. Joining the framework has enabled us to:
 - work more closely with a number of other London Boroughs, sharing expertise, knowledge, working practices to further enhance the efficiency and effectiveness of the service; and
 - develop a platform which will harmonise working practices and audit processes and enhance the skills and capacity of the in-house teams.
- Agreeing a protocol with the Barnet Group to ensure appropriate audit coverage of all the Council's key risks, regardless of who the service is provided by.
- Undertaking an Assurance Mapping exercise to ensure our audit universe reflects the Council's evolving structure and that our plan for 2015-16 targets key risk areas.

During the year we undertook a detailed review of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAs) and the CIPFA Local Government Application Note (LGAN). As per the PSIAs the results of this self-assessment must be included within this Annual Opinion and must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAs. I can confirm that during 2014-15 in all material respects the internal audit service has conformed to the requirements of the Public Sector Internal Audit Standards. A summary of the self-assessment undertaken is at Appendix D.

Appendix A: Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. 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.

Appendix B: List of Assurances 2014-15

Audit Opinions on Completed Audits during the period		
	Systems Audits	Assurance
1	Disabled Blue Badges (joint with CAFT)	Limited
2	Your Choice Barnet contract review (joint with CAFT)	Limited
3	Passenger Transport Contracts (joint with CAFT)	Limited
4	Permanency Routes	Limited
5	The Care Act – LGA Stocktake Submissions	Limited
6	Accounts Payable	Limited
7	Accounts Receivable	Limited
8	General Ledger	Limited
9	Housing Benefits	Limited
10	NNDR	Limited
11	Grant Income	Limited
12	Regeneration	Satisfactory
13	Risk Management	Satisfactory
14	Children’s Centres Financial Management	Satisfactory
15	Complaints	Satisfactory
16	Transformation Q1	Satisfactory
17	Capital Programme	Satisfactory
18	Health & Safety	Satisfactory
19	Internal Governance – Delivery Board	Satisfactory
20	Decommissioning of SAP	Satisfactory
21	Mental Capacity Act	Satisfactory
22	SEN – Children’s & Families Act	Satisfactory
23	Schools Budgets	Satisfactory
24	Budget Monitoring – Street Scene & Commercial	Satisfactory
25	SPA / PCN Deletions Follow-Up	Satisfactory
26	Transformation Q4	Satisfactory
27	Contract Management	Satisfactory
28	Information Management Strategy	Satisfactory
29	Payroll	Satisfactory
30	Treasury Management	Satisfactory
31	Cash & Bank	Satisfactory
32	Council Tax	Satisfactory
33	Internal Governance – Council Decision Making	Satisfactory
34	Pensions Administration	Substantial
35	Troubled Families – Payment By Results Q1	N/A
36	Troubled Families – Payment By Results Q2	N/A
37	Troubled Families – Payment By Results Q3	N/A
38	Troubled Families – Payment By Results Q4	N/A
39	Adoption Reform Grant	N/A
40	Bus Subsidy Grant	N/A

41	Community Capacity Grant	N/A
42	Transforming Care Grant	N/A
43	Barnet Homes Contract Management Follow-Up	N/A
44	IT access controls / SWIFT & Wisdom follow-ups	N/A
45	Key Financial Systems – Follow-up of 2013/14 recommendations	N/A
46	Key Financial Systems – Follow-up on Reconciliations – January 2015	N/A
47	Key Financial Systems – Follow-up - March 2015	N/A
48	Data Quality - Re KPI 2.2	N/A
49	Data Quality - Self Directed Support	N/A
50	Data Quality - CPI 1005: Proportion of older people (65 and over) who were still at home 91days after	N/A
51	Commissioning for Outcomes	N/A
52	Children's Data Protection – memo on data breach	N/A
53	Compliance with Ofsted requirements	N/A
54	Re Joint Venture arrangements	N/A
55	Trade Waste - invoicing issues	N/A
56	Project Management Toolkit	N/A
57	Schools Assurance Mapping	N/A
58	Children's E-finance - assurance over new controls	N/A

	School Audits	Assurance
1	Pardes House	Limited
2	St Andrews CE	Limited
3	Oakleigh	Satisfactory
4	St Agnes	Satisfactory
5	Brookland Junior	Satisfactory
6	Brookland Infant	Satisfactory
7	Tudor School	Satisfactory
8	Moss Hall Infant	Satisfactory
9	Courtland	Satisfactory
10	Northside	Satisfactory
11	Menorah Primary	Satisfactory
12	All Saints N20	Satisfactory
13	Deansbrook Infant	Satisfactory
14	Garden Suburb Infant	Satisfactory
15	Beit Shvidler	Satisfactory
16	Our Lady of Lourdes Catholic	Satisfactory
17	Christ Church	Satisfactory
18	St John's N20	Satisfactory
19	Finchley Catholic	Satisfactory
20	St Vincent's	Satisfactory
21	Woodridge	Satisfactory
22	Blessed Dominic	Satisfactory

Appendix C: Changes to 2014-15 published plan

Since the Internal Audit Plan was approved in April 2014 there have been a number of changes that have been reported to the Audit Committee within the 2014-15 quarterly progress reports. These are summarised below:

Type	Audit Title	Reasons
Additional	Schools Budgets	Added at the request of SCB
Additional	Schools Budgets – data protection	Memo issued in response to potential data breach identified
Additional	Trade Waste Invoicing	Added at the request of management to assess improved controls introduced over invoices and credit notes
Additional	Schools Assurance Mapping	Exercise undertaken to determine sources of assurance over schools. This exercise will inform any changes to the schools audit programme in 2015/16 therefore it needed to be undertaken in 2014/15
Additional	Children’s E-Finance	At the request of management, assurance provided over the design of the controls in Controcc before it went live on 1 December
Additional	Community Capacity Grant	Retrospectively asked to provide assurance that the grant had been spent or allocated in line with the grant conditions
Additional	IT Access Controls / SWIFT & Wisdom follow-up	These were added as a result of ‘No Assurance’ ratings in quarter 4 of 2013-14.
Combined	Children & Families Act	Combined with SEN review
Combined	Performance Management Framework	Covered as part of the Commissioning for Outcomes review
Combined	Benefits Realisation Framework	Combined with the Contract Management Framework audit
Combined	Conflicts of Interest	Combined with Re Joint Venture Arrangements review
Combined	Financial Management	Combined with Street Scene Budget Monitoring and MTFs Transformation programme governance review
Brought Forward	Commissioning for Outcomes	Brought forward at request of Chief Executive

Deferred	People Management	Deferred to Q1 of 2015-16 as agreed with management due to changes in HR senior officers within the Council and CSG.
Deferred	Residential Care Homes (Joint review with CAFT)	Deferred to 2015/16 due to CAFT reactive work taking priority
Deferred	School Improvement	Deferred to 2015/16 due to resources having been needed on the additional audits identified above
Deferred	Public Health follow-up	Deferred to 2015/16 to allow full year since completion of previous audit of Public Health
Deferred	Revenues & Benefits	Review of client-side arrangements around Revs & Bens deferred to 2015/16 i.e. after Key Financial System reviews completed
Deferred	Risk Management Framework	Deferred to Q4 to enable a review of risk management arrangements throughout the year to support the Head of Internal Audit opinion
Deferred	Transformation Q3	Deferred to Q4 so that assessment of projects occurs after assessment of the Project Management Toolkit (completed in Q3)
Deferred	Internal Governance Q2	Deferred to Q3 due to needing output from Commissioning for Outcomes review before selecting Board to review
Deferred	Health & Safety	Deferred to Q2 to accommodate additional audits.

Appendix D: Compliance with Public Sector Internal Audit Standards

During the year we undertook a detailed review of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAs) and the CIPFA Local Government Application Note (LGAN). As per the PSIAs the results of this self-assessment must be included within this Annual Opinion and must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAs.

I can confirm that at the time of the review, our compliance was as follows:

Status	Response rate	Number of questions
Full compliance	75%	260
Partial compliance	21%	72
Not compliant	2%	8
N/A	2%	7
Total	100%	347

The eight areas where we were not compliant are below. Subsequent action has been taken and the status as at June 2015 is that five of the eight areas are now compliant and three are partially compliant.

Area	Question	Subsequent action taken to address and June 2015 status
1000: Purpose, Authority and Responsibility	Does the Internal Audit Charter set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Internal Audit Charter updated accordingly and agreed at Audit Committee April 2015
1110: Organisational Independence	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (CAE)?	Chief Executive asked to contribute to performance appraisal of CAE in June 2015

1110: Organisational Independence	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Chair of the Audit Committee asked to contribute to performance appraisal of CAE in June 2015
1210: Proficiency	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Action Plan in place to use the PwC Framework to drive up IT audit skills within in-house team. Head of Internal Audit is the Technology Lead on the Joint Governance Group for the PwC Framework, there is a project plan to take this forward in 2015/16
1311: Internal Assessments	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Updated Internal Audit's performance indicators within the 2015/16 plan which was agreed by the Audit Committee in April 2015
2010: Planning	Does the risk-based plan set out the respective priorities of those pieces of audit work?	Introduction to the 2015/16 Plan covered the new Audit Requirement Ratings methodology - but the individual rating is not stated next to each listed audit. To take forward in more detail in the 2016/17 plan
2210: Engagement Objectives	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Updated audit manual to prompt this question to be asked as part of each audit. Next stage is to update the P1 Planning Memorandum template.
2450: Overall Opinion	Does the annual report incorporate a comparison of work actually carried out with the work planned?	Quarterly reports have included any changes to the published plan. For 2014/15 opinion have included a new appendix that summarises the changes for the whole year – 'Changes to 2014-15 published plan'

Key:

Rating	Explanation
Full compliance	The identified action is now complete
Partial compliance	Aspects of the identified action have been implemented however not considered implemented in full.
Not compliant	There had been no progress made in implementing this action

We have devised an action plan to move closer to 100% compliance and at time of writing the actions already taken have led to improved compliance as follows.

Status	Response rate	Number of questions
Full compliance	82%	286
Partial compliance	16%	54
Not compliant	0%	0
N/A	2%	7
Total	100%	347

We will report against further progress on the action plan within the 2015-16 Internal Audit annual opinion.

The PSIAS also require the Internal Audit service to be externally assessed at least every 5 years. We have arranged for an external assessment to be undertaken during 2015-16 via the London borough Peer Review network. The Chair of the Audit Committee and the Chief Executive are sponsors of the review and a summary of the findings will be included within the 2015-16 Annual Internal Audit opinion.