Internal Audit

Progress Report 2015-16 – Quarter 2

Caroline Glitre, Head of Internal Audit

Contents

1. Introduction

The Internal Audit Plan was accepted by the Audit Committee on the 30th April 2015. 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. Schools Audit Approach

As reported to the last Audit Committee, in conjunction with the Education & Skills team we have developed the audit approach to schools in order to give independent assurance over key non-financial risks. We are currently undertaking a pilot of those additional audit areas at schools being visited in the Autumn Term. The additional areas are:

- Pupil Premium
- Safeguarding
- Governance
- Anti-Fraud

As part of the communication with schools around the pilot, we have informed them of the new approach to follow-up audits of schools in that we will visit schools to confirm that any Priority 1 recommendations have been implemented, rather than relying on a confirmation being received from the Chair of Governors.

Follow-up audit visits have been booked for St. Andrews and Fairway schools in November to confirm the new controls introduced in September are operating effectively in practice.

As agreed at the last Audit Committee, schools have also been made aware that any Limited or No Assurance audit reports will now be published on the Council's website in line with other audits.

3. Final Reports Issued

This report covers the period from 1st July 2015 to 30th September 2015 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 23 reports in accordance with the 2015-16 Internal Audit Plan. In summary, the assurance ratings provided were as follows:

Substantial	1
Satisfactory	15

Limited	1	
No	0	
N/A	6	
Total	**23**	

Table 1: 2015-16 work completed during quarter 2 including assurance levels	
Systems Audits	**Assurance**
1 Schools Improvement	Substantial
2 Accounts Receivable	Satisfactory
3 General Ledger	Satisfactory
4 Schools Payroll	Satisfactory
5 Housing Benefit	Satisfactory
6 Council Tax	Satisfactory
7 NNDR	Satisfactory
8 Regeneration – Brent Cross	Satisfactory
9 Risk Management Framework	Satisfactory
10 Transformation Q1	Satisfactory
11 Contract Management Toolkit Compliance – Follow-Up and Premier Partnerships	Satisfactory
12 Contract Management – Homecare	Limited
Advisory Reviews	**Assurance**
13 Carbon Reduction Commitment	N/A
Grants	**Assurance**
14 Transforming Care Grant	N/A
15 Disabled Facilities Grant	N/A
16 Bus Subsidy Grant	N/A
17 Pothole Fund Grant	N/A
18 Troubled Families Payment By Results Q2	N/A
School Audits	**Assurance**
19 Martin Primary	Satisfactory
20 Pavilion Pupil Referral Unit (PRU)	Satisfactory
21 Manorside	Satisfactory
22 Annunciation Infant	Satisfactory
23 St Marys EN4	Satisfactory

The summary detail of those reports issued as Limited assurance is included within section 5.
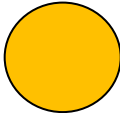
4. Key Financial Systems – Continuous Audit Methodology (CAM)

In 2014/15 we introduced a new approach to auditing the Council's key financial systems – the Continuous Audit Methodology. This means that we test the operating effectiveness of the same key controls and can therefore report a clear Direction of Travel against those systems.

A summary of the outcome of the 2015/16 Q2 reviews completed to date is below. This clearly shows improvement across the key financial systems audited this quarter.

Department	Overall Opinion 2015/16		Overall Opinion 2014/15		Direction of Travel	Number of controls tested	Controls where operating exceptions were found		Control design exceptions found		Comments
							2015/16	2014/15	2015/16	2014/15	
Accounts Receivables	Satisfactory	🟢	Limited	🟡	⬆️	7	1	3	1*	2	*Control design issue not fully resolved since prior period
General Ledger	Satisfactory	🟢	Limited	🟡	⬆️	4	1	3	0	1	
Schools Payroll	Satisfactory	🟢	N/A		N/A	7	1	N/A	0	N/A	In 2014/15 looked at Non-Schools Payroll therefore no comparative data
Council Tax	Satisfactory	🟢	Satisfactory	🟢	⬆️	7	1	0	0	1	
Housing Benefit	Satisfactory	🟢	Limited	🟡	⬆️	8	1	4	1*	1	*Control design issue not fully resolved since prior period
NNDR	Satisfactory	🟢	Limited	🟡	⬆️	7	1	0	1*	2	*Control design issue unresolved since prior period

5. Key Findings from Internal Audit Work with Limited assurance

Title	Contract Management Toolkit compliance - Homecare			
Audit Opinion	No	Limited	Satisfactory	Substantial
Date of report:	August 2015			
Background & Context	In November 2014 the Council introduced a corporate approach to managing contracts, which included the production of a contract management toolkit and templates, supported by contract management training sessions for key staff members. We reviewed a sample of contracts including two of the contracts for Home Care (Enablement and MiHomecare), managed by Adults & Communities. For the 2014 calendar year the Enablement contract spend was approximately £1.5m and MiHomecare was £2m.			
Summary of Findings	• **Risk and Issue Management** - we identified areas where the Home Care contracts risk and issue management controls should be improved. We found that the contracts did not contain a risk and issue management process, which set out how the Council and the suppliers intended to manage and escalate risks or issues. In addition, risks and issues in relation to the contracts were not formally documented in risk or issue registers or the Council's risk management system (Priority 1). • **Stakeholder Management** - we found that a stakeholder communications plan had not been developed as required by the Council's Contract Management Manual, to ensure that stakeholders are identified, analysed and effectively engaged with on a regular basis (Priority 2).			

Priority 1 recommendations, management responses and agreed action dates			
1. Risk and Issue Management			
Recommendation	**Management Response**	**Responsible Officer**	**Deadline**
a) A risk and issue management process should be introduced for both the Enablement and MiHomecare contracts to ensure that risks and issues are consistently and effectively recorded, monitored, escalated and resolved in a timely manner. b) Management should utilise the risk register template within the Contract Toolkit and ensure that Enablement and MiHomecare risks are recorded, assessed and mitigated. This information should then be regularly monitored and updated. c) Management should utilise the issue register template within the Contract Toolkit and ensure that Enablement and MiHomecare issues are recorded, monitored and managed. This information should then be regularly monitored and updated. d) Management should consider whether these recommendations are applicable to the other Home Care contracts.	Though on-going review of contract risk was undertaken by the contract manager and escalated as appropriate to senior management, it is acknowledged that this was not formalised appropriately and did not meet corporate standards. Both the structure of the Care Quality Service, staff absence and resourcing issues continued to negatively impact on the ability of the service to adequately manage contract risk within the agreed framework. Following the restructure of the service, a comprehensive programme of recruitment and the appointment in May of the new Head of Service, the category teams are now undertaking a roll out of the Corporate contract management framework and monitoring toolkit on a phased basis. The service works with more than 400 contracts and will be focusing initially on the key strategic and critical contracts. Toolkits are currently being completed for both MiHomecare and Housing and Care 21. Further training has been commissioned for	Head of Care Quality, Adults & Communities	31st August 2015 30th Sept 2015 Completed

			31st Oct 2015
	September to embed the approach and test the understanding of staff who are all currently completely toolkits for key services. Risk is now a standing item at all contract meetings and will be recorded appropriately within the contract toolkit with risk and issue management clearly documented. Service Mangers will be working through completed toolkits in staff supervision and escalating to the Head of Service for sign off.		

6. Advisory reviews for management purposes

There was one advisory review undertaken by internal audit that does not give an assurance rating but none the less aids management in assessing the design and effectiveness of their control environment. If a significant issue has been identified or a Priority 1 recommendation made as part of these reviews further detail is provided within this progress report below. Priority 1 recommendations are followed up in line with the Audit Committee's standard follow-up process.

Any potential independence threats have been managed when undertaking these reviews in that the staff involved in the reviews have not audited / will not audit the area concerned for at least 12 months before or after the advisory work.

	Advisory Reviews	
1	Carbon Reduction Commitment	No significant issues noted

7. Work in progress

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

Table 2: Work in progress		
	Systems Audits	**Status**
1	Accounts Payable	Draft Report
2	Financial Assessments (joint with CAFT)	Draft Report
3	Shared Legal Service – Clienting and Governance	Draft Report
4	Information Security - Cyber Risk (joint with CAFT)	Draft Report
5	Procurement – Compliance with Contract Procedure Rules (CPRs)	Draft Report
6	Projects & Programmes: Capital Projects - Development Pipeline	Draft Report
7	CSG Invoicing / Gain Share Agreements	Fieldwork
8	S75 Agreements (including Better Care Fund)	Fieldwork
9	Foster Carer and Adoption Payments	Fieldwork
10	Data Quality spot checks - Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House)	Fieldwork
11	Street Scene Operations Review (joint with CAFT)	Fieldwork
12	Disaster Recovery Plan	Planning
13	Highways Expenditure	Planning
14	Client Affairs	Planning
15	Schemes of Delegation	Planning
16	IT Strategy	Planning
17	Parking Permit Administration (joint with CAFT)	Planning
	Schools Audits	
17	Northgate Pupil Referral Unit (PRU)	Fieldwork

8. Implementation of Internal Audit recommendations

Quarter 2, 2015-16: Priority 1 Recommendations due

Code to ratings:

Shading	Rating	Explanation
	Implemented	The recommendation that had previously been raised as a priority one has been reviewed and was considered implemented.
	Partly Implemented	Aspects of the priority one recommendation had been implemented however not considered implemented in full.
	Not Implemented	There had been no progress made in implementing this priority one recommendation.

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
1. **SWIFT & Wisdom** Access to case information on Wisdom should be restricted according to business need.	Head of Information Management July 2014 Revised to July 2015	As part of the Information Management Strategy, we are implementing a project to look at underlying problems with Wisdom and to evaluate its business purpose. We will look at the access controls in Wisdom at this point.	**Partly Implemented** As part of the Investing in IT project the Delivery Unit decided to move away from Wisdom as the primary document management system as the new Mosaic system will have a document storage function. However, Wisdom will continue to be used to store historic file information which will be accessed via URL from Mosaic. The browser will be locked to a particular client, from this point the user can be restricted from navigating to other cases. As at October 2015 the exact design of the new

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
			system had not yet been signed off to confirm that this is no longer a risk, therefore considered Partly Implemented. **To revisit progress in Q3**
2. Accounts Receivable **Invoice Request Forms** Invoice requests should be implemented and authorised before being issued. Due to the large amount of invoices issued, a scheme of delegation of authority could be set up so that invoices could be authorised on a hierarchal basis depending on value.	Assistant Director of Finance, Customer and Support Group (CSG) March 2015 Revised to 31 July 2015	The functionality of Integra is being re-configured to include a threshold above which sales invoices will automatically require approval.	**Partly Implemented** We confirmed that CSG's proposal to implement the change to the functionality to Integra was approved by the Council in March 2015. In March 2015, we also confirmed that feasibility work was undertaken and it was deemed better value for money to undertake the activity alongside the planned upgrade to Integra which was planned in July 2015. In September 2015, we were informed that this has not yet been implemented as part of the system upgrade to the system that went live during August 2015. The development has been scheduled for November 2015 and will be agreed by the Integra User Group in November to roll out to the business within the live system. **Revised Implementation date :** November 2015
3. Grant Income	Commissioning	Across commissioning portfolios	**Partly Implemented**

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
Grant Identification Roles/arrangements for pro-actively identifying grant opportunities should be implemented.	Directors for: • Adults and Health; • Children & Young People; • Growth and Development; and • Environment Commercial and Customer Services Director Supported by Finance (Commissioning Group) September 2015	(in commissioning group or Delivery units) grants databases will be maintained which evidence horizon scanning, at least once every quarter. Evidence may include communication with relevant central government departments or the use of grant finder. 'Invest to save' options will also be explored, for example the possibility of engaging an appropriate grants finding company.	An email was sent out to all Directors in September laying out all the new processes for grant income. This included a flow chart and a word document which documents Directors' decisions. Access to Grant Finder has been made available and a member of CSG finance team will now be horizon scanning and contacting delegated staff members in Delivery Units of the Council when any grants are made available. It has been made clear that this arrangement is not intended to duplicate or supersede existing good practices which Commissioning Directors are expected to continue. A document has been designed which is completed by the service which will record if the decision is being taken forward or not. This will be signed off by SMT and then sent to CSG for the Head of Finance to challenge. A process has been designed where the services will have to document if they are taking a grant application forward. This will then be reviewed by the Head of Finance as a critical friend. At the time of the follow-up CSG had not received any completed External Grant / Funding Opportunity

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
			forms therefore we were unable to confirm whether the new control is yet operating in practice.

Management Agreements had already been agreed for this financial year at the time of the audit. However, it will be raised with Commissioning Directors that 2016/17 agreements for next year should be updated to acknowledge the need to review grant options.

Revised deadline 31/3/16 |
| 4. **People Management – Pre-employment Checks**

Safer Recruitment Training & Guidance

a) The revised Safer Recruitment guidance should be formalised and made available to all Line Managers within the Council following formal approval by the Workforce Board in August 2015. | Lead Human Resources Consultant

Human Resources Operations Director, CSG

Human Resources Operational Manager, CSG

31 August 2015 | Revised policy and guidelines were submitted to Workforce Board (WFB) 10th June for 30 day consultation. If no further consultation required the policy and guidelines will be approved and released. These will be placed on the intranet with briefing sessions arranged as required – it has been noted that this is a formal recommendation and therefore further discussion will take place with the client to determine requirements.

Many of the managers have | **Partly Implemented**

a) Safer Recruitment Guidance was approved by the Workforce Board on 18th August 2015. It is going to the Strategic Commissioning Board (SCB) for final approval by the Council's statutory officers on 27th October 2015.

b) & c) It was agreed at the DBS Strategy meeting held on 16th July 2015 that formal training would not be made available but that briefing notes would be written / approved and placed on the intranet with a communication sent out to all Managers.

Further Action for full implementation |

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
b) Human Resources should develop training on the new guidance. c) All Line Managers within the Council should be mandated to attend a formal briefing on the new guidance to ensure they fully understand their role and responsibilities.		raised concerns (either through WFB or independently) in relation to the guidance and applying consistent methodology to determining which posts do or do not require checks. With this in mind Capita intend to propose to the client the introduction of a new DBS consistency forum with representation from each DU; the intention being that the forum will debate requirements for posts where there is any uncertainty with the aim to ensure consistent application of requirements against posts across the DU's. WFB also requested that an appendix of posts requiring/not requiring checks was developed, this has been considered since the last WFB but further discussion will be required with the client to establish how this would work in practice. A formal meeting will be set up for discussions between client	The Safer Recruitment Policy and Guidance needs to be compared against contract before they can be placed on the intranet and briefing notes finalised. **Revised implementation date: 30/11/15**

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
		strategy, client assurance, client safeguarding and Capita to determine the next steps.	
5. People Management – Pre-employment Checks **Monitoring of HCPC Registration of Social Workers** a) Management should complete the risk assessment process for the case where HCPC registration could not be confirmed and ensure that it is appropriate for them to remain in post. b) The Council should consider whether to introduce a requirement for all social workers to provide evidence of HCPC registration. c) Management should agree a clear procedure for the	Lead Human Resources Consultant Human Resources Operations Director, CSG Human Resources Operational Manager, CSG 31 July 2015	The case identified as being non-compliant will be raised with the DU Director and a risk assessment will be undertaken, with the appropriate decision being made by the DU Director as to whether that employee should have HCPC registration or be supervised (or other alternative action taken) whilst registration is being obtained. A review is currently underway for all employees whose role requires HCPC registration and those found to be non-compliant will be addressed as above. A process will be written and submitted to WFB for consultation and approval for the monitoring with guidance notes which will include a requirement for all social workers to provide evidence of HCPC registration.	**Partly Implemented** a) The service's review of the case identified that the individual did hold HCPC registration however it was held under her maiden name. Since the audit validation visit the HR Operations Manager has additionally followed up with the individual's manager and made her aware that when this person's HCPC is due for renewal that they should update their details with HCPC. b) Confirmation seen that HCPC and DBS details are now held in CORE. c) & d) HCPC renewal reminders are sent directly to the registrant by HCPC 3, 2 and 1 month ahead of expiry. Reporting on CORE two weeks prior to the expiry date (if not renewed) will highlight that HR needs to contact the relevant Line Manager and request a risk assessment on the employee. e) The Engagement and Communications plan has not been rolled out yet it is in progress and will be made available on the intranet once the Safer

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
monitoring of HCPC registration, clarifying the respective responsibilities of Adults & Communities, Family Services and Human Resources. d) The Council should consider how to formally monitor HCPC registration, including the expiry date of all social worker registration. Management should continue to develop the functionality of CORE to support this process. If relevant, reminders should be sent to all social workers when a registration is due to expire. e) The Council should produce an Engagement and Communications Plan to communicate any new monitoring procedures to ensure social workers are aware of their responsibility		This will be cross referenced with an HCPC website check. Once document is approved it will be placed on the intranet and briefing sessions held as appropriate A decision will need to be made as to where the responsibility rests for monitoring registration going forward. A formal meeting will be set up for discussions between client strategy, client assurance, client safeguarding and Capita to facilitate this discussion. Irrespective of where the responsibility lies CORE is currently being developed to record and provide management information to support this process. Work is already underway to develop CORE to store information relating to both DBS and HCPC. This work is currently in test phase with the aim to transfer data from manual spreadsheets to the system in	Recruitment Policy and Guidance details have gone through the final check against contract. **Further Action for full implementation** The Engagement and Communications plan will be rolled out and be made available on the intranet once the Safer Recruitment Policy and Guidance details have gone through the final check against contract. **Revised implementation date: 30/11/15**

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
to provide timely evidence of registration.		July 2015. Reminders for Social Workers will be considered alongside the discussion regarding responsibility for monitoring in the meeting described above. Implementation of this process will follow in due course. Engagement and communication for all Social Workers will form part of the plan addressed in the meeting described above. Consideration and approval of this guidance will need to be discussed as well as the communication methodology. Implementation of this process to follow in due course. The meeting described above will be critical in informing what action should be taken by the Council to investigate Social Workers who fail to provide relevant evidence. Outcomes of this discussion will form part of the guidance and engagement	

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
		for managers and employees alike.	
6. People Management – Pre-employment Checks Accuracy and Completeness of Vetting Information	Lead Human Resources Consultant Human Resources Operations Director, CSG Human Resources Operational Manager, CSG 31 July 2015	The review of information held in CORE is currently underway. DU's are already undertaking an exercise to review whether a position requires a DBS check or HCPC registration as previously stated. Where there is uncertainty this will be reviewed through the DBS Consistency Forum described above. Data collated is being referenced back to establishment data in CORE and data is currently being prepared to complete test uploads within week commencing 29th June 15. The aim will be to have this recorded against live records in early July. Any gaps in information once data is loaded will either be addressed through the DBS consistency forum or raised with Managers as gaps. The Establishment Control	**Partly Implemented** a) All DBS and HCPC information is now held in CORE. b) Where posts have been identified as requiring DBS/HCPC checks these are underway and are ongoing. c) Establishment control forms are now in use across the business including a Movers Form to control movement of staff and capture the requirements of the post. The version of the form seen highlights the need to consider DBS checks and HCPC registration requirements in relation to the post and requires specific line manager completion. These updated forms will be embedded via Engagement and Communications channels. **Further Action for full implementation** DBS/HCPC checks required as a result of gaps identified to have all been completed and appropriate action on the outcomes taken where applicable.

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (October 2015)
		Movers form has already been updated to capture the requirements of the post and the incoming employee. The aim will be for this to trigger the operations team to begin the process for upgrading if required and current certification doesn't already trump the requirements of the post. These updated forms will be embedded via Engagement and Communications channels.	**Revised implementation date: 30/11/15**

Audit Title and Recommendation	Audit Assessment for Audit Committee (October 2015)
7. **Permanency Routes** Permanency process and control - Records management and documentation retention	**Implemented**
8. **Trade Waste Invoicing** Approval and Allocation of Credit Notes	**Implemented**
9. **Data Quality Re KPI 2.2** Compliance with definition	**Implemented**

9. Internal Audit effectiveness review

We have met our targets within the plan with the exception of one indicator being rated Red and one being rated Amber.

Implementation of internal audit recommendations – as per section 7 above, the progress of the 9 high priority recommendations due for implementation in quarter 2 is that 33% of recommendations have been fully implemented compared to a target of 90%. 67% have been partly implemented.

A summary of the status is as follows:

Status	Number	%
Implemented	3	33%
Partly Implemented	6	67%
Not Implemented	0	0%
Total	**9**	**100**

Performance Indicator	Target	End of Quarter 1
% of plan delivered	46%*	43%
Number of reviews due to commence vs. commenced in quarter	95%	100%
% of reports year to date achieving: • Substantial • Satisfactory • Limited • No Assurance • N/A	N/A	 9% 54% 11% 0% 26%
Number / % of Priority 1 recommendations: • Implemented • Partly implemented • Not implemented in quarter when due	90%**	33%

* Based on 95% complete of those due in quarter. Performance of <10% under target considered Amber; performance of >10% under target considered Red.
** Performance of 50-89% considered Amber; performance <50% considered Red.

10. Changes to our plan

Since the Internal Audit Plan was approved agreed in April 2015 there have been changes as follows:

Type	Audit Title	Reasons
Deferred	SEN Follow-Up - Education Healthcare Plans (EHC)	Deferred due to delays with Alternative Delivery Model (ADM) for Education & Skills and fact that 2014/15 SEN audit finalised in Q4
Deferred	Schemes of Delegation	As agreed with management due to additional changes to Schemes needed after Commissioning Council re-structure
Deferred	IT Strategy	Deferred due to changes in key personnel
Deferred	Internal Governance: Alternative Delivery Models	Reviews already conducted during year of HB Public Law (shared service model) and CSG (outsourced model). Therefore Q2 review deferred to Q4 when can review Re (Joint Venture model) Invoicing / Gain Share Agreements.
Combined	Procurement – Conflict Management	Included within scope of Procurement – Compliance with CPRs audit
Additional	Schools Payroll	Split out Schools Payroll from wider planned Key Financial Systems audit of Payroll
Additional	Teachers Pensions	Split out Teachers Pensions from wider planned Key Financial Systems audit of Pensions
Additional	Disabled Facilities Grant	Last minute notification from service that Internal Audit sign off required

11. Risk Management

The final performance report for Quarter 1 was presented to the Performance and Contract Monitoring Committee on 1st September 2015 and can be found via the link below:
http://barnet.moderngov.co.uk/mgAi.aspx?ID=13723#mgDocuments

Appendix I to the report is the Quarter 1 corporate risk register:
http://barnet.moderngov.co.uk/documents/s25437/Appendix%20I%20-%20Corporate%20Risk%20Register.pdf

Quarter 2 performance, including the corporate risk register, will go to the November meeting of the Performance and Contract Monitoring Committee.