

Appendix 1

Internal Audit

Quarter 3 Progress Report 2016-17 1st October – 31st December 2016

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1. Introduction

The Internal Audit Plan was approved by the Audit Committee on the 19th April 2016. As previously requested by the Committee, this report covers audit reports with limited or no assurance which are summarised into key messages with some detail.

2. Final Reports Issued

This report covers the period from 1st October 2016 to 31st December 2016 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 25 reports in relation to the 16/17 plan. In summary, the assurance ratings provided for reports issued in final were as follows:

| | |
|-----------------|-----------|
| Substantial ✓✓✓ | 2 |
| Reasonable | 20 |
| Limited | - |
| No | - |
| N/A | 3 |
| Total | 25 |

Table 1: Work completed during quarter 3 including assurance levels

| | Systems Audits | Assurance | Number of findings by risk category | | | | |
|---|--|------------|-------------------------------------|------|--------|-----|----------|
| | | | Critical | High | Medium | Low | Advisory |
| 1 | Statutory Complaints – Adults & Communities | Reasonable | - | 1 | 2 | 1 | - |
| 2 | Contract Management Toolkit Compliance - Mortuaries | Reasonable | - | 1 | 1 | 1 | - |
| 3 | Regional Enterprise (Re) Invoicing and Monitoring Arrangements | Reasonable | - | 1 | 1 | 1 | - |
| 4 | Statutory Complaints – Family Services | Reasonable | - | - | 5 | 1 | - |
| 5 | Parks & Green Spaces - Health & Safety | Reasonable | - | - | 5 | 1 | - |

| | | | | | | | |
|-------------------------------------|--|--------------|---|---|---|---|---|
| 6 | Special Projects Initiation Request (SPIR) Process | Reasonable | - | - | 2 | 3 | - |
| 7 | Accounts Receivable | Reasonable | - | - | 1 | 1 | - |
| 8 | Housing Benefits | Reasonable | - | - | 1 | - | - |
| 9 | Accounts Payable | Reasonable | - | - | - | - | - |
| 10 | General Ledger | Reasonable | - | - | - | - | - |
| 11 | Schools Payroll | Reasonable | - | - | - | - | - |
| 12 | NNDR | Reasonable | - | - | - | - | - |
| 13 | Cambridge Education ADM Governance | Substantial | - | - | 1 | 1 | - |
| 14 | Council Tax | Substantial | - | - | - | - | - |
| 15 | Re Operational Review Phase 2 – Operating Effectiveness* | N/A | - | 1 | 2 | 3 | - |
| 16 | IT Change Management follow up- Phase 2 | N/A | | | | | |
| Grants / Payments by Results | | | | | | | |
| 17 | Troubled Families PbR– Q3 | N/A | | | | | |
| School Audits | | | | | | | |
| 18 | Frith Manor | Satisfactory | - | - | 4 | - | - |
| 19 | Summerside | Satisfactory | - | - | 6 | - | - |
| 20 | Holly Park | Satisfactory | - | 1 | 7 | - | - |
| 21 | Church Hill | Satisfactory | - | - | 4 | - | - |
| 22 | Orion | Satisfactory | - | - | 5 | - | - |
| 23 | Monken Hadley | Satisfactory | - | - | 3 | - | - |
| 24 | Colindale | Satisfactory | - | 1 | 5 | - | - |
| 25 | Queenswell Infants | Satisfactory | - | - | 3 | - | - |

*Joint Internal Audit & CAFT review

3. Key Financial Systems – Continuous Audit Methodology (CAM) - DRAFT

A summary of the outcome of the 2016/17 Phase 1 reviews is below.

| Number | Department | Overall Opinion 2016/17 | | Overall Opinion 2015/16 | | Direction of Travel | Number of controls tested | Controls where operating exceptions were found | | Control design exceptions found | | Comments |
|--------|---------------------|-------------------------|---|-------------------------|---|---------------------|---------------------------|--|---------|---------------------------------|---------|---|
| | | | | | | | | 2016/17 | 2015/16 | 2016/17 | 2015/16 | |
| 1. | Accounts Payable | Reasonable | ● | Limited | ● | ↑ | 6 | 1 | 2 | - | - | |
| 2. | Accounts Receivable | Reasonable | ● | Reasonable | ● | ↔ | 8 | 1 | 1 | 2 | 1 | |
| 3. | Council Tax | Substantial | ● | Reasonable | ● | ↑ | 8 | - | 1 | - | - | |
| 4. | General Ledger | Reasonable | ● | Reasonable | ● | ↔ | 5 | 1 | 1 | - | - | |
| 5. | Housing Benefits | Reasonable | ● | Reasonable | ● | ↔ | 9 | 2 | 1 | 1* | 1 | <i>*Control design issue noted in the previous period and has not yet been fully resolved</i> |
| 6. | NNDR | Reasonable | ● | Reasonable | ● | ↔ | 8 | 1 | 1 | - | 1 | |
| 7. | Schools Payroll | Reasonable | ● | Reasonable | ● | ↔ | 8 | 2 | 1 | - | - | |

4. Re Operation Review - Phase 2: Operating Effectiveness of Controls

Executive Summary

Background

Regional Enterprise (Re) is a joint venture (JV) between Capita and the London Borough of Barnet (LBB) to deliver development and regulatory services within the Borough. The venture commenced in October 2013 and is in its fourth year of a ten year term, providing the following services:

- Development: Building Control, Planning Administration (Development Management), Strategic Planning and Regeneration, Highways Services and Land Charges
- Regulatory Services: Environmental Health, Trading Standards and Licensing and Cemetery and Crematorium

The contract between Capita and LBB documents the expected outputs from the joint venture but has been formulated not to detail the specific procedures which will be undertaken by Re to achieve the agreed deliverables.

Scope

This review is the second part of a two-phased testing approach. The first phase assessed whether there are appropriate policies and procedures in place to support key operational activity undertaken by Re. This second phase considered the operating effectiveness of a sample of eight key controls identified to support operational activity undertaken by Re in three areas: Planning and Building, Regulatory Services and Highways. Eight key controls were selected to test based on risk and informed by the Council's statutory responsibilities. The key controls selected for testing have been outlined in the summary of findings below and Appendix 2. As at the date of this report the findings on one of the eight controls tested, Investigating and resolving alleged breaches of planning control, were still under discussion and will be reported separately.

Summary of findings

Of the seven key controls tested, control design issues were identified with one of the key controls:

- **Highways: ad hoc inspections** – The Partnership do not have an agreed documented process to guide the timeliness of ad hoc inspections or the performance of follow up actions in response to service user requests. It is down to the customer service representative and inspector's judgement of the risk based on the reported issue as to whether an inspection is needed and when it needs to be performed by. Timescales

determining how quickly an inspection should be performed and when the service request should be closed after receiving an enquiry have not been defined and set out in the contract. The Council do not have mechanisms in place to provide assurance that ad hoc inspections are being performed when required and being done within a reasonable timeframe. **(High risk)**

Of the seven key controls tested, **operating effectiveness issues** were identified with four of the key controls. The medium risk findings are below:

- **Planning complaints timeliness** - In 2/5 (40%) cases, stage 1 and 2 complaints were not acknowledged, nor responded to in line with the policy in place. In 1/2 (50%) cases, stage 3 complaints were not acknowledged in a timely manner in line with the policy in place **(Medium risk)**.
- **Completing routine inspections of the highway network** - In 3/25 (12%) cases the routine inspection had not been performed in a timely manner. Inspections were performed between 10 and 37 days outside of required timescales. **(Medium risk)**

Further detail is provided below on the High risk audit finding.

Detailed Findings

| Ref | Control Tested | Exception details |
|-----|--|---|
| 2 | <p>Completing routine and ad hoc inspections of the highway network</p> <p>Inspections are performed in a timely manner and evidence is retained to demonstrate the performance of inspections.</p> | <p>Ad hoc inspections</p> <p>Control Design issue (High risk)</p> <p>Customers contact the customer hub team by phone, email, post or the web page to raise any issues or concerns they have regarding Highways. An officer within the customer hub team then creates a Service User Request on Exor (the system used to manage inspections) based on the details provided.</p> <p>The officer assigns the case to the relevant officer in the Highways team. To help them to do this, the customer hub team has been provided with a map showing the areas that the Council covers and the inspector responsible for each area.</p> <p>The inspector updates the Service request on Exor with their comments based on the nature of the issue, the results of any inspection performed and any associated works required.</p> <p>Where a repair is needed based on the inspection, this is communicated to the back office team who raise the order on Exor. The Exor system is interfaced with the contractor's system and they can view their request orders.</p> <p>Timescales determining how quickly an inspection should be performed and when the service request should be closed after receiving an enquiry have not been defined and set out in the contract.</p> <p>The Partnership does not have an agreed documented process to guide the timeliness of inspections and processing of service user requests. It is down to the inspector's judgement of the risk based on the reported issue as to whether an inspection is needed and when it needs to be performed by.</p> <p>Re do not have a contractual obligation to close service user requests and perform associated inspections within a specified timeframe. Contractual requirements are in place around responding to service request and completing works within certain timescales and there are Key Performance Indicators (KPI's) in place to monitor performance against these requirements. It should be noted that <i>responding</i> to a service user request may simply consist of acknowledging the request. The timescales relating to the completion of works commence once a formal inspection has been performed. There are therefore limited mechanisms currently in place to ensure that service user requests are investigated, including the performance of ad hoc inspections, in a timely manner.</p> <p>This control design issue means that defects could be flagged to Re and not followed up appropriately. The cyclical inspection and complaints processes do act as mitigating controls to an extent to ensure that</p> |

| Ref | Control Tested | Exception details |
|-----|----------------|--|
| | | <p>defects and other issues get escalated and resolved eventually. However the current process does not ensure that issues raised by the public get investigated adequately and in a timely manner. The Council does not monitor the performance of Re in this area and do not have mechanisms in place to provide assurance that ad hoc inspections are being performed when required and are being done within reasonable timescales. (See <i>Control Design Issues</i> below).</p> |

Control design issues

| 1 | Detailed finding | Agreed Action |
|------|---|---|
| High | <p>Highways: ad hoc inspections – Control Design</p> <p>Customers contact the customer hub team by phone, email, post or the web page to raise any concerns they have over highways. An officer within the customer hub team then creates a Service User Request on Exor (the system used to manage inspections) based on the details provided.</p> <p>We found:</p> <ul style="list-style-type: none"> - The Partnership does not have an agreed documented process to guide the timeliness of inspections and processing of service user requests. It is down to the customer service representative and inspector's judgement of the risk based on the reported issue as to whether an inspection is needed and when it needs to be performed by. - Timescales determining how quickly an inspection should be performed and when the service request should be closed after receiving an enquiry have not been defined and set out in the contract. Re therefore does not have a contractual obligation to follow up enquiries with an inspection within a specified time. <p>This control design issue means that defects could be flagged to Re and not followed up appropriately. The cyclical inspection and complaints processes do act as mitigating controls to an extent to ensure that defects and other issues get escalated and resolved eventually. However the current process does not ensure that issues raised by the public get investigated adequately and in a timely manner. The Council do not monitor the performance of Re in this area and do not have mechanisms in place to provide assurance that ad hoc inspections are being performed when required and being done within reasonable timescales.</p> | <p>Re will establish prioritisation criteria to be applied by the Customer Hub team to systematically assess the severity of a reported defect and to enable enquiries to be prioritised accordingly. These criteria will be shared and agreed with the Council.</p> <p>The Council and Re will agree an ongoing assurance mechanism to enable the Council to monitor the performance of ad hoc inspections. This will consist of the Council reviewing a sample of enquiries to assess the reasonableness of the assessment applied and assess whether follow up action was appropriate and performed in a timely manner based on the severity of the issue.</p> |
| | <p>Responsible Officers</p> | <p>Deadline</p> |
| | <p>Commissioning Director of Environment Service Director, Highways, Re</p> | <p>31/03/17</p> |

5. Follow up reviews

Information Technology Change Management Follow-Up – Phase 2

See report attached as Appendix 2.

6. 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 | Re Operational Review Phase 2 – Operating Effectiveness - Investigating and resolving alleged breaches of planning control* | Draft Report |
| 2 | Residential Care Homes – Provider Sustainability | Draft Report |
| 3 | Estates Health and Safety | End of Fieldwork |
| 4 | Establishment List follow-up | End of Fieldwork |
| 5 | Review of Barnet Group Internal Audit Plan and Reports | End of Fieldwork |
| 6 | Highways Programme | Fieldwork |
| 7 | Transformation – Family Friendly Barnet | Fieldwork |
| 8 | No Recourse to Public Funds* | Fieldwork |
| 9 | SWIFT to Mosaic Data Migration | Planning |
| 10 | Key Financial Systems (Continuous Audit Monitoring): <ul style="list-style-type: none"> • Non-Schools Payroll • Treasury Management • Teachers Pensions • Pension Administration • Cash & Bank • Budget Monitoring – Parking & Infrastructure | Planning |
| 11 | Contract Management - Maintenance of Contracts Register | Planning |
| 12 | Staff Performance Management | Planning |
| 13 | Troubled Families PbR – Q4 | Planning |
| 14 | Safeguarding - Statutory Responsibilities | Planning |
| 15 | Nursery Places – Free Early Education Funding* | Planning |
| 16 | Estates – Subcontractor Ordering Processes* | Planning |
| 17 | Regeneration – Dollis Valley | Planning |
| 18 | Capital Development Pipeline - Re projects - Lessons Learnt | Planning |
| 19 | Section 106 | Planning |
| 20 | Contest Framework – Prevent, Protect and Prepare | Planning |

*Joint Internal Audit & CAFT review

7. Implementation of Internal Audit recommendations

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

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Outcomes of previous audit follow-up assessments | Audit follow-up assessment (31 December 2016) |
|---|---|--|--|
| <p>1. Grant Income</p> <p>June 2015</p> <p>Grant Identification</p> <p>Roles/arrangements for proactively identifying grant opportunities should be implemented.</p> <p>a) We suggest that roles for pro-</p> | <p>1 September 2015</p> <p>Assistant Director of Finance (CSG)</p> <p>Operations Director (CSG)</p> <p>Supported by</p> | <p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> Q2, 2016/17 - The recommendation was considered Partly Implemented until the following action was taken: <p><i>CSG will re-subscribe to the</i></p> | <p>Partly Implemented</p> <p>A three year subscription to the Grantfinder system, the system used to scan and identify potential grants, was taken out 3/1/2017. The system will be set-up in January 2017 and the first report of identified grants for discussion with Delivery Units at their monthly budget meeting will be generated. Delivery Unit representatives will be challenged as to how they have progressed the applicable grant opportunities.</p> <p>Agreed actions for full implementation:</p> <p>Once evidence of the Grantfinder report and</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Outcomes of previous audit follow-up assessments | Audit follow-up assessment (31 December 2016) |
|---|-------------------------------------|--|--|
| <p>actively identifying grants could be undertaken as part of existing structures as follows:</p> <p>(i) Delivery Units together with their Commissioning Directors should consider the options available, including the possibility of a dedicated team/officer for pro-actively identifying grants depending on resources / the significance of grants available in that area.</p> <p>(ii) Service area leads pro-actively identify grants in their area. Local business improvement / performance teams challenge for proactive identification, undertake proactive reviews themselves and co-ordinate related reporting of horizon scanning outcomes as part of their local performance management arrangements.</p> <p>(iii) CSG service areas: Senior Responsible Officers (SROs) client-side at the Council pro-actively identify grants in their CSG responsibility areas or arrange for CSG Capita leads</p> | <p>Director of Resources (LBB)</p> | <p><i>Grant Finder system. The system will be interrogated on a weekly basis and services notified of relevant grants.</i></p> <p><i>Potential grants will be added as a standing agenda item within the monthly finance report going to SMT meetings.</i></p> <ul style="list-style-type: none"> Q1, 2016/17 – The recommendation was considered Partly Implemented as the following remained outstanding: <p><i>Evidence of implementation of the agreed process for the routine pro-active scanning for income grants by Delivery Units was not evident at the date of the follow-up.</i></p> <p><i>When we are able to evidence the routine pro-active scanning for income grants across Delivery Units in line with Management</i></p> | <p>discussion has been provided, the action will be regarded as implemented.</p> <p>Revised implementation date: 28 February 2017</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Outcomes of previous audit follow-up assessments | Audit follow-up assessment (31 December 2016) |
|--|-------------------------------------|---|---|
| <p>to undertake this role, with SRO monitoring CSG identification activity.</p> <p>b) Eligible grants identified should be formally documented and reported to Senior Management to ensure that grant identification processes are undertaken routinely and that senior management are involved in the decision making process. This could form part of Senior Management Team (SMT) standing agendas.</p> <p>c) All eligible grants for which applications will not be submitted should be reported to the Commissioning Group's Head of Finance sufficiently in advance of application deadlines, 5 working days as a minimum, to consider whether decisions not to apply were appropriate and challenge as necessary.</p> | | <p><i>Agreements and the completion of the relevant templates in the required format, we will be able to move the status to implemented.</i></p> <ul style="list-style-type: none"> • Q4, 2015/16 – The recommendation was considered Partly Implemented as the following remained outstanding: <p><i>Evidence of implementation of the agreed process for the routine pro-active scanning for income grants by Delivery Units was not evident at the date of the follow-up. Since implementation of the new process for identifying grants only one form had been received by CSG from the Street Scene Delivery Unit for their review and scrutiny.</i></p> <p><i>Management Agreements for 2016-17 were still in the process of being drafted. We were informed that the responsibility for identifying</i></p> | |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Outcomes of previous audit follow-up assessments | Audit follow-up assessment (31 December 2016) |
|--------------------------------------|-------------------------------------|---|---|
| | | <p><i>grants would be included in the Management Agreements. Wording for inclusion in the Management Agreements defining the responsibility for horizon scanning had been agreed at 31 March 2016.</i></p> <p><i>When we are able to evidence the routine proactive scanning for income grants across Delivery Units in line with Management Agreements and the completion of the relevant templates in the required format, we will be able to move the status to implemented.</i></p> | |

| | | | |
|---|---|---|--|
| <p>2. Accounts Payable</p> <p>December 2015</p> <p>New Supplier Forms</p> <p>b) A clear timetable should be agreed between the Council and CSG for the introduction of the e-form workflow system within Integra.</p> | <p>April 2016</p> <p>Head of Exchequer (CSG)</p> <p>Operations Director (CSG)</p> | <p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> Q2, 2016/17 - The recommendation was considered Partly Implemented until the following action was taken: <p><i>The supplier e-form will be rolled out to all users incorporating any changes required from the testing phase.</i></p> <ul style="list-style-type: none"> Q1, 2016/17 – The recommendation was considered Partly Implemented as the following remained outstanding: <p>Management indicated that an e-form for new suppliers has been developed and was undergoing final end user testing. The form is expected to be rolled out within the next month</p> <p>Revised implementation date: 19 August 2016.</p> | <p>Partly implemented</p> <p>The supplier e-form has been refined following user acceptance testing and is ready to be installed into the live environment. Following issues experienced with other e-forms, however, it been decided to make it available initially to a limited number of users before being fully rolled out to all users. Assuming no issues are identified, full rollout is expected by 1 February.</p> <p>Agreed action for full implementation:</p> <p>The action will be regarded as implemented once e-forms have been fully rolled out to all users.</p> <p>Revised implementation date:</p> <p>1 February 2017</p> |
|---|---|---|--|

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|---|--|--|---|---|
| <p>3. IT Disaster Recovery</p> <p>March 2016</p> <p>ITDR Governance</p> | <p>Immediate</p> <p>Service Delivery Manager (CSG)</p> | <p>c. Capita should immediately engage the Council management and agree the level of reporting information required with respect to the ITDR capability. This should include as a minimum a) ITDR capability in terms of IT services in scope, Recovery Time Objective (RTO), Recovery Point Objective (RPO) and capacity, b) residual risk, c) planned tests, d) the test results and remedial actions and d) ITDR capability changes. (Governance)</p> | <p><i>Not implemented (October 2016)</i> Final RTO's and RPO's have been submitted by the council (September 2016) for discussion with Capita. Until these are finalised Capita will not be able to report on them.</p> <p><i>Not implemented (July 2016)</i> Please see 4 (b) below. RTO's are still being reviewed with the council this cannot complete until they are agreed.</p> | <p>Partly Implemented RTOs and RPOs have been finalised, and the contract change documentation is being agreed. This level of reporting will be tabled at the next quarterly BC forum in Feb 2017.</p> <p>Agreed action for full implementation: Contract change to be made incorporating revised agreed RTOs and RPOs.</p> <p>Reporting as described to be made to the BC forum.</p> <p>Revised implementation date: 28 February 2017</p> |
| <p>4. IT Disaster Recovery</p> <p>March 2016</p> | <p>Immediate</p> <p>Service Delivery Manager (CSG)</p> | <p>b) Capita should immediately engage the Council to ensure that the recovery bandings, i.e. platinum, gold, silver and</p> | <p><i>Partially implemented (October 2016)</i> Capita have, with management, agreed that Platinum and Gold are now Tier 1 and Silver</p> | <p>Partly Implemented The bandings have been changed to Tier 1 and Tier 2 and the contractual issue</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|---|-------------------------------------|--|--|--|
| <p>Alignment of BCM recovery requirements with ITDR capability</p> | | <p>bronze, are being delivered as per the contractual agreement. Where not, Capita should provision as part of the project. (Contract Specification)</p> | <p>and Bronze are Tier 2 based as their recover capabilities within Tier are identical. Capita have received an updated list of IT services from management (September 2016) and are in discussion with respect to moving them between tiers.</p> <p><i>Partially implemented (July 2016)</i> Capita have recently (complete June 2016) an analysis of the original schedule against the systems currently provisioned for by the project. At the time of the update Capita had not discussed the outcomes with LBB.</p> <p>The Capita analysis shows the following for 2011:</p> <ul style="list-style-type: none"> • 32 as Platinum • 16 as Gold • 23 as Silver • 66 as Bronze • 43 unclassified (i.e. in this case do not require ITDR) <p>The above numbers are reflected in the contract. It was also noted that a number of these entries were erroneous as they were</p> | <p>(about the RPO not meeting the contractual obligation) has been resolved. The contract change documentation is now being finalised.</p> <p>Agreed action for full implementation: Contract change to be made incorporating the above.</p> <p>Revised implementation date: 31 January 2017</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|--------------------------------------|-------------------------------------|-----------------------|---|---|
| | | | <p>for service components (e.g. Oracle) as opposed to IT services. Additionally these numbers include a number of 3rd party services not provided directly by Capita</p> <p>The Capita analysis shows that what has actually been provisioned (excluding 3rd parties) is as part of the project is as follows:</p> <ul style="list-style-type: none"> • 52 as Platinum and Gold • 27 as Silver and Bronze • 25 as Unclassified <p>The analysis notes that since 2011 58 additional services have been decommissioned</p> <p>It was also noted on interview, that systems that were introduced since 2011, did not include a formal request for ITDR from the council, however in a number of cases (e.g. Mosaic), Capita have provisioned anyway.</p> <p>The analysis underlines the necessity for the council and Capita to re-baseline the recovery requirements of IT services.</p> | |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|---|--|--|---|--|
| <p>5. IT Disaster Recovery – March 2016</p> <p>Alignment of BCM recovery requirements with ITDR capability</p> | <p>Immediate</p> <p>Emergency Planning and Business Continuity Manager (LBB)</p> | <p>c) In line with the governance finding (Recommendation 2.1d per report) above, the BCM programme should engage with those in Capita responsible for ITDR on a defined and regular basis to ensure changes in recovery requirements are provisioned for. (Business requirements)</p> | <p><i>Not implemented (October 2016)</i> As per 4(b) Tiering of applications is still on going. Once complete this activity can start.</p> <p><i>Not implemented (July 2016)</i> As Capita and the council have not re-baselined this action is not possible.</p> | <p>Partly Implemented</p> <p>The base-lining activity has now been concluded and regular engagement will take place in line with the quarterly BC forums.</p> <p>Agreed action for full implementation: Engagement at quarterly BC forums.</p> <p>Revised implementation date: 28 February 2017</p> |
| <p>6. Insurance October 2016</p> <p>Third party insurance arrangements- Contractor liability</p> | <p>31 December 2016</p> <p>Head of Insurance</p> | <p>a) Parameters will be introduced and guidance included in procurement processes to ensure that contracts of a certain nature/value are reviewed by the insurance team to ensure that appropriate insurance provisions are included in the agreement and that third party insurance arrangements are verified. This is a</p> | <p>n/a - this is the first follow-up of this action</p> | <p>Partly implemented</p> <p>Procurement confirmed required base insurance levels are highlighted in procurements they support together with a request that service leads/contract managers liaise with Insurance to confirm this is appropriate for the contract in question.</p> <p>Annual evidence of</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|--------------------------------------|-------------------------------------|--|--|---|
| | | <p>corporate/Commercial risk and has been shared with the commercial team to ensure that commercial work with the insurance team to ensure that the appropriate contract processes, procedures and documentation fully reflect the practices needed.</p> | | <p>insurances, as required by the contract, occurs in respect of the main CSG, DRS and Education Skills contracts. Proposed wording for inclusion in CPR and toolkit agreed between Insurance, Commercial and Procurement will support smaller procurements and contracts.</p> <p>Procurement are updating the CPRs, the scheduled review is at the beginning of 2017 for presentation to the Ethics & Probity Committee March 2017.</p> <p>The updates to CPR and toolkit will ensure that contract managers liaise with Insurance about insurance provisions in the contract regardless of value.</p> <p>Agreed actions for full implementation:</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|---|--|--|--|--|
| | | | | <p>The recommendation will be regarded as implemented once evidence of the appropriate update of CPR and toolkit is provided.</p> <p>Revised implementation date: 31 March 2017</p> |
| <p>7. Insurance</p> <p>October 2016</p> <p>Third party insurance arrangements- Contractor liability</p> | <p>31 December 2016</p> <p>Head of Insurance</p> | <p>c) For outsourcing arrangements / contracts management will clarify with them when respective parties will be liable and this should be understood and applied by the claims handling team. We will develop a clear register of in/out sourced services linked to underwriting records and claims procedures.</p> | <p>n/a - this is the first follow-up of this action</p> | <p>Partly implemented</p> <p>A Service Responsibility (SR) document is being prepared for review and use by insurance claims handlers as part of the claims handling process. The SR document will identify services delivered by contractors so that claims can be referred to the correct contractor where applicable. The SR document is specifically referred to in the updated Claims Handling procedure which is available to claims handlers to ensure that they are</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|---|---|---|--|--|
| | | | | <p>aware of their responsibility to consider contractor liability for a claim, where applicable.</p> <p>Agreed actions for full implementation: A copy of the updated Service responsibility document referred to in the Claims handling procedures will be provided to audit.</p> <p>Revised implementation date: 31 March 2017</p> |
| <p>8. Insurance</p> <p>October 2016</p> <p>Third party insurance arrangements- Contractor liability</p> | <p>31 December 2016</p> <p>Commissioning Director - Environment</p> | <p>e) An agreement regarding liability and payment for claims in relation to services provided by Re will be progressed and resolved.</p> | <p>n/a - this is the first follow-up of this action</p> | <p>Partly Implemented</p> <p>Re. have agreed in principal to liability arising from the contract (subject to limits and finer details) and Highways Claims Responsibility.</p> <p>Agreed actions for full implementation: Re. to provide a full response/comments on scenarios and claims process in advance of</p> |

| Audit Title, Date and Recommendation | Deadline and Responsible Officer(s) | Agreed report actions | Outcomes of previous audit follow-up assessments (if applicable) | Summary finding for reporting to January 2017 SCB and Audit Committee |
|--------------------------------------|-------------------------------------|-----------------------|--|--|
| | | | | <p>follow up meeting scheduled for Thursday 26th Jan.</p> <p>LBB to provide costed claims data matched to scenarios in advance of meeting.</p> <p>Revised implementation date: 31st March 2017</p> |

8. Re Operational Review – Phase 1 – Counter-Fraud follow-up

Policies and Procedures: Alignment with Council policies, Statutory Legislation and Roles and Responsibilities (Counter Fraud Framework extract)

At the November 2016 Audit Committee it was requested that the deadline against the following Medium priority recommendation be brought forward to 31st December 2016 and the implementation status confirmed back to the January 2017 Audit Committee meeting:

| Detailed finding | Risk | Recommendation | Risk Category | Management response | Audit Assessment January 2017 |
|------------------|------|----------------|---------------|---------------------|-------------------------------|
|------------------|------|----------------|---------------|---------------------|-------------------------------|

| Detailed finding | Risk | Recommendation | Risk Category | Management response | Audit Assessment January 2017 |
|--|--|---|----------------------|--|---|
| <p><u>Alignment to Counter Fraud Framework</u></p> <p>We also assessed whether the procedure documents in place were aligned to the Council's Counter Fraud Strategy and whether counter fraud provisions were embedded within procedure documents.</p> <p>We found:</p> <ul style="list-style-type: none"> • 4/16 (25%) procedures tested were areas susceptible to fraud/ money laundering, however, procedure documents did not include fraud indicators or highlight where Officers should refer cases to the Council's Corporate Anti-Fraud Team for advice and assistance; <ul style="list-style-type: none"> ○ Food hygiene inspections; ○ Investigating and resolving Trading Standards offences; ○ Awarding pick up licenses for scrap | <p>If policies and procedures do not define related expectations clearly and do not align to other relevant Council policies, available legislation or national guidance/standards then there is a risk that activity may be undertaken inappropriately or inconsistently resulting in required outcomes not being achieved and the objectives of the Council and Joint Venture may not be realised.</p> <p>If policies and</p> | <p>a) Management should ensure that procedure documents include where Officers should make referrals relating to internal fraud, External fraud against the Council or money laundering offences to the Corporate Anti-Fraud team</p> | <p>Medium</p> | <p>Action 1: Capita already have in place online anti-fraud awareness training in place.</p> <p>Compare and contrast Barnet policies to Capita policies and if there are any gaps add gaps to the module and introduce onto desktop (as was done in the conflict of interest training).</p> <p>Responsible officer: Senior Commercial Manager, to advise QHSE Manager of any adaptation to the module required</p> <p>Original Target date: March 2017</p> <p>Revised Target Date (post November Audit Committee): December 2016</p> | <p>Partly Implemented</p> <p>Re have reviewed the content of the training module against LBB's Policy and confirmed that the Capita Financial Crime online training does match the Council's Policy.</p> <p>Agreed Action for Full Implementation</p> <p>CAFT to review content of training module as part of ongoing liaison arrangements (see Action 2 below)</p> <p>Revised Implementation Date:</p> <p>31 March 2017</p> |

| Detailed finding | Risk | Recommendation | Risk Category | Management response | Audit Assessment January 2017 |
|--|--|----------------|---------------|---|---|
| <p>metal; and</p> <ul style="list-style-type: none"> ○ Planning Applications. | <p>procedures do not refer officers to the appropriate role/team where applicable then decisions or responsibilities may be discharged by personnel without the prerequisite knowledge or experience resulting in required outcomes not being achieved.</p> | | | <p>Action 2: Re service areas to meet with CAFT colleagues to discuss procedures which are susceptible to fraud/ money laundering, ensure service areas are aware of CAFT and highlight routes to make referrals where there is a suspicion of frau/money laundering.</p> <p>Responsible Officer: Interim Assistant Director, Planning and Building Control</p> <p>Service Director – Highways</p> <p>Service Director – Regeneration & Strategic Planning</p> <p>Service Director – Regulatory Services</p> <p>Target date: December 2016</p> | <p>Partly Implemented</p> <p>Conversations have taken place between Re and CAFT with follow up actions identified.</p> <p>Agreed Action for Full Implementation</p> <p>Follow-Up Action dates to be agreed and actions to be completed.</p> <p>Revised Implementation Date:</p> <p>31 March 2017</p> |

9. Implemented actions

The following actions that had previously been agreed as a priority one have been reviewed and are now considered implemented.

| Audit Title, Date and Recommendation / Agreed Action |
|---|
| 1. Procurement - Compliance with Contract Procedure Rules - November 2015 - Contracts Register - Re |
| 2. Schemes of Delegation - February 2016 - Changes to standing data |
| 3. IT Disaster Recovery - March 2016 - ITDR planned technical recovery capability |
| 4. IT Disaster Recovery - March 2016 - Interim IT Disaster Recovery |
| 5. Supervision - Adults and Communities - July 2016 - Quality review: Compliance with supervision policies and procedures |
| 6. Insurance - October 2016 - Third party insurance arrangements- Contractor liability: The assessment of liability, accepting liability or declining liability process in the Insurance Claims Process Manual will be updated to include details and prompts around the determination of contractor liability for insurance claims |
| 7. Insurance - October 2016 - Third party insurance arrangements- Contractor liability: Contractors processing claims in relation to services provided on behalf of the Council will be made aware of the Council's expected standards for claims processing. |

10. Internal Audit effectiveness review

| Performance Indicator | Target | End of Quarter 3 |
|---|--------|-----------------------------|
| % of plan delivered | 65%* | 62% |
| Number of reviews due to commence vs. commenced in quarter | 95% | 100% |
| % of reports year to date achieving: <ul style="list-style-type: none"> • Substantial • Satisfactory / Reasonable • Limited • No Assurance • N/A | N/A | 7% 75% 5% - 14% |
| Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> • Implemented • Partly implemented • Not implemented in quarter when due | 90% | 47% 53% 0% |

* Based on 95% complete of those due in quarter.

Key:

| |
|----------------|
| Target met |
| Target not met |
| N/A |

Implementation of internal audit recommendations – as per section 7 above, the progress of the 15 high priority recommendations / actions due for implementation in quarter 3 is that 47% of recommendations have been fully implemented compared to a target of 90%. 53% have been partly implemented.

A summary of the status is as follows:

| Status | Number | % |
|--------------------|-----------|------------|
| Implemented | 7 | 47% |
| Partly Implemented | 8 | 53% |
| Not implemented | 0 | 0% |
| Total | 15 | 100 |

11.Changes to our plan

Since the Internal Audit Plan was agreed in April 2016 there have been changes to audits originally planned for Q2 as follows:

| Type | Audit Title | Reasons |
|------------|---|---|
| Additional | Contract Management – Contract Register Maintenance | Added to plan in response to emerging risk identified through risk register update discussions |
| Additional | Capital Development Pipeline - Re projects - Lessons Learnt | Added to plan due to 'Tranche 0' having completed and 'Tranche 1' being considered no longer viable |
| Additional | Section 106 | Added to plan as agreed with Commissioning Director for Growth |
| Deferred | DLO audit | Deferred to 2017/18 in light of ongoing considerations around the restructuring of the service and operating model |
| Deferred | SWIFT to MOSAIC data migration | Deferred to Q4 to better align with the project's data migration plan |
| Deferred | Investing in IT – Lessons Learnt | Deferred to delays with implementation of MOSAIC |
| Deferred | IT Risk Diagnostic | Deferred to Q1 of 2017/18 due to the prioritisation of follow up work around ITDR and IT Change Management and potential duplication with the CSG 3 Year review |
| Deferred | IT Strategy Phase 2 - Implementation | Deferred pending outcome of IT Risk Diagnostic exercise |
| Deferred | Catering traded service | Deferred as completed review of wider Education & Skills ADM in Q3. Report stated that recommendations relevant to all Boards, including Catering Partnership Board or Catering Contract Monitoring Board. The Catering boards will be included in the 2017/18 follow-up review |

12.Risk Management

The performance report for Quarter 2 2016/17 was presented to the Performance and Contract Monitoring Committee on 15th November 2016 and can be found via the link below:

<http://barnet.moderngov.co.uk/documents/s35981/Q2%20PCM%20report%20for%20PCM%20FINAL.pdf>

Appendix J to the report is the Quarter 2 corporate risk register.

As highlighted in the Quarter 1 update the Interim Chief Executive commissioned a thorough review of the risk management across the organisation. This review provided a timely opportunity to put the organisation's approach to risk management under closer scrutiny, especially from Members, providing an opportunity to reflect again on current practice and implement more extensive improvements and changes to our Council-wide approach.

The updated Risk Management Framework was included within the November Performance and Contract Monitoring Committee papers and can be found here:
<http://barnet.moderngov.co.uk/documents/s35996/Appendix%20K%20-%20Risk%20Management%20Framework%20V2%20PCM%20FINAL%20261016.pdf>

The Risk Management Framework was not discussed at the November meeting and was therefore added to the agenda for the 5th January 2017 meeting.

Appendix A: Definition of risk categories and assurance levels

| Findings rating | Description |
|---|--|
| <p>Critical</p> <p>40 points per finding</p> | <p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences. |
| <p>High</p> <p>10 points per finding</p> | <p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences. |
| <p>Medium</p> <p>3 points per finding</p> | <p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences. |
| <p>Low</p> <p>1 point per</p> | <p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or |

| | |
|---|---|
| finding | <ul style="list-style-type: none"> • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost. |
| Advisory 0 points per finding | An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response. |

| Level of assurance | Description |
|---|--|
| No 40 points or more | There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered. |
| Limited 18– 39 points | There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere. |
| Reasonable 7– 17 points | An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere. |
| Substantial ✓✓✓ 6 points or less | There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice. |