BARNET
LONDON BOROUGH

London Borough of Barnet

Internal Audit Annual Opinion 2016/17

	None	Limited	Reasonable	Substantial
Audit Opinion and Direction of travel 2015/16 Annual Opinion: Satisfactory			⟷	

Caroline Glitre, Head of Internal Audit

Contents

1. Executive Summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2017.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through the delivery of a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Steps have been taken to ensure continuous improvement to the effectiveness of the Council's internal audit function. Key areas for improvement in the current year include a revised scoring framework to support internal audit conclusions and risk ratings, closer collaboration with the Corporate Anti-Fraud Team (CAFT),) through a conducting a number of joint reviews, as well as the use of data and intelligence from the National Fraud Initiative exercise to inform audit approaches and targeted sampling. Progress has also been made against recommendations from the Peer review exercise undertaken in 2015/16 and this is set out in Appendix E.

Our opinion is based on the work performed in 2016/17. The Council continues to operate in a challenging operating environment. The financial challenges the Council faces and the expectation to do more for less exerts pressure on the organisation's framework of governance and control. The Council has saved over £112 million during 2011-2016 and continues to achieve financial targets in place and the themes and issues presented in this report should be considered in the context of these ongoing challenges.

A variety of external issues present further potential challenges and change to Local Government. For example, the economic impact of Brexit and continuing funding pressures make financial sustainability a key issue, in turn increasing the potential risk of a significant service failure. The dependencies the Council has on several large external service providers under long term contracts may impact the flexibility and agility in which the Council can react to changes to its operating environment. A key challenge for the Council in the future will be its ability to work in partnership with external providers to ensure that arrangements meet current needs and offer the flexibility to maximise opportunities and react to emerging challenges. This makes opportunities such as the three year review of the Customer Support Group (CSG) contract with Capita and the four year review of the Regional Enterprise (Re) joint venture, which has now commenced integral to ensuring commissioned services continue to offer value for money.

Other key developments in the coming period include the consideration and potential implementation of alternative delivery models for Street Scene and Adults & Communities, the Mill Hill Depot relocation and the delayed transition of the Adults & Communities client information system from Swift to Mosaic.

The Council plans to save a further £56.5 million in the period 2017-2020. Management should implement the agreed actions from our work in 2016/17 to ensure that the gaps identified in the control environment are addressed and there continues to be an effective governance and control framework to manage risks in the short and medium term.

Basis of our opinion

Our opinion is based on:

- All internal audits undertaken during the year.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs was covered by our work.
- Consideration of third party assurances.

Our Opinion

	None	Limited	Reasonable	Substantial
Audit Opinion and Direction of travel 2015/16 Annual Opinion: **Satisfactory***			⟺	

Summary of the work performed

We completed 76 internal audit reviews in the year ending 31 March 2017. A comparison of the 2016/17 report ratings with those of 2015/16 is summarised in the table below.

Assurance Opinion	2016/17		2015/16		Direction of travel
	No.	**%**	**No.**	**%**	
Substantial	4	8	2	4	⬆
Reasonable / Satisfactory*	29	58	27	45	⬆
Limited	4	8	9	17	⬆
No	0	0	2	4	⬆
N/A – management letter	13	26	17	30	
Subtotal	**50**		**57**		
Schools*	26		26		
Total	**76**	**100**	**82**	**100**	

* During 2017/18 we introduced new assurance ratings and definitions to be consistent across the Cross Council Assurance Service (CCAS).). A systematic points based scoring system is now used to determine aggregate assurance ratings for individual audits. Findings from each review will be assessed and a score applied based on the risk rating. The total number of points per the audit will determine the assurance rating. The key change arising from this is that a high risk finding may not necessarily result in Limited Assurance as per previous years. This has impacted the number of reviews that have been rated as Limited Assurance in the 2016/17.

**An analysis of the Internal Audit work completed in the Council's Schools is reported in Section 3

Commentary on our opinion

Based on the work completed by Internal Audit the systems and processes for governance, risk management and control in relation to business critical areas appear to be in place and the organisation's control framework has remained relatively stable in the period. Although examples of good practice were identified through audit work performed this year, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

The key areas which have informed the overall Reasonable conclusion are as follows:

- Key Financial Systems – Robust core financial controls are important in supporting the organisation achieve an effective control environment. Our review of 14 separate financial systems identified improvements in the design and operation of the key controls in place. This is a result of work undertaken by the Assistant Finance Director at CSG and the Head of Finance at the Council to improve the strength of the control environment. A summary table of the results of the Key Financial Systems work is included below:

Internal Audit Annual Opinion 2016/17

Department	Overall Opinion 2015/16		Overall Opinion 2016/17		Direction of Travel
Schools Payroll	Reasonable	🟡	**Reasonable**	🟡	⟷
Accounts Receivable	Reasonable	🟡	**Reasonable**	🟡	⟷
General Ledger	Reasonable	🟡	**Reasonable**	🟡	⟷
Council Tax	Reasonable	🟡	**Substantial**	🟢	⬆
Housing Benefit	Reasonable	🟡	**Reasonable**	🟡	⟷
NNDR	Reasonable	🟡	**Reasonable**	🟡	⟷
Accounts Payable	Limited	🟠	**Reasonable**	🟡	⬆
Treasury management	Substantial	🟢	**Substantial**	🟢	⟷
Cash and Bank	Reasonable	🟡	**Reasonable**	🟡	⟷
Teachers' pensions	Limited	🟠	**Reasonable**	🟡	⬆
Fixed assets*	Reasonable	🟡	**N/A**	N/A	N/A
Budget monitoring	Reasonable	🟡	**Reasonable**	🟡	⟷

* As the majority of work undertaken on Fixed Assets is done at year end, it was agreed with external audit not to provide internal audit assurance over this area in 2016/17.

- Commissioning and contract management – We have seen evidence of the Council strengthening approach to contract management through improving capacity and capability in the commissioning team. For example through the contract management review of the parking enforcement contract it was apparent that the appointment of an officer with experience of working with parking contractors resulted in increased scrutiny and focus placed on contractor performance and an improvement plan has been introduced to ensure that benefits are maximised through the arrangement. Similarly an officer with experience of working for outsourced IT service providers has been appointed to assist in overseeing the IT service provided by CSG and the council also now has a contract with a third party technical assurance IT partner to assist with the assurance of technical proposals. These skillsets enable the Council to challenge contractors and improve performance management and this is extremely important in light of the Council's operating model and the extent of commissioned services.

- Risk management – A comprehensive review of risk management has occurred in the year which involved the refresh of service and corporate risk registers as well as the implementation of a revised risk management framework. The refresh of the registers has been an important exercise in ensuring that risk management procedures focus on the current risks facing the organisation. The revised risk management framework includes a more systematic escalation mechanism which will ensure that key operational risks are considered by senior management and enable more effective, risk focussed corporate decision making

and oversight. The revised risk registered will be regularly reported to the Performance & Contract Management Committee through quarterly performance reports.

- Project and Programme Management – We have reviewed the control framework around a number of business critical programmes in 2016/17 such as the Libraries and Adults Transformation projects. We identified there had been significant improvements in the underlying project management arrangements for the Libraries transformation programme and assessed this as "Substantial assurance".

Improvements are required in the areas set out below to enhance the adequacy and effectiveness of the framework of governance, risk management and control:

- Oversight, accountabilities and roles and responsibilities – Management's design and communication of defined roles and responsibilities remains an issue which the Council must continue to work on and this was an area of improvement that was highlighted in the 2015/16 opinion. This remains a priority for the council and work is being taken forward to more precisely define accountabilities, roles and responsibilities with regards to commissioning and contract management, particularly of the council's major contracts such as CSG, Re and Cambridge Education. The overall governance and performance reporting framework is also being looked at as part of this programmes. This is important, given that weaknesses were identified around clarity of accountabilities and responsible for discharging oversight and governance functions as well as clearly defining expectations and requirements in relation to services being provided by third parties through partnership agreements. This was an issue that was identified in a number of reviews this year.

- Information Technology – The Council's IT service is provided by CSG and in 2015/16 we noted areas where the requirements in the contract were not being delivered or were not aligned to good practice in relation to disaster recovery arrangements and IT change management. Detailed follow up procedures have been performed to ensure that these issues have been resolved in 2016/17. Whilst we have noted areas of improvement a number of issues remained outstanding as, at the time of testing, control issues were still apparent and recommendations were not consistently implemented in line with agreed timescales. IT Projects and Programmes performance issues have also been identified and this has resulted in a significant delay to scheduled audits in the year. An effective IT service is integral for the Council to realise its strategic objectives and, while progress has been made, this is still a service area that requires improvement

- Contract management - Ensuring value through commissioned services is fundamental to the Council achieving its strategic priorities. We identified areas for improvement in relation to the Council's procedures in place to obtain assurance over performance information presented by the contractor in relation to the Re contract and Mortuaries Inter Authority Agreement. Similar issues were noted in the previous year in relation to the CSG contract. Management have since taken action to implement a more systematic approach to validating contractor performance information. It is also noted that areas for further improvement are being developed as a result of the programme of work referred to above in relation to roles and responsibilities.

- Quality Assurance over Social care practice – Programmes are in place in both Family Services and Adults and Communities to deliver improvements in social care practice. We identified improvements that could be made to ensure high quality supervision occurs consistently in both services as well as learning from statutory complaints received is systematically identified and embedded into practice.

- Audit trails and documentation – We identified several instances where audit trails were not sufficient to demonstrate the performance of controls for a number of reviews and instances where systematic approaches to retaining evidence were not in place or not appropriate. Evidencing the performance of procedures and controls is important in ensuring the Council can demonstrate that it has taken steps to fulfil its duty of care to residents and service users if challenged. This is particularly key in areas such as health and safety where the Council may expose members of the public and staff to harm as well as be subject to litigation. The action plan that is set out as an appendix to the Quarter 4 Internal Audit Progress Report is intended to improve audit trails and documented protocols in relation to compliance testing and remedial works.

- Implementation of audit recommendations – Timely implementation of recommendations is an indicator of the strength of an organisation's control environment. Responsiveness and engagement in implementing audit recommendations is also an indicator of prevailing management culture and behaviours with regards to risk and control. These control issues are deemed to be strategically significant and management should focus on ensuring that agreed actions are implemented to mitigate the identified risk in a timely manner.

Internal Audit is measured on the percentage of actions implemented within agreed deadlines. To help ensure that all critical and high priority audit report actions are implemented within the agreed timeframes, a more continuous approach to follow-ups was introduced during 2016/17. This involves Internal Audit continually challenging the officers responsible for implementation over the course of each quarter, asking for written updates on a monthly basis. The Strategic Commissioning Board (SCB) also review and challenge follow-up progress for each quarter. Responsible officers who have not fully implemented actions just prior to the end of the quarter will be requested to attend a meeting with the Chief Executive to explain the reasons for delays and the next steps to ensure implementation.

The 90% target for the implementation of high risk recommendations by their due dates has not been achieved in 2016/17 with performance over the course of the year being at 88%, although this is an improvement on the prior year when performance was at 85%.

Acknowledgement

We would like to take this opportunity to thank Council and its partners, in particular Customer Support Group (CSG) and Re staff, for their co-operation and assistance provided during the year.

2. Summary of areas for improvement in the control environment informing the opinion

Our annual internal audit report is timed to inform the Council's Annual Governance Statement. A summary of key themes and findings informing our overall opinion from our programme of internal audit work for 2016/17 are recorded in the table below. We ask that management consider these when preparing the 2016/17 Annual Governance Statement.

Area	Narrative	Relevant reports
Governance, accountability and roles and responsibilities	There are several instances where roles and responsibilities were not clearly defined or understood. This may result in services not being delivered in line with requirements. Clarity around roles and responsibilities of commissioners and external delivery partners is particularly important in ensuring required services are provided through partnership arrangements. We did note progress against the prior year recommendation over the CSG Assurance Framework in that the Interim Chief Operating Officer, supported by the Commercial Director and Director of Resources, has instigated a review of Roles and Responsibilities across commissioning and contract management. This review will also look at where governance and performance reporting needs to be improved. The review is being managed as a change programme and will look in detail at the roles of Senior Responsible Officers, Commercial team advice, contract management and finance. Examples **noted at the time of the audits being undertaken** included: • CSG responsibility for the Civic estate has been clear since the contact commenced but there has been ambiguity around CSG's operational responsibility for health and safety procedures for the non-Civic estate as well as the Civic estate. The Civic estate comprises of 6 buildings used as offices by Council employees including North London Business Park, Barnet House and Mill Hill Depot, whilst the non-civic estate comprises of other buildings owned/managed by the Council such as schools, libraries and community centres and consists of c800 properties. Progress has been made to agree responsibilities and a work plan has been developed to ensure the compliance status of the full estate is systematically assessed and understood. The audit identified that although there is a performance reporting framework in place, with reports on estates compliance overseen by the council's Assets and Capital Board, the quality of the reporting requires improvement to ensure that effective oversight is being consistently maintained. • Insufficient mechanisms were in place to ensure that the Insurance team is consulted appropriately as part of the commissioning process. For the Re contract, one of the Council's largest outsourcing arrangements, contractor liability was not fully agreed and understood resulting in claims in relation to highways services provided by the contractor not being progressed to the provider for recovery. • For parking permit administration the provisions set out in the underlying contract, which is orientated around outcomes, were not sufficient to ensure required service	• Estates Health and Safety compliance (March 2017) • Insurance (October 2016) • Parking Permit Administration (May 2016) • Re Operational Review- Phase 1 (November 2016) • Re Operational Review- Phase 2 (January 2017) • Special Project Initiation Requests (SPIR) (January 2017) • Purchase Cards (October 2016)

Area	Narrative	Relevant reports
	standards were achieved. • Policies and procedures in place to support key operational activity undertaken by Re were not consistently aligned to relevant Council policies that impact the process, did not direct officers to the Council's Corporate Anti-Fraud team in processes which present a significant inherent fraud risk and did not document where processes can only be discharged by individuals in their role as a Council employee under joint employment arrangements. • Re did not have documented expected timeframes to inform when inspections should be performed and service user requests closed. 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. • Procedure documents in relation to processing SPIR (Special Project Initiation Requests) in relation to the CSG contract do not clearly reference the need to ensure that expenditure decisions occur in line with the Council's scheme of delegation and governance requirements. • There was a lack of monitoring of spend on purchase cards to ensure that expenditure is bona fide, procurement limits are not breached and there has not been appropriate strategic considerations around the use of purchase cards to ensure value for money is being achieved. This was largely due to responsibilities for oversight of the use of purchase cards having not been defined. • Within Re there was limited oversight of completion of alleged investigations into breaches of planning control resulting in a large number of investigations not occurring and not being completed in a timely manner.	
Information Technology (IT)	The Council's IT service is provided by CSG and in 2015/16 we noted a number of areas where the requirements in the contract were not being delivered or were not aligned to good practice in relation to disaster recovery arrangements and IT change management. Detailed follow up procedures have been performed to ensure that these issues have been resolved in 2016/17. We found: • Progress has been made against a number of issues identified but despite this we identified that there were potential gaps and deficiencies in service provision. In	• Disaster Recovery (September 2016) • IT Change Management follow up phase 1 (September 2016) • IT Change Management follow up phase 22 (January 2017)

Area	Narrative	Relevant reports
	particular if a disaster happened out of hours, strictly in terms of the contract, rectification would not start until 8am the following day. This means that functions could be without the services far longer than expected which may cause a material impact to the council as services to the public would be interrupted. Additionally findings identified that recovery plans were not fully completed and a disaster recovery test had not been completed in line with agreed timescales set out in the original audit report although management have confirmed that this has now been completed. • A number of recommendations remained outstanding beyond agreed implementation dates in relation to IT change management. During the Phase 2 review, we were informed that the service management toolset in use (ServiceNow) will be enhanced during the first half of 2017 to help better manage some of the IT service management processes, including change management, however this has now been scheduled for June 2017. • An internal commissioner-led review was undertaken to assess IT service provision against the requirements set out in the output specification in the CSG contract. A number of areas of improvement were identified and this exercise has informed a service improvement plan that was created in the year to support improvement in this area.	
Contract management	Ensuring value through commissioned services is fundamental to the Council achieving its strategic priorities due to the service delivery models in place and partnerships with external providers. The following have been identified as key areas of improvement with regards to the Council's approach in this area: • Weaknesses were identified with the Council's procedures in place to obtain assurance over performance information presented by the contractor in relation to the Re contract. A large proportion of the fee in relation to the Re contract is based on performance and it is important that the Council has robust processes in place to ensure that performance information presented in relation to arrangement such as this are accurate. It should be noted that similar issues were noted in the previous year in relation to the CSG contract and evidence has been provided to demonstrate that steps have been taken to introduce a more systematic, formalised and robust process to validate performance data presented by Re. This will also be considered by the year four review of the Re contract which will report in September. • Pre-set targets for monitoring performance against the indicators within the Inter Authority Agreement in place to support the delivery of Mortuaries services had not been set or agreed by the Council and Brent and service data against performance	• Re Invoicing review (January 2016) • Highways Programme (March 2017) • Mortuaries Contract Management (December 2016) • Estates: Subcontractor ordering and payment processes (March 2017 – *DRAFT*)

Area	Narrative	Relevant reports
	indicators had not been provided in line with requirements. Mechanisms were not in place to ensure that services were provided to the required standard in advance of payments being made for services. • Formal performance management is not being used as an effective contract management tool in relation to the London Highways Alliance Contract in place to deliver highways services for the Council. Performance indicators in place were not consistently measured, indicators have not been reviewed since contract inception and there were no mechanisms in place to obtain assurance over the accuracy of performance information presented. It is important that the framework in place gives management the information they need to proactively identify performance issues and incentivise the contractor to influence practice in areas that matter to the Council. • Estates Subcontractors' works are not consistently inspected before payment is authorised. Spot checking occurs on an ad hoc basis, however evidence is not retained of checks performed and there is not a systematic approach in place to get assurance that works have been undertaken to the required standard in advance of payment. We understand that Improvements in this area will be taken forward through the estates compliance work plan.	
Quality Assurance systems supporting Social work practice	Social work practice across Children's and Adults social care was agreed by the Council as an area for improvement in the Annual Governance Statement in 2015/16. We note there has been an ongoing improvement plan in place in Family Services and initiatives such as "Practice Week" which engages senior management in quality assuring frontline services. Similarly in Adults and Communities there is ongoing work to implement a revised operating model and the Quality Assurance Learning Framework is in the process of being refreshed and implemented with the aim of improving social work practice. Although evidence of positive intervention was evident we did identify some areas for improvement through audit work undertaken in 2016/17 as follows: • There was not an established, systematic approach to quality assurance around supervision practices in place in Adults and Communities. • In both Family Services as well as Adults and Communities supervision agreements were not consistently in place in line with procedures and evidence to demonstrate that supervision had occurred in line with requirements and actions arising as a result of supervision could not be provided for certain cases. • In Family Services as well as Adults and Communities we found that lessons learned from complaints were not consistently assessed and actions captured to ensure that actions are embedded into practice.	• Adults and Communities- Supervision (July 2016) • Family Services- Supervision (July 2016) • Family Services- Statutory Complaints (November 2016) • Adults and Communities- Statutory Complaints (November 2016)

Area	Narrative	Relevant reports
	• In Family Services as well as Adults and Communities we found evidence that for certain complaints from a sample considered had not been processed in line with timeframes specified within underlying procedure documents and instances where evidence had not been retained to demonstrate the performance of required steps.	
Audit trails and documentation	Evidencing the performance of procedures and controls is important in ensuring the Council can demonstrate that it has taken steps to fulfil its duty of care to residents and service users if challenged. This is particularly key in areas such as health and safety where the Council may expose members of the public and staff to harm as well as be subject to litigation. We identified several instances where audit trails were not sufficient to demonstrate the performance of controls as follows: • For play equipment maintenance repair reports, photos of repairs undertaken and post-incident investigations are not retained and therefore evidence that health and safety risks have been alleviated cannot be demonstrated. Ad hoc spot checks are carried out to review the quality and completion of repairs but these checks are not documented and there is no defined methodology to determine the frequency and sample size for spot checks • There were limited mechanisms in place to obtain assurance over the completion of remedial works or completion of works to an appropriate standard by third party contractors in relation to the corporate estate. Ad hoc checks are performed, however these checks are not evidenced and there is no defined sampling methodology to ensure sufficient coverage over works completed. This is being addressed by management rectified through a management action plan. • Evidence of action taken to implement agreed actions arising from the IT Change Management review could not be provided to support management assertions regarding action taken. • There were no systematic mechanisms in place to retain evidence of stakeholder or budget holder approval of SPIRs and demonstrate consultation in line with requirements. • When undertaking the Disabled Facilities Grant certification work Re were unable to obtain all of the requested source documents to support the expenditure items within the claim which led to an exception being noted within our certification letter to the DCLG. • We found that that there were deficiencies in the retention of an audit trail to demonstrate that required steps had been taken in the procurement process for	• Parks and Green Spaces Health and Safety (January 2017) • Estates Health and Safety Compliance (March 2017) • Special Project Initiation Requests (SPIR) (January 2017) • Disabled Facilities Grant (September 2016) • No Recourse to Public Funds (March 2017 - *DRAFT*) • IT Change Management (January 2017) • Estates: Subcontractor ordering and payment processes (March 2017 – *DRAFT*)

Area	Narrative	Relevant reports
	Estates subcontractors.	
	• We found that for No Recourse to Public Funds (NRPF) cases, evidence of the management review and approval of screening activity and related recommendations is not consistently retained for referral. Records were not available of all NRPF activity - for example, no-further-action (NFA) cases for which support was withheld. During the audit in Adults & Communities we were unable to provide assurance on the completeness of the NRPF caseload meaning that management may not have a clear understanding of demand for NRPF support in the Borough.	

3. Summary of Schools audits performed in 2016/17

Introduction

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2016/17, Internal Audit performed 23 schools visits and undertook 3 follow-up reviews. The results of the work are reported in the table below.

Each school will be audited on a three to five year cycle, depending on a risk assessment of that school, unless the circumstances of a school require an audit on a more frequent basis.

High priority recommendations made in limited or no assurance audit reports are followed up to ensure that they have been implemented within agreed timeframes.

Summary of the work performed

School Type	School	Assurance rating
Nursery	Brookhill Nursery	Limited assurance
Primary	Dollis Junior	Limited assurance
Primary	Edgware	Satisfactory
Nursery	Hampden Way	Satisfactory
Nursery	Moss Hall Nursery	Satisfactory
Primary	Barnfield	Satisfactory
Primary	All Saints NW2	Satisfactory
Primary	Frith Manor	Satisfactory
Primary	Summerside	Satisfactory
Primary	Holly Park	Satisfactory
Primary	Church Hill	Satisfactory
Primary	Orion	Satisfactory
Primary	Monken Hadley	Satisfactory
Primary	Colindale	Satisfactory
Primary	Queenswell Infants	Satisfactory
Nursery	St Margaret's Nursery	Satisfactory
Primary	Danegrove	Satisfactory
Primary	St Mary's N3	Satisfactory
Primary	Rosh Pinah	Satisfactory
Primary	Whitings Hill	Satisfactory
Primary	Moss Hall Junior	Satisfactory
Primary	Chalgrove	Substantial
Primary	Garden Suburb Junior	Substantial
Nursery	Brookhill Nursery follow up	Implemented
Primary	Hasmonean Primary follow up	Implemented
Primary	Menorah Foundation follow up	Implemented

Comparison with prior year results

Assurance Opinion	2016/17		2015/16		Direction of travel
	No.	%	No.	%	
Substantial	2	9	2	8	
Satisfactory	19	83	21	81	
Limited	2	8	3	11	
No	-	-	-	-	
Total	23	100	26	100	

It should be noted that schools are audited on a cycle and the prior period figures relate to different schools.

Commentary

The results highlight generally sound financial management practices with few significant issues identified around financial controls and budget monitoring.

The largest number of issues was identified in the areas of Asset management, Governance, Purchasing and Income.

No inappropriate use of assets was noted in the year, however asset registers were often not up to date.

The Governing Body has responsibility for overall financial management of the school and must ensure the requirements of the scheme for financing schools and associated guidance from the Chief Finance Officer are met. In order to meet these requirements the school must prepare its own Financial Management Policy and Procedures document for internal use to be approved by the Governing Body. The Governing Body must ensure that Policy and Procedures are implemented. We frequently find during audit visits that this document is not up to date.

For purchasing, the formal confirmation of receipt of goods was frequently absent in schools. Evidence of prior independent authorisation of debit/credit card purchases and related audit trails to allow a credit/debit card purchase to be traced from ordering through to payment were also not retained consistently by schools for our review.

High Priority recommendations were made around Payroll, Income and Budget monitoring. The Financial Guide for schools requires a complete audit trail for all income received by the school, separation of duties between payroll review/authorisation and pay changes/update in the system and timely responses to budget variances. These were not clear in some schools.

4. Follow up work performed in 2016/17

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit charter, we followed up all high priority recommendations made in prior years and the current year to ascertain whether appropriate action had been taken. The table below summarises the follow up work performed.

Results of the follow up work

We followed up a total of 44 high priority recommendations that had been raised and were due to have been implemented by the end of 2016/17. Of those, we found that 36 had been fully implemented by the year end, 2 were no longer applicable and 1 deadline had been extended with the approval of the Audit Committee.

Summary

Status	Number	%
Implemented	36	88%
Partly Implemented	5	12%
Not Implemented	-	-
Total	**41**	**100%**

Commentary

The direction of travel for implementing audit recommendations on a timely basis is therefore positive in 2016/17 with 88% of high priority recommendations confirmed as having been implemented within agreed timescales (83% in 2015-16).

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.

- Recommendations for improvements should be assessed by you 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: Individual reviews informing the annual opinion

	Review Title	Assurance rating	Number of High Priority recommendations	Report status
1	Highways Programme	Limited	1	Final
2	Estates / H&S compliance	Limited	1	Final
3	Insurance	Limited	1	Final
4	Parking Permit administration (2015/16)	Limited	1	Final
5	Supervision *(Joint Adults and Communities and Family Services)*	Reasonable	1	Final
6	Contract Management - Mortuaries	Reasonable	1	Final
7	Statutory Complaints - Adults and Communities	Reasonable	1	Final
8	Re Invoicing (ongoing from 2015/16)	Reasonable	1	Final
9	Transformation - Adults Transformation	Reasonable		Final
10	Review of SPIRs process	Reasonable		
11	Contract Management Toolkit Compliance - Parking	Reasonable		Final
12	Re Operational Review - Phase 1 - control design	Reasonable		Final
13	Purchase Cards / Expenses (**Joint internal audit with CAFT**)	Reasonable		Final
14	Direct Payments (**Joint internal audit with CAFT**)	Reasonable		Final
15	Looked After Children - Virtual Schools Head / Pupil Premium	Reasonable		Final
16	Parks & Green Spaces - Health & Safety	Reasonable		Final
17	Residential Care Homes - provider sustainability	Reasonable		Final
18	Statutory Complaints - Family Services	Reasonable		Final
19	No Recourse Public Funds (**Joint internal audit with CAFT**)	Reasonable		*Draft Final*
20	KFS - Accounts Payable (CAM)	Reasonable		Final
21	KFS - Accounts Receivable (CAM)	Reasonable		Final
22	KFS - General Ledger (CAM)	Reasonable		Final
23	KFS - Schools Payroll (CAM)	Reasonable		Final
24	KFS - Teachers Pensions (CAM)	Reasonable		*Draft*
25	KFS - Cash & Bank (CAM)	Reasonable		*Draft*
26	KFS - Budget Monitoring (CAM) - Parking & Infrastructure	Reasonable		*Draft*
27	Housing Benefit (CAM)	Reasonable		Final
28	NNDR (CAM)	Reasonable		Final
29	Estates Subcontractor ordering processes	Reasonable		*Draft*
30	Safeguarding – Statutory responsibilities – Adults and Communities	Reasonable		*Draft*
31	Education and Skills ADM - governance including contract management	Substantial		Final
32	Transformation - Family Friendly Barnet	Substantial		Final
33	KFS - Treasury Management (CAM)	Substantial		*Draft*
34	Council Tax (CAM)	Substantial		Final
35	Regeneration Programme	Reasonable		*Draft*
36	Review of Barnet Group Internal Audit Plan and Reports	N/A		Final
37	Staff Performance Management	N/A		Final
Follow-up reviews completed as full audits				
38	Street Scene Operational Review - follow up (**Joint internal audit with CAFT**)	N/A		Final
39	Disaster Recovery Plan follow-up - Phase 1	N/A		Final

40	Disaster Recovery Plan follow-up - Phase 2	N/A	1	Final
41	Establishment List follow-up	N/A		Final
42	Re Operational Review - Phase 2 - operating effectiveness	N/A	1	Final
43	Re Operational Review - Phase 2 - Investigating and resolving alleged breaches of planning control	N/A	1	Final
44	IT Change Management follow-up	N/A		Final
Grants				
45	Troubled Families PbR submission 1	N/A		Final
46	Troubled Families PbR submission 2	N/A		Final
47	Troubled Families PbR submission 3	N/A		Final
48	Disabled Facilities Grant	N/A		Final
49	Bus Subsidy Grant	N/A		Final
50	Social Care Capital Grant	N/A		Final

Appendix C: Changes to the 2016/17 published plan

The 2016/17 Internal Audit plan was approved by the Audit Committee in April 2016. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Type	Review Title	Reason for change
Deferred	Highways Direct Labour Organisation (DLO)	Deferred to 2017/18 in light of ongoing considerations around the restructuring of the service and operating model
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
Additional	Contract Management – Contract Register Maintenance	Added to plan in response to emerging risk identified through risk register update discussions
Additional	Section 106	Added to plan as agreed with Commissioning Director for Growth

Appendix D: Performance of Internal Audit

Key Performance Indicators

Category	Performance Indicator	Target	Actual
Effectiveness	% of recommendations accepted	98%	100%
	% of recommendations implemented	90%	88%
Efficiency	% of plan delivered	95%	91%
Quality of Service	Average auditee satisfaction score	90%	100%

Commentary

Two of our targets have not been met in 2016/17:

% of recommendations implemented where we achieved 88% against a target of 90%.

This was mostly due to unrealistic deadlines having being agreed for the implementation of actions.

% of plan delivered where we achieved 91% against a target of 95%.

This is measured by calculating the total number of audits completed divided by the total number of planned audits for the year. At 31st March 2017, 100% of planned audits for the year had commenced. Of the 8 audits not yet completed, 3 were at draft report stage, 3 at end of fieldwork and 2 had fieldwork underway.

Appendix E: Update against Internal Audit Peer Review action plan

A peer review of the Council's Internal Audit service against the Public Sector Internal Audit Standards ("PSIAS") was conducted in January 2016 by the London Borough of Kensington and Chelsea. The review found that Internal Audit 'fully conforms' to the PSIAS in 12 of the 17 areas assessed, with minor improvements being suggested in the remaining five areas which were assessed as 'generally conforms'. The peer reviewer noted that 'Overall I think that you are very close to being fully compliant with the requirements of the PSIAS with most improvements being of an advisory nature'.

In summary, the improvement areas identified, actions that have subsequently been taken and the current status are:

Improvement Area	Action taken	Status
Audit Manual to be updated to reflect the schools audit process, which differs slightly from the non-schools audit process	Added to 2016/17 Internal Audit workplan	**Implemented** The Audit Manual has been updated to link to the following documents which define the school audit approach and process: 1. The Schools approach document 2. The School audit process flow chart
The return rate for receiving Satisfaction Surveys could be improved and there is currently no follow up on the return of surveys	The HIA is exploring the option of an online 'Snapshot' survey that will be quick and easy to complete and monitor	**Implemented** A CCAS online SurveyMonkey survey was introduced at the end of November 2016. As at the end of March 2017 5 responses had been received which represents an average of 2 per month. In 2015/16 a total of 12 responses were received which represented an average of 1 per month.
Internal Audit files have not all been archived in line with Council policy	The Information Management Team has recently launched a new archiving process; a member of the Internal Audit team has been confirmed as the nominated Records Co-ordinator for Internal Audit	**Partly implemented** All audit files are held electronically. At year end 31/3/2017, all files up to and including 2011/12 are in the process of being archived.
There is evidence of good liaison with other assurance providers but the HIA has identified a need to progress further liaison with the internal auditors for the CCG to identify the scope for shared or joint reviews.	The recent audit of the Better Care Fund and S75 agreements was shared with the HIA at the CCG. Liaison will continue during 2016/17	**Partly Implemented** A protocol document used at another London borough has been obtained through CCAS and is being adopted as part of the 2017/18 Internal Audit plan to enable

		joint audits to take place with the CCG.
Based on interviews with key stakeholders, the Chief Executive, the S151 Officer and the Chair of the Audit Committee it was identified that the service is well respected, capable of taking on challenging audits and has a positive impact on the governance, risk and control within the Council. A review of the customer surveys indicated that the majority of the responses were positive and it is concluded that generally: • The service is well regarded; • Audit staff are considered professional; • Recommendations are regarded as pragmatic and generally useful. A small number of responses indicated that there was some negative opinion towards the external contractor's approach to audits with comments such as "demanding", "tight deadlines" and "intrusive".	Audits should follow the same process no matter which team conduct the audit. Since the peer review customer survey was circulated, we have updated the information on the Council's intranet regarding the Internal Audit service making the expected audit timeline clearer for auditees. One of the objectives of the Cross Council Assurance Service (made up of six London boroughs including Barnet and our strategic partner, PwC) is to harmonise our audit approach. Ultimately we do not want auditees to distinguish between whether their auditor is from their host borough, PwC or from another borough. We will continue to work towards this aim during 2016/17.	**Partly Implemented** During 2016/17 we introduced a CCAS report template and points based scoring system for non-schools audits. In 2017/18 this is being rolled out to include schools audits.