Internal Audit – London Borough of Barnet

BARNET
LONDON BOROUGH

Internal Audit Progress Report
1 July – 30 September 2017

Cross Council Assurance Service

1.0 Summary

1.1 Purpose of this report

1.1.1 We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

1.2 Progress against the 2017/18 internal audit plan

1.2.1 We have completed 34 audits, [34%] of our 2017/18 internal audit programme for the year, 16 of which were delivered in Q2, which is below the target for the agreed profile for our work. Please see Appendix A for further narrative on our performance indicators (PIs).

1.2.2 The reporting of this PI currently represents the number of audits at final report stage divided by the number of planned audits for the year to date. Any 'work in progress' is currently not taken into consideration when measuring performance. This means that in the majority of our quarterly reports we appear to be not meeting our target; however this could be misleading as we are comfortable that we will meet the target by year end due to there being a number of other audits underway. We propose changing the reported figure to include recognition of the work underway as follows:

If at 'draft report' stage, we would consider this to be 90% complete

If at 'fieldwork' stage, we would consider this to be 50% complete

If at 'planning' stage, we would consider this to be 20% complete

1.2.3 In line with our reporting protocol with the Audit Committee we present any no assurance or limited assurance reports for discussion. For this Audit Committee, we present the following final reports:

- **Regeneration – Benefits Realisation** – Limited Assurance

- **Menorah High School for Girls** – Limited Assurance

1.3 Findings of our Follow Up Work

1.3.1 We have undertaken follow up work on all high priority actions with an implementation date of 30th September 2017 or sooner. We have discussed with management the progress made in implementing actions falling due in this period and have sought evidence to support their response.

1.3.2   A total of 25 high priority actions have been followed up this quarter. 18 actions have been implemented (72%) and 7 have been partially implemented (28%).

1.3.3   As requested at the July Audit Committee, we have followed-up the medium priority recommendations on:

   o   Nursery Places - Free Early Education Funding

o   Community Infrastructure Levy (CILS) and Section 106 (S106) – Phase I, Income

1.3.4   Our 2017/18 plan included resource for following up a selection of medium priority recommendations during the year; in Q2 we have undertaken a follow-up of Contract Register Maintenance medium priority recommendations.

1.3.5   Progress is summarised in Section 4.

1.4 Other Matters

1.4.1 **Family Services audits**.

As part of the 2017/18 audit plan agreed by the Audit Committee in April 2017, we proposed to undertake a number of audits relating to Family Services. As reported to the Audit Committee in Q1, due to the Council having been inspected by Ofsted during the quarter, those audits planned for Q1 were provisionally moved to later in the year.

Since the Ofsted inspection, we have been working with the Director of Children's Services and the Inspection & Improvement Lead to agree the most effective way for internal audit to support the Family Services Improvement Programme.

We are seeking Audit Committee agreement to the following proposed change to the 2017/18 audit plan. We will report back to the Audit Committee against this on a quarterly basis:

Provisional audit title	Provisional timing	Plan section	Proposal November 2017
Council Support for Children's Safeguarding (Conditions for Success)	Q1 and Q2	Cross-cutting	• Utilise this audit resource to support delivery of the Improvement Plan by mapping previous relevant audit recommendations to the improvement plan to ensure they are followed up
Safeguarding – Health Visitors and School Nurses	Q1	Public Health	• 'Embedded assurance' - be part of the governance structure that will support implementation of the Improvement Plan e.g. by challenging performance data and project management arrangements
Domestic Violence	Q1	Cross-cutting	• Undertake to provide independent assurance that progress being reported against the Improvement Plan is supported by evidence • Create 'Safeguarding Assurance Map'

Vulnerable Adolescents	Q3	Cross-cutting	• Liaise with the Independent Chair of the Improvement Board to keep him informed as to progress
Review of post-Ofsted visit Practice Improvement plan	Q4	Family Services	

1.5 Recommendations

- That the Audit Committee notes the progress made against our 2017/18 Internal Audit Programme.
- That the Audit Committee approves the change in measurement of Progress Against the Plan detailed at 1.2.2 above.
- That the Audit Committee approves the proposed changes to the 2017/18 audit plan for Family Services detailed at 1.4.1 above.

2.0 No and Limited Assurance reports issued since the previous meeting

Regeneration Benefits Realisation – Limited Assurance

Number of findings by risk rating

Critical	-
High	2 (Findings 1-2)
Medium	-
Low	-
Advisory	-

Summary

'Benefits Realisation' is the process for the identification, definition, tracking, realisation and achievement of benefits resulting from a programme of change or an investment (for example a project). Effective benefits realisation planning enables organisations to justify the reasons for a change and/or investment and the measurement of achievement to ensure that planned benefits will be, and have been, delivered.

Barnet's Growth and Regeneration Programme aims to support the Council in becoming financially sustainable by maximising local sources of revenue, including council tax, business rates and capital receipts. The programme hopes to see £6 billion of private sector investment over the next 25 years, which will facilitate over 27,000 new homes and up to 30,000 new jobs. It also aims to generate £17 million of additional income annually for the Council by 2020 through additional council tax receipts and business rates; and one off income of £55 million generated from capital receipts. Outcomes from the Growth and Regeneration Programme impact not only the Council but a number of its partner organisations.

We selected three regeneration schemes for our review and only investigated the benefits realisation processes in place for each programme. All three programmes were initiated before the Council's current Corporate Project Management Toolkit was in place. Whilst the underlying tools and templates used to support effective management and governance of projects had been updated in line with the Toolkit, we did identify issues relating to the understanding and application of benefits management tools by those responsible for project and programme management, which is linked to a lack of formal training in benefits management for regeneration project managers. Issues were identified in relation to the management of the whole cycle of benefits identification, monitoring and realisation: it is not being delivered in line with the toolkit and therefore does not support effective benefits realisation. There is a need to upskill project managers to enable them to embed the Council's benefits management tools effectively into business as usual project and programme management.

The Council's Growth and Regeneration Programme includes ambitious objectives which are key to the Council's strategy. To achieve these aims for the overarching programme, benefits identification, monitoring and realisation must be carried out effectively for individual projects within the programme. Failure to realise benefits at an individual project level can mean that the benefits identified for the overarching programme are no longer achievable and the Council cannot justify its investment decisions and maximise outcomes from them.

Our high risk findings were:

Benefits identification and definition (Finding 1, high) – We found that planned benefits for the three projects reviewed had not been fully defined and were therefore unable to determine how the Council would be able to fully articulate the planned benefits of projects and fully justify its investment decisions.

Benefits monitoring, measurement and realisation (Finding 2, high) – We found controls were not in place for benefits to be effectively measured and monitored to ultimately demonstrate realisation. We were therefore unable to determine how the Council would be able to fully determine whether projects were on track to deliver the intended benefits and therefore whether the projects remained viable.

Management accepted our findings and agreed appropriate actions to be implemented by 28 February 2018

Menorah High School for Girls – Limited Assurance

Number of findings by risk rating

Critical	0
High	1 (Finding 1)
Medium	8 (Findings 2-9)
Low	1
Advisory	0

Summary

Menorah High School for Girls is a Voluntary Aided school with 247 pupils on role aged between 11 and 18 years of age. The School budgeted expenditure for 2017/18 is £1,957,145 with employee costs of £1,659,360 (85% of budgeted expenditure).

The School entered the state sector in April 2016. Prior to this it was an independent school. It has not been inspected by Ofsted.

This is the first audit by the Local Authority.

We were able to give **'Limited'** Assurance to the school, noting one high, eight medium priority, and one low priority issue as part of the audit.

Our high risk finding was:

- **Purchasing (finding one, high risk)** - Purchase order forms were not completed for all relevant expenses. These costs are not recorded as a committed expense, and this procedure has not been agreed by the Governors. Procedures when using the school credit card should be reviewed, documented and agreed by Governors to ensure a complete audit trail, separation of duties and proof of receipt of goods. Delivery notes should always be signed.

Our medium risk findings were:

- **Governance (finding two, medium risk)** – The financial management policy and procedures document should be updated and approved by Governors to include delegated financial responsibilities, agreed

procedure when using of the school credit card, and reference to Barnet's Contract Standing Orders for Schools.

- **Governance (finding three, medium risk)** – The website should be updated to comply with the requirement to publish Governor Details and the Register of interests.
- **Budget Monitoring (finding four, medium risk)** – The school should set a well-informed and balanced budget each year, including income from Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies. Committed expenses should be included on Budget monitoring reports.
- **Contracts (finding five, medium risk)** – A signed contract was not available for the security contract. There was no evidence of review of the cleaning contract. Contract specification details for the cleaning contract were not available in school for referral where necessary for contract monitoring purposes.
- **Banking and Petty cash (finding six, medium risk)** – The school has entered into a finance contract. This is not allowed in the Scheme for financing schools. The school should seek approval for the credit card. Identified posting errors on the bank reconciliation should be cleared on a timely basis.
- **Taxation (finding seven, medium risk)** – The school should seek advice to confirm the correct treatment of VAT.
- **Assets (finding eight, medium risk)** – The IT inventory was not found to be complete. No dates of purchase, supplier or cost of purchase were noted on the inventory.
- **Pupil Premium (finding nine, medium risk)** – Pupil premium income and expenditure was not accurately reported and disclosed.

Management accepted our findings and agreed appropriate actions to be implemented by Spring term in 2018 at the latest. The high priority finding will be addressed during the Autumn term and we will follow-up to confirm that the agreed action has occurred.

3.0 Progress against plan

Stage	Name of review	Report classification	Total findings	Ratings				
				Critical	High	Medium	Low	Advisory
Quarter 2								
Completed	Regeneration – Benefits Realisation	Limited	2	-	2	-	-	-

Completed	Menorah High School for Girls	Limited	10	-	1	8	1	-
Completed	Friern Barnet School	Reasonable	6	-	1	2	3	-
Completed	Woodcroft School	Reasonable	5	-	1	1	3	-
Completed	Planning Applications and Enforcement (Joint with CAFT)	Reasonable	8	-	-	5	1	2
Completed	Cromer Road School	Reasonable	6	-	-	2	4	-
Completed	Core HR Upgrade	Substantial	3	-	-	1	2	-
Completed	Prevent	Management letter issued and followed up – see section 3.3						
Completed	Prevent Follow-Up	Follow-up report issued – see exempt report appendix 2						
Completed	IT Change Management Follow-Up	Follow-up report issued – see section 4.2						
Completed	IT Risk Diagnostic	Management letter issued – see section 3.1						
Completed	GDPR Readiness Review	Management letter issued – see section 3.2						
Completed	Disabled Facilities Grant (DFG) 2016/17	Claim verified						
Completed	Disabled Facilities Grant (DFG) 2017/18	Claim verified						
Completed	Bus Subsidy Grant	Claim verified						
Completed	Troubled Families – Payments By Results	Claim verified						
Draft Report	Education, Health & Care Plans	TBC	-	-	-	-	-	-
Draft Report	Barnet Group Assurance Mapping	TBC	-	-	-	-	-	-
Draft Report	Purchase Cards follow-up	TBC	-	-	-	-	-	-

Status	Review	Date						
Draft Report	Transformation - Benefits Realisation	TBC	-	-	-	-	-	-
Draft report	Eligibility to Work - Pre-Employment Checks (Non-Schools) (Joint with CAFT)	TBC	-	-	-	-	-	-
Draft report	Special Project Initiation Requests (SPIRs)	TBC	-	-	-	-	-	-
Draft report	Childs Hill School	TBC	-	-	-	-	-	-
Fieldwork	Pensions Admin	TBC	-	-	-	-	-	-
Fieldwork	Performance Management Framework (Advisory)	TBC	-	-	-	-	-	-
Fieldwork	Commercial – Contract Management Toolkit (Advisory)	TBC	-	-	-	-	-	-
Fieldwork	Eligibility to Work - Pre-Employment Checks (Schools) (Joint with CAFT)	TBC	-	-	-	-	-	-
Fieldwork	SWIFT to Mosaic Data Migration	TBC	-	-	-	-	-	-
Fieldwork	Income Generation (Advisory)	TBC	-	-	-	-	-	-
Fieldwork	S106 / CILs expenditure	TBC	-	-	-	-	-	-
Fieldwork	Cambridge Education governance including contract management	TBC	-	-	-	-	-	-
Fieldwork	Performance Reviews (operating effectiveness)	TBC	-	-	-	-	-	-
Planning	Emergency Planning **Note**: through discussions with management we have agreed to split this into two separate reviews, one of Emergency Planning and one of Business Continuity, both of which are now at the planning stage	TBC	-	-	-	-	-	-
Planning	Business Continuity	TBC	-	-	-	-	-	-
Planning	Better Care Fund - development of protocol for joint Internal Audits with the Clinical Commissioning Group	TBC	-	-	-	-	-	-
Planning	Public Health Delivery Model 2018 Onwards	TBC	-	-	-	-	-	-

Planning	CSG 3 Year review – KPI baselines	TBC	-	-	-	-	-	-
Planning	Elections Management – Annual Canvass	TBC	-	-	-	-	-	-
Planning	Council Tax	TBC	-	-	-	-	-	-
Planning	NNDR	TBC	-	-	-	-	-	-
Planning	Housing Benefit	TBC	-	-	-	-	-	-
Deferred	**Investing in IT – Lessons Learnt (Advisory)** Due to further delays with the full delivery of this project we have deferred this review	TBC	-	-	-	-	-	-
Deferred to Q4	**Street Scene Capacity & Capability (Advisory)** This has been deferred until Q4 to enable the new Street Scene Director to have been in post for 6 months prior to the review.	TBC	-	-	-	-	-	-
Deferred to Q4	**Customer Transformation Programme** This has been deferred to Q4 due to delays with the launch of the new version of the MyAccount system.	TBC	-	-	-	-	-	-
Deferred to Q4	**Highways DLO** This has been deferred to Q4 due to delays with the introduction of the DLO's new operating model.	TBC	-	-	-	-	-	-
Deferred to 2018/19	**Project & Programme Management toolkits** We have agreed to defer this to 2018/19 whilst the Council develops a toolkit for Agile project management.	TBC	-	-	-	-	-	-
On Hold	**Strength Based Practice (SBP)** This is on hold to avoid potential duplication with the Transformation Benefits Realisation audit which includes the SBP project within its scope.	TBC	-	-	-	-	-	-
Cancelled	**Contract Management – The Fremantle Trust** This review has been cancelled as during the Provider Failure audit in 2016/17 we gained assurance over the Meadowside which represents 40% of the expenditure with Fremantle Trust.	N/A	-	-	-	-	-	-

Quarter 1

Completed	Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income	Limited	7	-	1	4	1	1
Completed	Nursery Places – Free Early Education Funding	Limited	7	-	1	4	1	1
Completed	Contract Register Maintenance	Reasonable	5	-	1	2	1	1
Completed	Non-Schools Payroll	Reasonable	5	-	-	5	-	-
Completed	Pensions Administration	Reasonable	4	-	-	3	1	-
Completed	Water Safety	Reasonable	3	-	-	3	-	-
Completed	Commercial Waste – achieving income target (Joint with CAFT)	Reasonable	5	-	-	5	-	-
Completed	Livingstone School	Reasonable	5	-	-	2	3	-
Completed	St. John's N11 School	Reasonable	7	-	-	2	5	-
Completed	Brunswick Park School	Reasonable	7	-	-	2	5	-
Completed	Hollickwood	Reasonable	5	-	-	3	2	-
Completed	Northway	Reasonable	4	-	-	3	1	-
Completed	Safeguarding – Family Services	Substantial	1	-	-	1	-	-
Completed	Beis Yaakov School	Substantial	3	-	-	1	2	-
Completed	Mapledown School	Substantial	3	-	-	1	2	-
Completed	Troubled Families - Payment by Results Q1	N/A	-	-	-	-	-	-
Completed	Estates / Health & Safety compliance & Subcontractor ordering follow-up	N/A	-	-	-	-	-	-

3.1 IT Risk Diagnostic (ITRD)

We have completed the planned IT Risk Diagnostic to inform our future IT internal audit plan.

The purpose of this review was to establish a baseline understanding of the IT risk environment and maturity of internal controls across the IT Audit landscape. This was performed by carrying out a series of meetings and workshops with the IT management team, to understand the processes and controls in place across seven core IT areas. Management's self-assessment of the controls in the seven areas has been benchmarked against both "good practice" and a group of 30+ organisations which includes both public and private sector organisations.

The review covered the following seven areas within the IT Audit landscape:

- IT Strategy;
- IT Governance;
- IT Management;
- System Quality;
- System Support & Change;
- IT Operations; and
- Information Security.

The risk diagnostic has led us to prioritising audits of the following:

Audit scope	Timing
IT Strategy - Strategic decision making	Q4 of 2017/18
IT Governance – Data management procedures	Q2 of 2018/19
IT Management – Portfolio and Project management	Q4 of 2018/19

The ITRD also identified that a General Data Protection Regulation (GDPR) Readiness Assessment would also be beneficial; this was already underway and a summary of the outcome of this review is below at section 3.2.

3.2 General Data Protection Regulation (GDPR) Readiness Assessment
Background

The **General Data Protection Regulation (GDPR)** replaces the Data Protection Act 1998 and is the biggest change in Data Protection law in 20 years. It will impact on every entity that holds or uses European personal data both inside and outside of Europe. This significant and broad reaching change in legislation affects every area of the council and all its contractors. The Regulation will be fully in force on 25 May 2018.

This GDPR gives rise to heightened compliance requirements in many areas, including accountability and data subject rights. It also seeks to instil a culture of "Privacy by Design and Default" in organisations. This means embedding privacy in a similar way to equalities, legal and finance, in that all projects, programmes and process changes consider privacy and data protection at the outset. These requirements are backed by heavy financial penalties for failing to comply, with maximum potential penalties rising from £500,000 to €20m or 4% of annual worldwide turnover. Given that the GDPR is yet to come into effect, there is no definitive amount of fines or penalties for local authorities. Under the DPA penalties are not decided by sector, but by the nature and impact of the incident. It is fair to assume that the same will be true for GDPR. In 2012 Barnet received a £70,000 Monetary Penalty Notice for not keeping personal data secure.

The Information Commissioner's Office (the ICO) has stated that they would rather help councils to help them prevent data security breaches, but made it clear that they will issue fines, if necessary. The ICO expects compliance with all aspects of GDPR by 25 May 2018.

We have completed the planned GDPR readiness assessment, which ran alongside the council's initial preparations for GDPR. The assessment, which was based on oral evidence and documentation provided, reviewed two key privacy domains: (1) 'Data protection architecture' (the structures that are in place across the organisation to facilitate compliance); and (2) 'Data protection principles' (the compliance obligations in the GDPR around data quality, such as accuracy, retention and security).

Summary of findings

The assessment indicated that the Council's current data protection programme requires remediation in a number of areas in order to become fully compliant with the GDPR. This was in line with our expectations, as GDPR imposes new responsibilities. It is important to note that the Council is not only aware that work needs to be undertaken to ensure GDPR compliance, but is active in this area having begun to prepare by developing a GDPR Implementation Project.

When benchmarked against the other organisations reviewed by PwC, the Council is generally tracking at similar or slightly higher levels of maturity. The Council tracked well against other councils in relation to vision and strategy and transfers but is tracking at a lower level in relation to education, awareness and accuracy. The Council has accepted these findings and has an action plan in place to address the improvement areas noted, as part of its GDPR Implementation Project.

3.3 Prevent and Prevent Follow-up

In August 2017 we undertook a review of the Council's arrangements around the 'Prevent' aspect of the Contest Framework, the Government's overall counter terrorism strategy. We have subsequently followed up to confirm progress against implementation of the agreed actions. The full report is attached as an exempt paper at Appendix 2.

4.0 Follow Up

4.1 Summary

4.1.1 The wheel below demonstrates how many high priority actions due this period have been implemented, are in progress or are not implemented.

Recommendation Implementation Status

0

7

18

■ Not implemented   ■ Implemented   ■ In progress
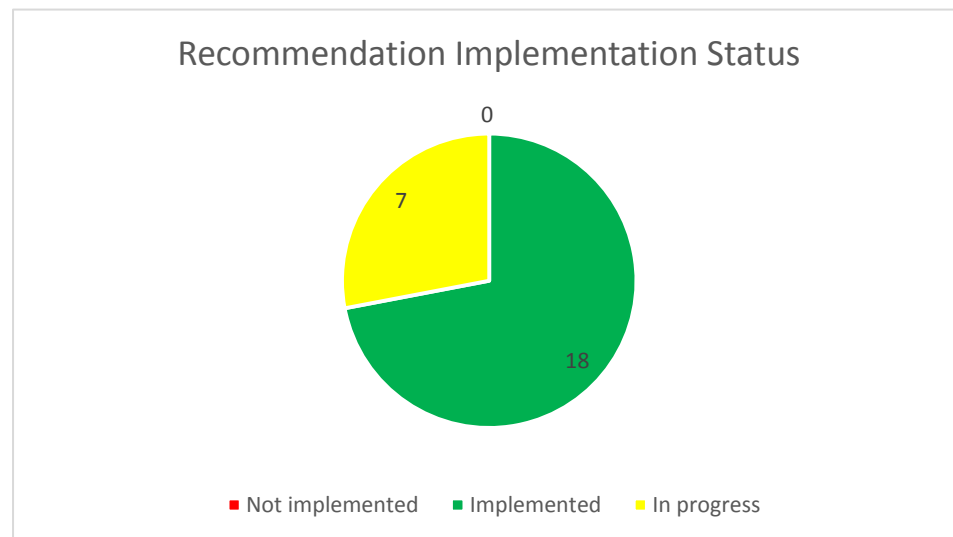
4.2 IT Change Management follow-up

An internal audit was conducted in March 2016 to review the appropriateness and effectiveness of the Council's IT Change Management process, including related governance, policies, process, procedures and controls that are in place to manage changes to the IT applications and infrastructure that support the Council's services. This led to a Limited Assurance audit report, which has been followed up on two previous occasions (June 2016 and November 2016) and progress reported back to the Audit Committee.

This was the final follow-up audit to be undertaken. Of the original 30 agreed actions, 29 have now been verified as implemented, including all of the high priority actions.

Status	Description	High Priority	Medium Priority	Low Priority	Total
Implemented	Evidence provided to demonstrate that the action is complete	14	12	3	29/30
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	0	1	0	1/30
Not Implemented	No evidence seen of the action being progressed or completed	0	0	0	0/30

The status against the High Priority recommendations is summarised in sections 4.3 and 4.4 below.

The one Medium Priority action that is currently Partly Implemented is as follows:

Release Management (original report ref 3.1b)

We examined *Orange Bus Release – Change Calendar v1.0* which is a spreadsheet based release calendar for the Orange Bus website. We noted that future releases are planned against predetermined dates, however we did not see evidence that these releases were linked to an IT change. We also did not see evidence of individual changes being challenged during review for potentially combining into future releases.

We observed that within the 'ServiceNow' database toolset the workflow to raise a change has been designed to identify change conflicts against Configuration Items (CIs), for example it is possible to view whether there is an existing change scheduled and awaiting implementation when raising a new change.

We also noted that Project related changes are reviewed for opportunities to combine related changes together as part of the OAIS (Operational Acceptance into Service) process.

Further action needed for full implementation:

1) All requests for change to be routinely reviewed and challenged during the assessment of a change to determine whether the IT change should be scheduled and packaged into a release. This would support the aim of minimising the volume of change and potential business interruption; and

2) Requests for change to be grouped and related to a scheduled release using a traceable method that allows the auditing and reporting of releases. This would support the wider service management processes such as incident management.

Revised date: 31 December 2017

4.3 Outstanding actions

4.3.1 Outstanding high priority actions are summarised below:

Name of report	Agreed Action	Status (Not Implemented / In Progress)	Owner	Due Date
1. **Re Operation Review - Phase 2: Operating Effectiveness of Controls** **(January 2017)**	**Highways: ad hoc inspections – Control Design** 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. 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.	**In Progress** As reported to the 20th April 2017 Audit Committee, this was being picked up as part of the Re Fundamental Service Review (FSR). Timescales currently state "in a timely manner" i.e. at the discretion of the inspector. Re and the Council are working together through the FSR process to agree a more detailed set of parameters and working with the Hub to re-script their questions to understand the types of interventions being discussed. The FSR was due to have substantially completed by July 2017. As at September 2017 the detailed findings and recommendations of the FSR were due to be reported to PCM committee in November. The work associated with the re-drafting of the parameters was almost complete and we were told would be in place for final agreement. The Council led review is due to consult with Members in October on proposed performance changes. Final approval of the report and any changes will be approved by the Member Working Group in November.	**Strategic Director - Environment** **Operations Director, Re**	**Original: 31 March 2017** **1st Revised date: 31 July 2017** **2nd Revised date: 30 November 2017**
2. **Highways Programme** **(March 2017)**	**Performance Management** A framework for performing validation activity on performance data reported by the contractor will be determined and implemented. This will involve periodically requesting the supporting data from the	**In Progress** Re Highways has identified two corrective actions to address this audit point. Firstly they are in the process of developing a Network Recovery Programme (NRP) scheme contract audit	**Contract Performance and Traffic Manager**	**Original: 31 July 2017** **Revised: 31 January 2018**

	contractor on a proportionate sample basis to support reported performance.	sheet to audit the key milestones in the scheme delivery. Based on benchmarking with other boroughs, they will audit 6% of schemes across the NRP programme on a bi-monthly basis. Any deviation from the agreed scheme delivery process will be raised at the NRP weekly programme meetings, which are attended by both Re Highways and Conway Aecom. Re will formalise this process by the end of October 2017. The second corrective action to be implemented is the development of a scheme handover process. This process will ensure that Re are enabling Barnet to discharge their Construction Design and Management (CDM) duties, assist with asset management and will include lessons learnt, so that Re can continually improve the delivery of NRP. Re will develop this process by the end of November 2017 and roll it out by the end of January 2018.		
3. **Estates Health & Safety Compliance -** **(February 2017)**	**Performance Reporting** We will continue to progress with SPIR 3 to ensure the contractual position between CSG and the Council in relation to responsibilities for all of the non-civic estate is agreed. We will submit a change request to alter the contract once the entire suite of KPI's has been reviewed in March 2017.	**In Progress** Changes to the contract have been agreed: updating KPIs to reflect current priorities for the estates service, including increasing the contractual levers around performance on lease renewals and the Strategic asset management plan; and measuring performance on planned maintenance and statutory compliance against the whole preventative maintenance programme and annual works programme rather than just for the civic estate. Regarding SPIR 3, this was erroneously referred to as the mechanism to clarify the contractual position, when in fact this is a Change Request (CR) that is currently being negotiated. Within this CR, revised operational definitions of the estate have also been agreed and further	**Director of Estates, CSG** **Head of Estates, LBB**	**Original: 28 April 2017** **1st Revised date: 31 August 2017** **2nd Revised date: 31 May 2018**

		potential contractual changes are being explored to further clarify the service provided and potentially extend them. **Further action required for full implementation:** Change Request (CR) to be formally agreed.		
4. **Nursery Places** **(July 2017)**	**Frequency of Early Years Team Audits** Management will commence a new rolling programme of Early Years' Team Audits on PVI providers, ensuring that each provider is subject to an unannounced Early Years' Team Audit at least every four years.	**In Progress** We saw evidence that five Early Years Audits had been completed since March 2017. Three of these were closing audits where the nursery had closed and the remaining two were proactive audits which took place due to concerns being raised internally about the setting. We found in four of these audits another member of the Early Years Team was involved in the audit in addition to the Registration Support Officer. This suggested that Officers were being trained on the audit process to increase capacity within the Team to ensure a greater number of audits will be completed going forward. Management confirmed there are 131 settings and Internal Audit calculated that an average of 11 audits must be undertaken per term i.e. 33 per year to ensure that all settings are visited every four years by the Early Years Team. At this stage five have been undertaken whereas to be on schedule approximately 16 audits would need to be complete. We therefore consider that this recommendation is currently partly implemented. **Further action required for full implementation:** Early Years Audits will be completed going forward at a frequency which will allow for each setting to be visited every	**Early Years Standards & Quality Lead - Early Intervention & Prevention**	**Original: Easter 2017** **Revised: 31 December 2017**

		four years. An accelerated programme will need to be completed between now and the end of December to get back on schedule.		
5. Contract Register Maintenance (July 2017)	**Roles & Responsibilities** Further operational guidance, setting out roles and responsibilities for respective parties involved in maintaining the contract register, will be produced. This will include a RACI matrix (Roles, Accountability, Consult, Inform) to map out respective responsibilities and will clarify that contract managers are responsible for communicating changes to contract details held within the Curtis Fitch system. This will be communicated to stakeholders through periodic training provided.	**In Progress** Papers presented to the Procurement Board 21/9/2017 referred to the RACI matrix for contract register maintenance across Procurement, Commercial, Delivery Unit, Legal, Procurement Board and contract manager. Specifically it emphasised that contract managers were responsible for communicating changes to contracts. The communication of contract manager responsibility was planned through the issuing of a guidance note and the delivery of training by Procurement, which has been scheduled to take place in Q3.	**Procurement Transformation Lead, CSG**	**Original: 31 August 2017** **Revised: 31 December 2017**
6. Contract Register Maintenance (July 2017)	**Roles & Responsibilities** A mechanism for communicating changes to the register will be developed. A pro-forma that captures the changes required in a standardised format will be developed and uploaded to the Council's intranet. A central mailbox will be created and completed change forms will be sent to this central mailbox that will be monitored by the procurement team for processing.	**In Progress** Mechanisms for communicating changes are planned as follows: 1. Central procurement mailbox in use. The Procurement Board (PB) papers referred to Procurement having a central inbox set up to which contract managers can email details of contractual changes to ensure the central register stays accurate. 2. Communication plan includes communication of central email address. The PB papers referred to issuing a guidance note for contract managers by procurement along with a published programme of training for contract managers.	**Procurement Transformation Lead, CSG**	**Original: 31 August 2017** **Revised: 31 December 2017**
7. Contract Register Maintenance (July 2017)	**Roles & Responsibilities** An annual exercise will be performed	**In Progress** As part of the annual procurement	**Procurement Transformation**	**Original: 31 August 2017**

	whereby contract register extracts from Curtis Fitch will be communicated to delivery units. Delivery units will be required to review the extract and confirm this is accurate and complete based on their knowledge of contracts in place.	forward planning exercise which is underway (September to December) service areas are being asked to confirm or amend the accuracy of the Central contracts register. The Council commercial service will be notified of any service areas failing to provide updates.	**Lead, CSG**	**Revised: 31 December 2017**

4.4 Completed actions

4.4.1 During this period we followed up 18 high priority actions which are deemed to have been implemented. These are listed below:

Name of report	Agreed Action and Due Date
1. **Highways Programme** **(March 2017)**	**Performance Management – due 31 July 2017** Action plans in the instance of poor performance and explanations for poor performance will be obtained from the contractor to be included in reports produced.
2. **Estates Health & Safety Compliance -** **(February 2017)**	**Performance Reporting** We will put mechanisms in place to provide Council management with assurance that CSG are fulfilling their responsibilities. This may include employing a client-side Compliance Officer or making use of CSG's compliance arrangements. **Original: 28 April 2017** **Revised: 31 August 2017**
3. **Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness** **Investigating and resolving alleged breaches of planning control** **(January 2017)**	**Backlog of cases** Management will review the 619 enforcement cases which are currently without a recommended action and ensure appropriate action is being taken. Management will prioritise the 175 cases that have been open for over a year. **Original: 30 April 2017** **Revised: 31 July 2017**
4. **Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness** **Investigating and resolving alleged breaches of planning control** **(January 2017)**	**Learning Lessons** Management will investigate cases where action is not taken in reasonable timescales to ensure that recurrent delays are prevented and that lessons are learnt from the review. **Original: 30 April 2017** **Revised: 31 July 2017**

5. **Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness** **Investigating and resolving alleged breaches of planning control** **(January 2017)**	**Records retention** Management will remind Enforcement Officers of the importance of ensuring all relevant information and evidence is retained on file in the event of a query being raised at a later date. **Original: 30 April 2017** **Revised: 31 July 2017**
6. **Nursery Places** **(July 2017)**	**Referrals to CAFT – due 31 May 2017** CAFT and the Early Years Team will agree criteria at which referrals will be made to CAFT as a result of Early Years Team Audits. This will allow CAFT to make an assessment as to the viability of opening an investigation regarding suspected fraudulent activity.
7. **Nursery Places** **(July 2017)**	**Distribution of Early Years' Team Audit Reports to Family Services Finance – due 30 September 2017** The Early Years Team will distribute their audit reports to the Family Service Finance Team when they are issued. This will ensure that adjustments are processed as soon as possible.
8. **Nursery Places** **(July 2017)**	**Actions resulting from the Early Years' Team Audit process – due 30 September 2017** The Early Years Team will devise a method for ensuring actions placed on providers and the Team which result from Early Years Team Audits are tracked, actioned and closed. For example a spreadsheet which details the outcomes of Audit reports including actions, and their owners, deadlines and current status.
9. **Nursery Places** **(July 2017)**	**Completeness of Early Years Team Audit findings – due 30 September 2017** For Early Years' Team Audits taking place at larger providers two members of the Early Years Team will perform the Audit. In such instances both Officers will agree to issue the final report and verify that the report contain the details of all adjustments which need to be made against a providers FEE which have been found as a result the Early Years' Team Audit process.
10. **IT Change Management** **(March 2016)**	**Process Lifecycle: Changes are not reviewed** Perform post-change evaluations and ensure change records are closed **Original: 31 August 2016** **Revised: 2 January 2017**
11. **IT Change Management** **(March 2016)**	**Process Lifecycle: Changes are not reviewed** Review IT Change Management service metrics and monitor on an ongoing basis. This will allow early identification of issues and inform proactive changes to the IT Change Management process, policy, design or procedure as well as identifying staff that require additional change training and support.

	Original: 2 September 2016
	Revised: 30 June 2017
12. IT Change Management **(March 2016)**	**Process Lifecycle - Emergency Changes** Incorporate project-related changes to the existing reports. **Original: 12th April 2016** **Revised: 28 February 2017**
13. IT Change Management **(March 2016)**	**Change Testing & Validation: A lack of testing environments** Identify which IT services could have an unacceptable impact to the Council's services should there be a prolonged outage. **Original: 28 October 2016** **Revised: 31 March 2017**
14. IT Change Management **(March 2016)**	**Change Testing & Validation: A lack of testing environments** Where the underpinning IT services do not have a test environment, or the existing test environment configuration differs from production, ensure proposed options for remediation have been presented to Council and Council's response recorded. **Original: 8 July 2016** **Revised: 2 January 2017**
15. IT Change Management **(March 2016)**	**Change Testing & Validation: A lack of testing environments** Where proposed options are declined by the Council, ensure that the risk of IT change is formally accepted by the Council and is reviewed regularly by CSG and Barnet Council management. **Original Target date: 8th July 2016** **Revised target date: 9th January 2017**
16. IT Change Management **(March 2016)**	**Change Testing & Validation: A lack of testing environments** Where possible, test back-out plans. Testing may either be performed periodically (with an appropriate frequency schedule during the year) or in real time, specifically as part of the change request to ensure confidence that the back-out plan will work as expected. Where back-out plans cannot be tested, this risk should be made aware to the

	Technical and Customer CAB when presenting the RFC and formally documented in the change record.
	Original target date: 12th April 2017
	Revised target date: 2nd January 2017
17. IT Change Management **(March 2016)**	**Change Testing & Validation: A lack of testing environments** Specify under which conditions the back-out plan should be invoked. **Original target date: 12th April 2016** **Revised target date: 2nd January 2017**
18. IT Change Management **(March 2016)**	**Change Testing & Validation: A lack of testing environments** For back-out plans that are dependent upon data restoration from backup, CSG should ensure that the data restoration time is known and confirmed through testing. **Original target date: 4th April 2016** **Revised target date: 9th January 2017**

4.5 Follow-up of Medium priority actions

This quarter, at the request of the Audit Committee, we have also undertaken follow-ups of the Medium priority actions resulting from the two Limited Assurance reports from Q1:

- **Nursery Places – Free Early Education Funding (FEE)**
- **Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income**

A summary of the outcome of these follow-ups is below.

Nursery Places – Free Early Education Funding (FEE)

Agreed Action(s)	Responsible Officers	Target Date	Audit Assessment November 2017
1. Eligibility for FEE2 1a) The Early Years Team will implement a system of verifying a sample of children awarded FEE2, Free Early Education Funding for 2 year olds, in each term they are eligible for the funding. The sample will be	Early Years Standards & Quality Lead	30/09/2017	**Partly Implemented** We received confirmation from the Early Years Team that spot checks are being completed in line with the recommendation; however this was not recorded to evidence the results.

chosen using a risk based approach, informed by the error identified during the audit. These checks will occur on a regular basis and evidence will be kept on file to demonstrate that the checks have been completed in line with expectations.			It was therefore not possible for Internal Audit to confirm that spot checks are being completed regularly and issues raised are actioned. **Further action required for full implementation:** • Spot check will occur on a regular basis and evidence will be kept on file to demonstrate that the checks have been completed in line with expectations. **Expected implementation date:** 31 December 2017
1b) Management will investigate the potential to reclaim any monies owed to the Council as a result of the error	Head Of Early Years - Early Intervention & Prevention	30/09/2017	**Implemented**
2. Interim and Final Payments 2a) Management will review the appropriateness of awarding an 80% advance payment to providers in time for any changes to be made for April 2018 after consultation in 2017/18 regarding the 30 hour offer.	Head of Early Years - Early Intervention & Prevention	30/04/2018	**N/A** This recommendation is not due until April 2018
2b) Before interim payments are processed, the Family Services Finance Team will identify providers whose proposed interim payments does not appear in line with the previous term's actuals. The Early Years Team will then ask providers to confirm projected pupil numbers	Early Years Standards & Quality Lead	30/09/2017	**Implemented**
3. Headcount Issues 3a) A rolling headcount will be introduced by Family Services to ensure that there is greater emphasis on providers to input the most up-to-date information before payments can be processed and made to providers. Providers should be reminded of their responsibility to update the portal.	Early Years Funding Officer - Commissioning & Business Improvement	31/07/2017	**Partly implemented** Family Finance have confirmed this recommendation is implemented; however, we are awaiting documented confirmation of updated guidance from the Early Years Funding Officer.

3b) Schools Funding Officers within CSG and the Family Services Finance Team will agree key dates for rolling headcounts to finish that will allow for duplicate checks to be completed in a timely manner whilst also reducing the number of adjustments needed.	Family Services Finance Manager - Commissioning & Business Improvement Deputy Funding Manager, CSG	30/09/2017	**Implemented**
4. Updating and communication of FEE guidance for providers 4a) The Council's guidance relating to FEE provision within the Borough will be updated	Early Years Registration Support Officer - Early Intervention & Prevention	30/09/2017	**Partly implemented** The Early Years Team confirmed that the guidance has been updated in-line with revised Department for Education guidance and to take account of an update to the FISO system. The updated guidance has only recently been cleared by HBPL for issue and some additional work is required to ensure it is consistent with the revised systems update. The guidance is now awaiting publication to providers. **Further action required for further information:** The Council's guidance relating to FEE provision within the Borough will be published. **Expected implementation date:** 31 October 2017
4b) Once updated the revised Council guidance relating to FEE provision will be communicated to all providers at the planned workshops	Early Years Standards & Quality Lead Interim Data and Performance Manager	31/07/2017	**Not implemented** As the guidance has not yet been formally published, Family Services have been unable to send the guidance to FEE providers. **Further action required for further information:** Once updated the revised Council guidance relating to FEE provision will be communicated to all providers at the planned workshops **Expected implementation date:** 31 October 2017

4c) If providers do not attend the workshops then the revised Council guidance relating to FEE provision will be sent to them.	Early Years Standards & Quality Lead	31/07/2017	**No longer relevant**. The Early Years Team confirmed that the workshops were planned to form a consultation exercise relating to the updated Department for Education (DfE) guidance and the FISO system update. At the time of our Internal Audit in February 2017 the DfE Guidance had not been published; however, on reviewing the guidance when released by DfE, the system update workshops were considered as no longer needed by the service. We accepted this as being reasonable and also considered that, once published, all providers will be sent a copy of the updated guidance as per recommendation 4b above.
5. Single Point of Failure Management will review the tasks performed by key Officers to ensure that other officers performing key tasks to eliminate the risk of a single point of failure occurring in the FEE Process. Management should review such arrangements to ensure that tasks occur in line with expectations.	Early Years Standards & Quality Lead	30/09/2017	**Partly Implemented** Our testing is still underway. We are seeking evidence from Officers that processes occur in a timely manner when new and existing providers submit bank detail forms. We did note the Early Years Registration Officer was on leave the week commencing 18 September 2017 and we found evidence to confirm another Officer completed an OFSTED download in the same week. This was in line with management expectations. We noted that since March 2017 five Early Years Audits had been completed, all of which involved the Early Years Registration Officer. We found in four of these audits another member of the Early Years Team attended the setting with the audit which suggested that Officers were being trained on the audit process to increase capacity within the Team however, during interview one of the Officers who attended two of the audits with the Registration Officer confirmed that their role was shadowing as opposed to sharing responsibilities and leading audits. We considered that this could still give rise to a potential single point of failure to occur should the Early Years Registration Officer be unavailable for normal duties. We have therefore assessed this finding as 'partly implemented'. **Further action required for further information:** Management should review arrangements in place to ensure that tasks occur consistently should the Early Years Registration Officer become unavailable for

			normal duties.
			Expected implementation date: 31 October 2017

Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income

Agreed Action(s)	Responsible Officers	Target Date	Audit Assessment November 2017
1. Internal Procedure Documents - Control design Internal procedure documents will be produced that set out the roles and responsibilities of all teams involved in the processing and collection of CIL and S106 liabilities. Once issued the procedure documents will be communicated to all relevant Officers involved in the processing of CIL and S106 liabilities.	Infrastructure Planning Team Manager, Re Planning Obligations Officer, Planning, Re	30/09/2017	**Partly implemented** We found that Management have produced guidance for Development Management Officers which detailed their responsibilities with respect to the administration and processing of CIL liabilities. Management confirmed that the Infrastructure Planning Team are currently implementing the Exacom system and, once this is complete, there will be a greater understanding of how the system will operate in practice and how it will interface with other Teams and systems involved in supporting CIL administration and collection. Management confirmed wider procedures will be developed and distributed at this time. We accepted this is as being a reasonable approach. **Further action to ensure full implementation:** • Once the Exacom system is fully operational internal procedure documents will be produced which will set out the roles and responsibilities of all teams involved in the processing and collection of CIL and S106 liabilities. • Once the procedure documents are issued they will be communicated to all relevant Officers involved in the processing of CIL and S106 liabilities. **Target implementation date:** 31 December 2017.

2. CIL and s106 schedules - Control design The procurement of the EXACOM system will be prioritised to replace the need for manual spreadsheets to coordinate the management of CIL/S106 charges.	Growth Manager, Re	30/09/2017	**Partly implemented** Management confirmed that the Exacom system has been procured and is currently being implemented. For example, CIL notices now being issued through Exacom. The Planning Infrastructure Team are currently migrating information from the manual spreadsheets into Exacom with approximately 50% and 10% of, respectively, the historic CIL and S106 data now being held within Exacom. **Further action for full implementation:** • The Exacom system will become fully operational and replace the use of the manual spreadsheets which have previously been used to hold CIL and Section 106 schedules. **Expected implementation date:** 31 December 2017
3. CIL charge identification - Control design a) Re will ensure that the Planning Team understand the requirement to review information within applicant CIL forms. The extent and nature of these checks will be agreed and mapped into procedure notes as applicable. Evidence of checks performed will be documented and kept on file.	Principal Planning Officer, Re	30/04/2018	**Implemented**
b) A listing will be produced on a periodic basis of all planning applications made which will include key fields (such as floor space, type of development) and whether it was marked as CIL liable. This listing will be reviewed to identify any schemes that may meet CIL eligibility criteria however were not marked as CIL liable within the system and referred to Planning Obligations.	Principal Planning Officer, Re	30/09/2017	**Implemented**
4. Payments to Transport for London – Operating effectiveness The Council, CSG and Re will work together to ensure that payments to TfL in regard to Mayoral CIL are made on time.	Deputy Chief Executive Commissioning Director, Growth & Development	31/07/2017	**Partly implemented** We found that the most recent payment to TfL related to Mayor CIL received in Q1, 2017/18. The amount of £1,957,385.43 was due to be paid to TfL on 21 July 2017.

| | Finance Manager, CSG Planning Obligations Officer, Planning, Re | | We found evidence that on 17 July 2017 Re's Infrastructure Planning Team had requested CSG to make the payment; however, payment was not authorised until 18 September 2017.

CSG confirmed an internal IT error within Integra led to the necessary Officer not being able to authorise the payment. Eventually an urgent CHAPS payment was raised to ensure there was no further delay in payment.

When payments to TfL are late TfL may charge a late payment fee which can be as much as 5% of the total amount due to them. In Q1 2017/18, if TfL had raised this fee it would have represented £97.9K (5% of the £1.96m payment).

CSG confirmed that an internal IT review was underway to identify the error which led to the late-payment and the system would be modified to allow future payments to be made on time.

We have subsequently received confirmation from both the Council and CSG that the Q2 payment was made to TfL on time.

Further action required for full implementation:
• CSG will complete an internal review of the reasons why the Q1 2017/18 payment was delayed and ensure that all future payments are made on time.

Expected implementation date: 31 October 2017 |
|---|---|---|---|

As part of our 2017/18 audit plan we allowed additional audit days to undertake a sample of follow-ups across Medium priority recommendations. This quarter we have followed up the Medium priority actions raised under the Contract Register Maintenance audit. The results are below:
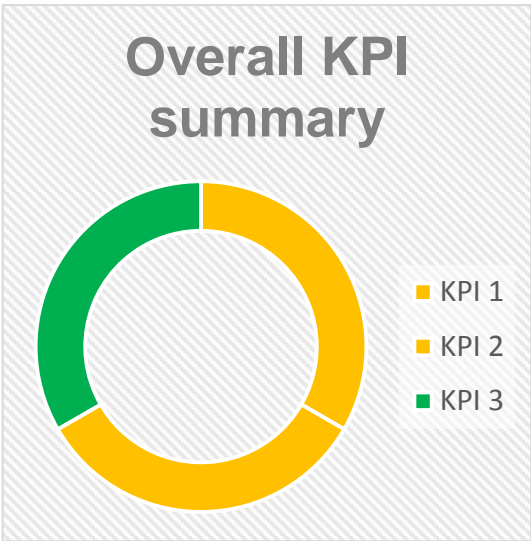
Contract Register Maintenance

Agreed Action(s)	Responsible Officers	Target Date	Audit Assessment November 2017
1a. Compliance analysis - Control design We will document the actions taken, required actions and outcomes of investigations in relation to instances of potential non-contractual expenditure identified through the quarterly compliance testing.	**Procurement Transformation Lead, CSG**	**September Procurement board 2017**	**Implemented**
1b. Compliance analysis - Control design We will document the rationale for why some expenditure is considered potentially high risk, for example high monetary value or for a service provided to vulnerable adults or children.	**Procurement Transformation Lead, CSG**	**September Procurement board 2017**	**In Progress** Use of the PESTLE approach to categorise contract risk was presented to the Procurement Board in September 2017 for their approval. Contracts are being risk rated and evaluated, due for November Procurement Board.
1c. Compliance analysis - Control design We will present a high level summary of the results of the compliance testing to senior management in the Commissioning and Commercial teams. This will include an analysis of non-compliant expenditure across delivery units as well as details of high value or high risk compliance issues identified. We will also include a summary of this exercise periodically as part of the Procurement Board agenda.	**Procurement Transformation Lead, CSG**	**September Procurement board 2017**	**In Progress** Data was presented to the Procurement Board in September 2017 including details of non-compliant spend. The management information pack also reported high risk compliance issues such as overspends and the volume of single tender actions. To be followed up directly with Delivery Units during Q3.
1d. Compliance analysis - Control design We will consider how links can be established between Integra and the Curtis Fitch system to assist with and streamline the reconciliation process.	**Procurement Transformation Lead, CSG**	**September Procurement board 2017**	**Implemented**

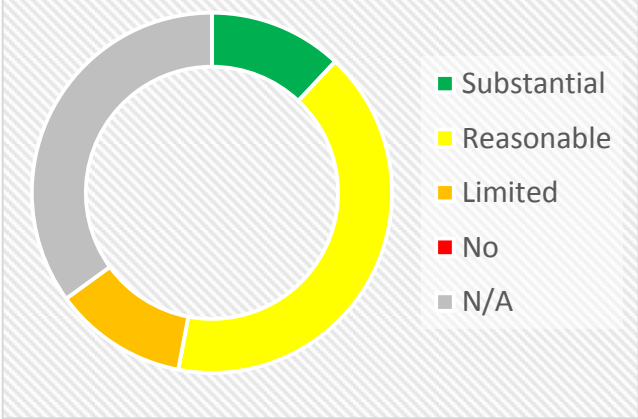| 2a. Contract register data capture - Control design and operating effectiveness	Procurement Transformation Lead, CSG	July 2017	In Progress
We will investigate whether the automated controls in place are operational to ensure mandatory fields are completed consistently.			The Procurement Transformation Lead is awaiting findings of this investigation and will then agree the outcome with the Senior Responsible Officer before reporting to November Procurement Board.
2b. Contract register data capture - Control design and operating effectiveness	Procurement Transformation Lead, CSG	July 2017	In Progress
We will consider the current suite of compulsory fields and assess whether others, such as contract manager, should be included.			The list of fields has been provided to the Senior Responsible Officer, awaiting their feedback.
2c. Contract register data capture - Control design and operating effectiveness	Procurement Transformation Lead, CSG	July 2017	In Progress
We will review the data fields currently captured. Discussions will be held between CSG Procurement, Commissioning and Commercial teams to assess what information would be useful to capture in the contract register to assist with commissioning activity. This will include considering whether the classification of contracts in line with the SCOT framework is captured in the register.			An initial discussion was held at the Procurement Board in September 2017. Specific Delivery Unit sessions are to be held and linked to the annual forward plan process, to inform agreement of rationalisation of fields.

Appendices

Appendix A: Key performance indicators (KPIs)

Overall KPI summary

- KPI 1
- KPI 2
- KPI 3

Fully Achieved

Partially Achieved

Not Achieved

KPI	Target	Results	Comment
1. % of Plan delivered	48% **Based on 95% complete of those due in quarter**	34%	Although this is below the target for Q2, there are another 25 audits already underway and we are confident that we will deliver 95% of our plan by the end of the year. We propose a change to how this target is measured, see section 1.2.2 0-24% = Not Achieved 25-47% = Partially Achieved 48% = Fully Achieved
2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up	90%	72%	0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved
3. Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys	85%	100%	0-49% = Not Achieved 50-84% = Partially Achieved 85% = Fully Achieved
4. % of reports year to date achieving: •Substantial •Reasonable •Limited	N/A	 12% 41% 12%	

Assurance Ratings

- Substantial
- Reasonable
- Limited
- No
- N/A

•No Assurance		0%
•N/A		35%