

Appendix 2 - GT Action Tracker						
GT no	Recomm.	Recommendation detail	Priority	Action	Summary for Audit Committee	Status
1	Scheme of Delegation for Growth and Development	We recommend that the Scheme of Delegation for Growth and Development is updated to reflect current role descriptions and specifically to include Regeneration team members currently omitted. Current definitions of financial roles and responsibilities across the organisation should be revisited to make sure they remain fit for purpose and provide for robust governance.	High, immediate	Re to provide proposal on delegations/authorisations for agreement by S151 officer/LBB. CSG to update financial delegations (see GT8 and 9).	No issues noted.	Green
2	Integra system authorisers	We recommend that the listed budget holder authorisers on the Integra system be reviewed and controls put in place to ensure the list is kept up to date.	High, immediate	Review and validate listed budget holders and budget managers on Integra, making changes where required based on updated Schemes of financial delegation/authorisation (see GT9). Put in place controls to ensure the lists of financial authorisers and Integra are kept up-to-date.	<p>Re supplied an updated Scheme of Financial Authorisation along with an updated list of Budget Holders in line with the updated Scheme of Financial Delegation. We reviewed the Scheme and found that it is aligned with the Council's Scheme of Financial Regulations and Contract Procedure Rules. We looked at the implementation and maintenance of the SoFD within Integra and noted the following issues:</p> <ul style="list-style-type: none"> *the authorisation limits within Integra for 4 of the 13 individuals within the testing sample did not match the agreed limits for those individuals. These have been corrected now, and a full comparison done after the audit showed that there are no further discrepancies; *3 of the 10 cost centres within the sample (all created prior to the SoFD) did not appear on the SoFD intranet site. The approval limits in Integra however were correct and in line with expectations. <p>As such although key agreed changes were found to have been made we do not consider them to be fully embedded at the time of the audit.</p>	Amber

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4	Managing access and authorisation rights on IT systems	<p>IT system controls have been set up on Integra and supporting systems such as Bankline, that determine the level of access that individual users can have to financial systems and the ability to authorise transactions. These permissions have also historically been used for manual processes, such as a CHAPs payment request, to determine if the individual is the budget holder. The effectiveness of these controls is dependent on systems being kept up to date for starters/ leavers and transfers. A failure in this control could lead to inappropriate individuals having control of budgets and authorisation to request or authorise journals and payments.</p> <p>We noted a potential weakness in controls to ensure that any changes made to access rights and authorisation levels for IT systems, are appropriate to the individuals role, e.g. following a change in role or for starters and leavers. We recommend that additional controls be introduced to mitigate this risk.</p>	High, immediate	<p>CSG to develop and implement additional control measures to ensure access rights and authorisation levels on Integra are correct for all staff, include for starters, leavers and movers.</p>	<p>Although an updated access and authorisation rights procedures document went live on 18 July 2018 this had not been widely embedded into normal business operations for Integra at the time of testing.</p> <p>In particular we noted the following issue:</p> <ul style="list-style-type: none"> * Leavers were not consistently removed from Integra in a timely manner and at time of writing CSG had not been able to prove that all leavers had not accessed their accounts after their leaving date, although mitigating controls are in place which significantly reduce the risk of this. The process for trying to clear the queries on these accounts (i.e. to confirm there was no Integra access after the employee's leaving date) has been complicated by the fact there are multiple leavers' lists to review – for example LBB, CSG/RE and agency, along with data discrepancies between sources, for example a user having a slightly different name within Integra compared to their HR record. <p>The current process for removing a leaver's access to Integra is too disjointed and is not consistently followed in practice.</p> <p>Further audit follow-up work will be completed in Q4 to confirm compliance within Integra against the new 'Managing Access and Authorisation Rights for IT systems v1.02' and to confirm that the process for removing Leavers from Integra has been effectively re-designed.</p>	Amber

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10	Master schedule of CPO payments in progress	Re should provide evidence that a master schedule of CPOs is in place for all regeneration projects, which should be used for cross checking payments made.	High, immediate	Re to provide monthly schedule of CPO transactions to CSG Finance, along with formal supporting documentation (such as final valuation report) and ensure this process is documented.	Regeneration are required to provide CPO master schedules to the Finance team and the Treasury team on a monthly basis. We noted that while schedules have been provided to the Finance team in two of the three months we reviewed, they were not sent to the Treasury team. It is not clear within the process documentation whose responsibility it is to verify the payment amount to the CPO master schedules. Management should clarify whether this responsibility sits with the instigators of the payment, the Chief Officer approvers of the payment, or with the treasury team. Regeneration are required to append the relevant CPO master schedule to CPO/PTA payment requests. However, as only one transaction was identified in the audit testing period which was required to follow the process, the population of transactions is not sufficiently large for us to form a final conclusion on the operating effectiveness of this control.	Green-Amber
11	Process for reclaiming cost of CPO	We recommend that Re are asked to provide explanation of the process for reclaiming the cost of CPO payments from developers and matching these to payments made.	High, immediate	as per recommendation	The process has been submitted and verified, however it has not been possible to test the operating effectiveness of this control, as it has not operated in the testing period. Further testing is required.	Blue
12	Potentially fraudulent transactions and invoices to Developers	There is a significant risk that invoices raised to developers from cost centres 11541 and 11362 include costs that are associated with the potentially fraudulent transactions identified. We recommend a detailed investigation of these cost centres to ascertain if inappropriate amounts have been invoiced and potentially reimbursed by developers.	High, immediate	CSG to reconcile the fraudulent transactions against developer invoices. Significant risk, but small chance.		Complete

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15	BACS Process for new suppliers	We recommend that the BACS process be reviewed for the adequacy of controls over new suppliers where there is no purchase order (such as E-form payments).	High, immediate	CSG to review process for one time vendors, propose improvements and implement.	The process has been submitted and verified, however it has not been possible to test the operating effectiveness of this control, as the control design was not finalised in the testing period. Further testing is required.	Blue
17	Process note for Journals	We recommend that a the development of a process note for Journal processing and its dissemination to staff. This should include a checklist for the officer processing the journal, to ensure that adequate explanation for the journal has been provided along with robust, preferably supporting evidence, preferably from 3 rd parties.	High, immediate	Expand journal template to include a guidance note and communicate to all CSG finance staff and other relevant officers. Remind CSG staff of the supporting documentation and approval that must be in place before journals are entered and approved.	No issues noted.	Green
21	Capital budgets	We recommend that all capital budgets are recorded on the Integra general ledger system and that opportunities are explored to use the BDM system to improve the ability of budget holders to access up to date information on capital budgets.	High, immediate	Record all capital budgets on the General Ledger in Integra and determine a process to keep them up-to-date. Propose and subsequently implement a budget monitoring solution (which may be Integra) that provides budgets holders and managers with up-to-date information on capital budgets and supports effective budget monitoring.	No issues noted.	Green

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27	Documented procedures for regeneration projects.	<p>a) Clarification should be sought and evidence provided from Re management on the existence of: a) formal documented processes and controls that apply to all regeneration projects (including but not limited to CPO related aspects), and the extent to which these vary for each project. In addition:</p> <p>b) Re management should provide information on and evidence that training of staff in regard to these procedures at induction and</p> <p>c) in terms of ongoing CPD and risk management has taken place, and the means by which they ensure that project managers are adhering to the agreed processes.</p>	High, immediate	<p>Re to produce documents detailing the monthly process of managing and reporting the finances of regeneration projects. Re to ensure that the updated CHAPS and BACS payments introduced into the finance processes are referenced in any process changes and in the flowchart.</p> <p>Re to provide evidence that procedures outlined are incorporated into ongoing CPD.</p>	<p>a) We reviewed compliance with the new Regeneration CPO Payment Process during July and August 2018 (see GT7) . However, as only one transaction was identified in the audit testing period which was required to follow the process, the population of transactions is not sufficiently large for us to form a final conclusion on the operating effectiveness of the new process.</p> <p>We reviewed compliance with the Regeneration Managers Budget Monitoring process and the wider CSG Capital Budget Monitoring Process (see GT20). No issues were noted with the operating effectiveness of the control within Regeneration. Further testing is required to verify the operating effectiveness of the Capital Budget Monitoring Process in other delivery units and for Brent Cross, as the process was not live at the date of testing. It has not been possible to test the operating effectiveness of the regeneration Cost Recovery Process, as it has not operated in the testing period (see GT11). Further testing is required.</p> <p>b) No issues noted</p> <p>c) We reviewed training provided to staff within Regeneration about the new processes. We did not note any issues with the face-to-face training provided, but did note that the annual Business Management System (BMS) training which signposts the new processes had not yet been completed by five members of staff. Further testing is required to verify that all staff receive this training, or that there is a valid business reason why this training is deemed not to be relevant for them.</p>	Green-Amber

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3	Specific levels for authorisers on Integra	It is not clear that budget holders with authority to request payments held on the Integra General Ledger system, have been set authorisation limits for the value of transactions that are fully consistent with their role. This could lead to individuals being able to authorise payment for inappropriately large sums. We recommend that the list of individual authorisation levels for the value of transactions, be reviewed for appropriateness.	Medium	Review authorisation levels and provide proposed Financial Scheme of Delegation/ Financial Authorisation Schemes to the S151 officer, working closely with LBB and strategic partners. Ensure this is implemented on Integra (links to GT8).	No issues noted.	Green
5	Compliance with new Treasury Payment Procedure	We recommend that the new Treasury Payment Procedure be tested for compliance after a suitable period	Medium	LBB Internal Audit to test revised process in September 2018.	We tested 100% of CHAPS Payment transactions between 1 April 2017 and 10 September 2018 to underlying records. Almost all CHAPS and Faster Payments carried out since February 2018 when the revised process was introduced have followed the new process or been legitimately exempt from it. Where issues or exceptions were noted during testing, they were minor and did not indicate pervasive issues with the design or operation of the Treasury Payment Process. In summary internal audit are confident of the controls being put in place. However, the final version of the process was only agreed on 15/08/08, and only one transaction was identified between that date and the audit testing date which was required to follow the full agreed process. As a result, the population of transactions is not sufficiently large for us to form a final conclusion on the operating effectiveness of the new process.	Green-Amber

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6	Direct requests for payment from legal advisors	We note that the process for the West Hendon regeneration project indicates that the instruction to make the CHAPS payment should come directly from the solicitors to the Barnet CSG Treasury Team. In some cases these requests appear to have been forwarded by the Regeneration Manager. We recommend that this separation of duties be considered for all CPO transactions.	Medium	Re to document proposed process for CHAPS instructions (including documents to be sent) and agree with CSG and LBB. This action incorporates GT5.	No issues noted.	Green
7	Adequate evidence for transactions	We recommend the development of a guidance note or checklist for Re managers, to help them ensure that the required evidence is included with a CHAPS payment request	Medium	Re to produce guidance note. Links to GT1.	We tested 100% of CHAPS Payment transactions between 1 April 2017 and 10 September 2018 to underlying records. We reviewed compliance with the new Regeneration CPO Payment Process during July and August 2018. We identified one payment which was required to comply with the process. Some issues were identified with the documentation of required actions within the process, however none of these indicated pervasive issues with the design or operation of the Regeneration CPO Payment Process. However, as only one transaction was identified in the audit testing period which was required to follow the process, the population of transactions is not sufficiently large for us to form a final conclusion on the operating effectiveness of the new process.	Green-Amber

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8	Supervisory checks within Re	We recommend that appropriate supervisory checks be put in place by Re for all projects, prior to the issue of requests for payment by CHAPs being issued to the CSG Treasury Team.	Medium	Re to document management oversight within Re for all projects prior to CHAPs being issued.	We reviewed the Regeneration CPO Payment Checklist and the Regeneration Team Structure Chart. The Regeneration CPO Payment Checklist was not formally approved until 18/08/2018. No CPO/PTA transactions were identified in the period between this date and the testing date, and as a result we were not able to test the operating effectiveness of this control. No issues were noted with the operating effectiveness of the Regeneration Team Structure Chart.	Green-Amber
9	Dual signatories for Authorisation	Under the new Treasury Payment Procedure the approved authorisers have been reviewed and defined, however we note that the new requirement for a dual signature for all Payments includes provision that 'best endeavour' will be made to make sure that there is one signatory from each of Barnet Council and CSG. In our view, this creates uncertainty which could undermine the control and it may be better to base this requirement on specific authorisation levels for all payments.	Medium	Best endeavours' to be removed from Treasury Payment Procedure which will be amended to require one signatory from each of Barnet Council and CSG;		Complete

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13	Accounting for Private Treaty Acquisitions (PTA) and Compulsory Purchase Orders (CPO)	a) The accounting implications of PTA/CPO transactions managed through regeneration related control accounts should be reviewed to ensure that transactions associated with PTA/CPO purchases are appropriately accounted for in the Council's financial statements, particularly in regard to capital accounting and the balance sheet. b) In addition, we recommend the CSG Finance team reconciles the Authority's Asset Register with the Atrium valuation system to ensure all acquired assets have been accounted for in line with the recommended value where title has passed to the Authority.	Medium	a) IA to review use of control accounts and IA to review 17/18 accounts b) CSG to propose alternative response to the GT proposal to reconcile the asset register with the Atrium Valuation system, which will be reviewed for acceptability by LBB/GT	The process has been submitted and verified, however it has not been possible to test the operating effectiveness of this control, as the control design was not finalised in the testing period. Further testing is required.	Blue
14	CIL, S106 Payments and Private Treaty Agreements	We recommend that the process for processing CIL, S106 payments and Private Treaty Agreements be reviewed for the adequacy of controls and the prevention of fraud, including scrutiny of specific transactions.	Medium	Carry out recommendations from the Internal audit review of CIL and S106. Internal Audit to include coverage of PTAs when conducting follow-up review of CIL and S106	It has not been possible to reach a conclusion on the follow-up audit at the date of reporting. Internal audit work is ongoing.	Blue
16	Duplicate banking details	The Masterfile supporting the BACS payment process does not automatically identify and flag payments made to different suppliers/recipients that had the same bank account number. There was also no manual control in place to identify BACS and CHAPS payments made to different suppliers which had the same bank accounts. We recommend that this control be considered as an addition to the new Treasury Payment Procedure.	Medium	Put in place controls to identify BACS and CHAPS payments made to different suppliers with the same bank accounts and update the Treasury Payment Procedure accordingly. Any exceptions need to be clearly documented and assurance provided around the controls relating to those processes.	The process has been submitted and verified, however it has not been possible to test the operating effectiveness of these controls, as the control design relating to one-time vendors was not finalised in the testing period, and the e-form used to set up new suppliers within Integra was not yet live within the system. Internal audit have reviewed the process as agreed with GT, but have not yet been able to test this independently. No issues were noted with the operating effectiveness of the checks carried out over the validity of supplier details within the Treasury Payment Process.	Blue

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18	Journal request templates	We recommend that journal processing be reviewed further to ensure that Integra journal request templates are properly completed and that there is evidence of a robust review and approval process.	Medium	Review ongoing implementation of actions from GT31.	No issues noted.	Green
19	Role of finance business partners	We found that in a number of cases, finance business partners supporting Re had not challenged a number of unusual balances on control accounts and movements on cost centres. This could be due to the level of knowledge they had around the service and the activity that was being reviewed, for example, new costs accumulating on the control account for a project that was substantially complete. We recommend that finance business partners be equipped to take a more active role in confirming that movements on budgets and control accounts are consistent with the underlying activity, ensuring that appropriate monthly monitoring reports are being sent to budget holders.	Medium	<p>a) Clearly document the role and expectations of Finance Business Partners (including levels of support and challenge to service areas) and the level of skills, knowledge and experience required. Agree this with LBB.</p> <p>b) Develop and implement learning and development plans for Finance Business Partners as individuals and a group to equip them to take a more active role in line with the agreed role/expectations, ensuring they have an understanding of the business that enables them to effectively support and challenge</p> <p>c) Ensure Finance Business Partners are providing levels of support and challenge in line with agreed role/expectations</p>	The Business Partner Handbook has been submitted and verified, however it has not been possible to test the operating effectiveness of this control, as the control design was not finalised in the testing period. Further testing is required.	Blue

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20	Capital budget review	We recommend that the budget monitoring process for capital schemes be reviewed to determine if additional and proportionate review controls could be implemented to improve the ability of finance business partners and senior management to detect unexpected variations.	Medium	Review and revise current capital budget monitoring process (to include frequency and detail of reporting see GT16).	No issues were noted with the operating effectiveness of the Regeneration Budget Monitoring Process. However, the Capital Budget Monitoring Process has been only recently rolled out to other delivery units. Further testing is required to verify the operating effectiveness of the Capital Budget Monitoring Process in all other delivery units across the Council including for Brent Cross.	Amber
22	Capital budget monitoring information	We recommend that more regular and detailed capital monitoring reports be made available to budget holders to improve their ability to detect unexpected variances.	Medium	Provide more regular and detailed capital monitoring reports (links to GT14).	No issues were noted with the operating effectiveness of Capital Budget Monitors within Regeneration. However this process has only recently been implemented in other delivery units. Further testing is required to verify the operating effectiveness of Capital Budget Monitors for other delivery units and Brent Cross.	Amber
23	Roles and responsibilities for capital budget monitoring	We recommend that the respective responsibilities of Re, CSG and Barnet Council in regard to Capital budget monitoring are reviewed and more clearly defined.	Medium	CSG to propose respective responsibilities for capital budget monitoring (working with LBB and strategic partners to develop and agree) and document these.	No issues were noted with the operating effectiveness of the roles and responsibilities defined within the Regeneration Budget Monitoring Process. However, the Capital Budget Monitoring Process has only been recently rolled out to other delivery units. As such, roles and responsibilities have not yet been defined for these areas. Further testing is required to verify the operating effectiveness of the Capital Budget Monitoring Process in other delivery units and for Brent Cross.	Amber
24	Monitoring of Control accounts	We recommend that balances held on control accounts under the indemnity agreements, are included in the budget monitoring information and in the GROB highlight report. This should include narrative on variances against a zero budget provided by budget holders and validated by business partners.	Medium	Enhance monthly reporting to include control account balances and accounting treatment, and ensure this is understood by Finance Business Partners and budget managers and holders.	No issues noted.	Green

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25	Control accounts	The policy of using of control accounts for recording PTA/CPO transactions should be reviewed. We recognise that this can be a legitimate and useful method of accounting in some circumstances, but there is a risk that comparatively large income and expenditure transactions are not accounted for with sufficient transparency. The lack of a specific budget against which accumulated costs and income can be measured can also serve to reduce the organisation's ability to monitor transactions.	Medium	Policy of using control accounts for recording PTA/CPO transactions to be reviewed	No issues noted.	Green
26	Principle Development Agreement (PDA) Caps and Budget Monitoring	In order to manage the risk of accumulating unbudgeted liabilities on Regeneration cost centres, we recommend that expenditure against the PDA cap is reflected in the budget monitoring process for relevant cost centres, and forecast overspends against the cap are reported to business partners as part of the monthly cycle, and to GROB if the balances become significant and may require an adjustment to the budget.	Medium	Re to provide documentation about what is to be reported to Business partners and GROB going forward in respect of PDA caps and subsequently implement.	No issues noted.	Green

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28	Supervision of regeneration managers	We recommend that Re take steps to ensure that Regeneration Managers are subject to closer supervision within Re to ensure that projects are being properly executed and to provide assurance on business continuity. Specifically, we recommend that Re reinstates a Head of Regeneration Role or a satisfactory equivalent, to whom all regeneration managers report, and who has overall responsibility for all regeneration schemes within Re.	Medium	Re to provide management oversight proposal to ensure that projects are being properly executed and to provide assurance on business continuity.	No issues noted.	Green
29	Communication and training of staff	We recommend that key lessons learned from this review be communicated to relevant staff involved in financial processing across Re, CSG and Barnet Council and incorporated into existing training programmes. This should emphasise the importance of meeting standards of professional ethics and behaviour set out by the professional accountancy bodies, particularly in regard to fraud prevention and cover financial skills for budget holders.	Medium	Develop communications and training plan across CSG, RE and LBB, with particular focus on ethics and professional standards and financial skills, and rollout.	No issues noted.	Green

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30	Developing the ToR	We recommend that during the stakeholder engagement to develop the ToR for the Key Financial Systems review, greater rigour should be applied to: <ul style="list-style-type: none">• making sure that all required stakeholders engage fully in the process• understanding the process to be tested, in order to identify key risks• ensuring that the design of controls mitigates all key risks identified• ensuring that planned audit tests adequately interrogate the controls	Medium	a) Obtain explicit agreement from S151 Officer to updated audit approach b) year 1 - full review/systems documentation to be completed for all KFS		Complete
31	Weighting risks in testing	We recommend that, during internal audit sample selection, greater consideration is given to weighting the sample towards those transactions that are potentially higher risk, either inherently (such as unusual or high value items) or as a result of a more complex process, for example, CHAPs payments requested from outside of the Treasury Team.	Medium	a) Incorporate approach immediately on all audits e.g. 'Integra - GL' and 'Banking and Payment Arrangements' b) Update Audit Manual to better reflect this requirement c) provide training to team on this point at next IA meeting		Complete

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32	Review of cost centres and fraudulent transactions	Further work will be required to confirm the destination of the fraud within the Council's accounts. The proposed next steps are as follows : a)investigation of the cost centres to which elements of the fraud from year 1 might have been transferred, including a review of year end reconciliations for these cost centres b) Review of transaction reports provided for the whole of year 2 for cost centre 3 and cost centred 4 in order to ascertain whether fraudulent payments remained ion these cost centres or have been reallocated c)interrogations of transactions within cost centre 2 during years 1 and 2, using information provided by Re	High, immediate	Agreed per recommendation - CSG to perform the analyses and GT to review on completion	The way in which the fraudulent transactions for which the Individual has been successfully prosecuted have been successfully traced through the Council's books and records. By their nature (ie fraudulent and therefore dishonest), the transactions resulted in accounting mis-postings. Recommendation 32 is for CSG to conduct further detailed review to confirm that the mis-postings and 'other' transactions that contributed to the fraud being concealed, have been correctly accounted for. These 'other' transactions were identified as a by-product of the investigation into the accounting of the fraudulent transactions and there is no evidence to suggest that these are themselves fraudulent. However it will be important for the Council to make sure that these transactions have been reviewed and accounting adjustments made if necessary. This work involves detailed review of historic transactions by CSG on a line by line basis and is therefore time consuming. Significant progress has been made in completing this recommendation, but some further limited work remains to be done before the recommendation can be signed off as fully complete. A further verbal update on progress will be provided to the Audit Committee on 22 November.	Still to be completed