

**Appendix 1 - GT Recommendations tracker**

Action Plan ( appendix A GT report)

GT Rec No	Recomm	Recommendation detail	Priority	Action	Current Testing Status April 2019	31st Jan Audit Committee Testing Status	Action owner from 1 April 2019	Current comments
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).	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
4	Managing access and authorisation rights on IT systems	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. 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.	High, immediate	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.	Partly Implemented	Partly Implemented	LBB - Strategic HR Lead	We completed an audit of 'Integra Access Management' in December 2018 to give assurance over this action. A high priority issue was identified around the removal of Leavers from Integra.  The process for removing Leavers from Integra is due to be redesigned as part of a wider Starters and Leavers project being led by HR but also involving Finance and IT. The timeline and details for this project have not yet been confirmed, therefore this action remains Partly Implemented.  The "Instruction" tab of the "Integra User Setup Form" template has been updated to reflect the additional requirement where the new user has a financial authority limit in Integra in line with the "Managing Access and Authorisation Rights for IT systems v1.02 " as follows: "If a new user is allocated a financial authority limit which allows them to approve expenditure within the system, the form is required to be approved by an assistant director or above with the additional requirement that the financial authority limit being awarded to a new user must be approved by someone with a higher authority limit."  The user accounts highlighted as a potential risk during the 'Integra Access and Program Change Management' audit have been deactivated.  The following retrospective controls were tested in Q4 and found to be operating effectively: <ul style="list-style-type: none"> <li>• Upon receipt of leavers or amendment forms, the necessary changes are made in Integra within 2 working days. Audit trail evidence is kept. This is now done via E-Forms.</li> <li>• On a monthly basis, CSG continue to verify the leavers lists from HR Barnet and Capita and these are used to independently check that users have been disabled. Where required, follow up to line management will be undertaken. Audit evidence of this check is retained.</li> <li>• The control where users are locked out automatically after 45 days inactivity remains in place.</li> </ul>
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
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	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.

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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.	Partly Implemented	Not implemented	CSG - Accounts Payable	Two new processes, API E-forms and New Suppliers / Amendments, were verified by GT. The application of these processes was delayed and they ultimately went live from 31st January 2019. We agreed to test a sample of February 2019 payments to confirm whether the processes had been followed for that first month. This testing was delayed due to an incorrect report being provided twice. The correct report was received by Internal Audit on 12th March. We have now tested samples of One Time Vendor (OTV) payments and non-OTV payments. A consolidated list of queries has been provided to Accounts Payable in Chichester and we have a meeting booked on 15th April to resolve any remaining queries at that stage. Provided the testing has shown that the two new processes are being followed GT15 will move to Implemented. A verbal update will be given to Audit Committee.
17	Process note for Journals	We recommend that a 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 <sup>rd</sup> 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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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.	Partly Implemented	Partly Implemented	Assistant Director of Finance (CSG) - proposal Director of Finance (LBB) - approval	Our testing confirmed that there were capital cost centres in Integra for all capital budgets.  The Integra budget monitoring module, BDM, has not been implemented in Integra for capital budgets. Forecasts by budget managers for capital budgets are recorded on capital budget monitors in an Excel spreadsheet format. These are provided by e-mail to budget managers for completion each month.  A proposal document has been provided to LBB's Director of Finance by CSG. However, it has not yet been agreed.
27	Documented procedures for regeneration projects.	Part 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: Part B Re management should provide information on and evidence that training of staff in regard to these procedures at induction and Part 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.	High, immediate	A) and B) 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. C) Re to provide evidence that procedures outlined in GT1a are incorporated into ongoing CPD.	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
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).	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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.	Implemented	Implemented		Testing completed and recommendation closed - no significant issues noted.

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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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
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;	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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	Implemented	Implemented		Implementation confirmed and recommendation closed at January 19 Audit Committee.
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	Implemented	Implemented		

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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.	Partly Implemented	Partly Implemented	CSG - Accounts Payable	See GT15, testing of February transactions underway.  The introduction of the new process around API E-forms, which went live on 31st January 2019, should have prevented repeat payments to OTVs or the same bank account number without the recipient being set up as a supplier, which involves more stringent checks and controls. Provided we can confirm this via our testing this action will move to Implemented.
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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	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. 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 c) Ensure Finance Business Partners are providing levels of support and challenge in line with agreed role/expectations	Implemented	TBC		Testing completed and recommendation closed - no significant issues noted.
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).	Partly Implemented	TBC	LBB - Director of Finance	<p>1. Documented procedures CSG Capital Budget Monitoring Process V1.0 and the BP Handbook – October 2018 "Budget Holders and Finance Business Partners Roles and Responsibilities" now define the capital budget monitoring process clearly. These are saved on the Council's Intranet where they are available for referral.</p> <p>Our testing found that 1/13 and 8/13 budget managers interviewed were not aware of the CSG Capital Budget Monitoring Process V1.0 and BP handbook respectively.</p> <p>2. 9/13 budget managers had not attended budget monitoring training to communicate the core principles of budget monitoring.</p> <p>3. Our testing confirmed that capital budget monitors were not always provided to budget monitors within the first 2 working days each month in line with procedure increasing the risk of their completion being rushed and subject to error. Our testing showed that of 20 capital cost codes tested 10 (50%) were provided late (average 4 days) in 13/51 (25%) of periods tested across periods 6, 8 and 9 (June, November and December 2018).</p> <p>4. In terms of overall governance, our interviews and testing across 20 capital cost centres within the Council's 2018-19 Capital Programme confirmed the regular provision, completion, challenge of capital budget monitors by budget specified budget manager supported by Finance Business Partners. It is also confirmed the recording of capital monitor detail in Finance/Management reports for review at Senior Management Team meetings and Boards, for example, the Education Capital Board.</p> <p>Specific testing confirmed that actual budget figures reported in capital budget monitors matched Integra (20/20 cases). However, the following exceptions were noted: We requested the rationale behind the M8 (November 2018) forecasts for 20 capital cost centres. We received 13 responses of which evidence provided for 5 (38%) suggested the M8 forecasts were materially incorrect. We requested the Finance / Management Reports for M8 and M9 to assess whether the budget figures reflected what was in the agreed capital budget monitor and whether there was a commentary recorded for variances between forecast and budget figures.</p> <ul style="list-style-type: none"> <li>For M8, the Finance Reports/Management Reports were received covering 8/20 budgets. For 2/8 (25%), forecast in the Finance/Management Reports did not match the capital monitor by ~£1m in each case and did not have a commentary for variances.</li> <li>For M9, Finance Reports/Management Reports were received covering 5/20 capital cost centres. For the 5 responses received, the Finance/Management reports matched the capital budget monitor and a commentary was recorded for all variances between forecast and budget.</li> </ul> <p>As a significant amount of information was not provided during fieldwork we cannot provide a full assurance on the accuracy of forecasts and Finance/Management Report in M8/M9. For M8 we tested whether the budget figures reported in capital budget monitors agreed to the budget figures reported in Integra. For 5/20 (25%) budgets the capital budget monitor figures were different in Integra. At M8 we calculated the ratio of actual to forecast with 4 months remaining until 31 March 2019. 7/20 budgets showed a ratio of 40% or less having been spent in 8 months suggesting a potentially unrealistic forecast with only 4 months left to go. The range was 0-36%. We picked 40% as a basic cut off but obviously if profiled evenly over the year you would expect 8/12 to have been spent at M8 i.e. 66%.</p> <p><b>Agreed Action 1:</b> Capital budget monitoring training will be developed for budget managers. Budget Managers will complete/attend related training where assessed as necessary. <b>Agreed Action 2:</b> FBPs will consistently provide capital budget monitors to budget managers for completion within the first 2 days to maximise the time for consideration and completion of forecasts. <b>Agreed Action 3:</b> FBPs will ensure that the budgets in Capital Monitors and Integra align. <b>Agreed Action 4:</b> FBPs will consider the ratio of actual to forecast and the remaining periods to year end as part of their challenge of budget manager forecasts. <b>Agreed Action 5:</b> The capital budget monitoring training referred to above will include raising awareness of the detrimental impact of forecasting to budget for capital; e.g. due to the borrowing costs associated with funding the capital programme.</p>

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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).	Implemented	TBC		Testing completed and recommendation closed - no significant issues noted.
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.	Implemented	TBC		Testing completed and recommendation closed - no significant issues noted.
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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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 an 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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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 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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.

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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.	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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"> <li>making sure that all required stakeholders engage fully in the process</li> <li>understanding the process to be tested, in order to identify key risks</li> <li>ensuring that the design of controls mitigates all key risks identified</li> <li>ensuring that planned audit tests adequately interrogate the controls</li> </ul>	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	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.
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	Implemented	Implemented		Implementation confirmed and recommendation closed at November Audit Committee.

**GT Further Work Appendix B**

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 centre 4 in order to ascertain whether fraudulent payments remained on 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	Implemented	Implemented		Recommendation closed at the Jan 19 Audit Committee
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