

Appendix A

London Borough of Barnet

Internal Audit & Risk Management

**Progress Report 2012-13 – Quarter 2
(up to reporting deadline of 31st August 2012)**

Maryellen Salter, Assistant Director of Finance - Audit and Risk Management

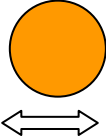
1. Introduction

The Internal Audit Plan was agreed by the Audit Committee on the 26th April 2012. This report follows the principles previously accepted by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail. Information is also presented regarding the corporate risks.

2. Final Reports Issued


This report covers the period from 6th June 2012 to 31st August and represents an up to date picture of the work in progress to that date but is not formally the end of quarter 2. The Internal Audit service has over this period issued 12 reports in accordance with the 2012-13 Internal Audit Plan. The full list of completed audits during this period is included within Appendix B. The majority of reports issued in the current period were given satisfactory assurance with two reports given limited assurance. The summary detail of those reports issued as limited are included within section 3.

3. Key Findings from Internal Audit Work with Limited or No assurance

Title	Business Continuity (Cross Cutting)			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
Business Continuity (2010-11)				
Date final report issued	August 2012			
Background	The objective of the Business Continuity process is to enhance business resilience by ensuring that the core/critical businesses (mission critical activities) of the Council can continue functioning in the event of an unforeseen adverse (impacting on the ability of the Council to maintain service delivery) event. This necessarily means that information and resources are available and accessible to the relevant officers to facilitate operation in response to the event.			

<p>Summary Findings of</p>	<p>We noted the following areas of good practice:</p> <ul style="list-style-type: none"> • There are good risk management arrangements for corporate and Directorate Business Continuity risks, with only one Directorate which did not have risk recorded and monitored on JCAD, the Council's risk management system. • There is good organisational awareness of the corporate Business Continuity strategy amongst Directorate Business Continuity leads, and much has been done to raise the profile of Business Continuity around the organisation. • The Council has webpage dedicated to providing advice and assistance to businesses and voluntary organisations in relation to business continuity management, as required by the Civil Contingencies Act, as well as a self assessment test. • Services are well-prepared for the Olympics in terms of staffing requirements. <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • Determination of the level of resources required corporately in order to deliver minimum business continuity requirements across the Council. • Corporate IS and accommodation plans which align fully with the requirements of the business are not in place, which is a requirement of the Strategy. <p>In addition to the main findings, we also identified the following issues:</p> <ul style="list-style-type: none"> • Update and review of the Business Continuity Strategy. • The Business Continuity Strategy does not comply with best practice. • The level of engagement of Services with the Business Continuity process. <p>We reviewed the recommendations of the previous audit in 2010-11 and noted that 4 of the 7 recommendations have been implemented. Of the remainder, 3 have been partly implemented:</p> <ul style="list-style-type: none"> • Although updates have been made to the Business Continuity Strategy, it has not been reviewed and approved by Directors or Members since 2008. • The Strategy included as a deliverable that Services will lead in their identification of critical/non-critical services and write plans accordingly. We noted that the approach only addressed Corporate critical activities unlike the approach adopted in the Corporate Governance Directorate where all managers had to develop business continuity Plans even if respective operations were not classified as critical. • Corporate business continuity plans for IT and Accommodation have not been formally developed and approved
-----------------------------------	---

<p>Priority 1 recommendations</p> <p>Management Responses and agreed action dates</p>	<p>Recommendation 1: The corporate Business Continuity lead needs to determine the level of resources required to deliver business continuity for minimum requirements.</p> <p>Recommendation 2: The corporate Business Continuity lead should formulate and co-ordinate service-specific requirements and passing these to Facilities Management and IS as a matter of urgency. Business continuity responsibilities should be specified in output specifications for those areas with key Business Continuity responsibilities such as accommodation and IS.</p> <p>Response 1: Agreed. The corporate Business Continuity lead and Director of Corporate Governance will progress this.</p> <p>Response 2: Agreed. Work has already begun on collating service-specific requirements, and regular meetings have been implemented with IS and facilities management.</p>
---	---

Title	All Saints' CE (NW2) Primary School – Children's Services			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
Date final report issued	July 2012			
Background	<p>The aim of the audit is to provide assurance on key areas of financial management.</p> <p>The audit is conducted in line with the "Keeping your Balance" document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission (AC) and to ensure compliance with Barnet's Scheme for Financing Schools and related Financial Guide for Schools.</p> <p>The scope of the audit included assessment of the following:-</p> <ul style="list-style-type: none"> ▪ adequacy of accounting, financial and other controls; ▪ compliance to established plans and procedures; ▪ the integrity and reliability of financial and other information; ▪ assets and other interests of the Council are properly safeguarded; and that ▪ the use of resources achieves value for money. 			

<p>Summary of Findings</p>	<p>The following key findings were reported:</p> <ul style="list-style-type: none"> • Inconsistencies between delegated limits of authorisation for virements (transfers of funds between cost codes in the accounting system), as recorded within the School's Financial Management Policy document and it's Authorised Signatories mandate; • There was no evidence of medium term financial planning. A medium-term (3-year) Development Plan has not been established; • A review of procedures and controls over the income system found no separation of duties or independent checks being carried out to verify income collected and banked agrees to source documentation, for example spreadsheets; class lists; • No audit trails exist for income collected from educational visits as source documentation is not retained; • No audit trails exist for the sale of and stocks held for uniform; • Errors were identified in the accounting of meals income, which have gone un-noticed due to a lack of scrutiny; • The use of credit cards without prior approval from LBB; • No visible evidence of monitoring by governors over the use of the credit and debit cards held; • No visible evidence to confirm at least two officers are involved in the monthly payroll checks; • The Inventory Register has not been updated since 2009.
-----------------------------------	---

<p>Priority recommendations</p>	<p>1 There were two 'High' priority recommendations which are summarised as follows:</p> <p>(1) <u>Income:</u></p> <p>The school should ensure that:</p> <ul style="list-style-type: none"> • A clear separation of duties is introduced, with independent checks carried out to confirm that amounts banked agree to control records and this is adequately evidenced; • Control records such as class-lists/spreadsheets showing the breakdown of income collected are retained, in order for a clear audit trail to exist; • Adequate records are maintained to show uniform sales and stocks remaining. These records should be reconciled periodically; • All accounting records are accurate and overseen on a regular basis. <p>(2) <u>Banking:</u></p> <p>The School should seek advice from the LBB to ensure:</p> <ul style="list-style-type: none"> • The use of these credit cards and limits set is allowed; • If so, written procedures and protocol for their use are established (in accordance with LBB requirements) and presented to the Governing Body for approval; • Expenditure on all debit/credit cards is monitored by governors with visible evidence of these checks; • The use of public funds to purchase Comenius gifts is appropriate; • Charges and fees related to the use of the credit cards are acceptable.
<p>Management Responses and agreed action dates</p>	<p>Management has agreed the following responses in relation to above recommendations:</p> <p>(1) Procedures for all income received will be reviewed to ensure that controls are tightened (Immediate Action)</p> <p>(2) The School will seek advice from the LBB in order to establish whether the use of these cards, in addition to the Co-Operative bank debit card already held, is acceptable. (Immediate Action)</p>

4. Work in progress and effectiveness review

Appendix C includes a list of all of those audits at the planning, fieldwork, or draft reporting stages.

As we are not at the end of the quarter for reporting purposes a number of the performance indicators have not been finalised, however of those reports issued 95% have been issued within 10 days of finalising fieldwork and the service has had a number of quality performance questionnaires returned, of which 100% have been returned with a rating over 3 (satisfactory) with the majority rated as Excellent. Quarter 1 information has been included for reference in Appendix D as this was not reported to the last Audit Committee due to timing of the Committee and the ending of the quarter.

Implementation of internal audit recommendations – there has been a slight decline in council-wide performance for the implementation of recommendations. While a number of recommendations had been partly implemented, thereby mitigating some of the risk, the outstanding actions need to be addressed as soon as possible by responsible officers. As at reporting date (31st August 2012) the number of recommendations implemented was 4 out of the 9 due for implementation this quarter, representing 44%. A number of these recommendations however were due for implementation by the end of September and therefore the percentage represents work in progress.

5. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be relied upon as part of the financial accounts audit. External Audit carried out an assessment of PwC as part of their review of the internal audit service to ensure they could rely on their findings, and they did not give any recommendations as part of that review.

Regular meetings have occurred with senior officers regarding implementing action plans in accordance with the agreed timeframe.

6. Changes to our plan

Since the Internal Audit Plan was approved there have been no changes within the quarter made to the original audit plan agreed in April 2012.

7. Risk Management

Risk Management continues to be embed across the Council. An Assistant Director Challenge Group discussed risks contained within Directorate and the Corporate Risk Register. The session enabled the production of a revised corporate risk register that made sound linkages to the revised corporate plan. Training continues at a directorate and ad hoc basis. The corporate risk register is due for reporting to Cabinet Resources Committee on the 27th September 2012.

Appendix B: 2012-13 work completed during quarter 2 including assurance levels as at August 2012

Audit Opinions on Completed Audits during the period

Systems Audits		Assurance
1	Business Continuity	Limited
2	Children in Care	Satisfactory
3	Voluntary Sector Grants	Satisfactory
4	One Barnet Follow-up	Satisfactory
5	Cashbook	Satisfactory
6	Accounts Payable	Satisfactory
7	Pupil Placed Planning	Satisfactory

School Audits		Assurance
1	All Saints NW2	Limited
2	Hampden Way Nursery	Satisfactory
3	Barnfield	Satisfactory
4	Frith Manor	Satisfactory
5	Holly Park	Satisfactory
6	Summerside	Satisfactory

Appendix C: Work in progress

The following work is in progress at the time of writing this report (August 2012)

Work in progress

Systems Audits	Status
1 Narrowing the gap – Data Quality review (Children’s)	Draft Report
2 Housing Needs and Resources (Barnet Group)	Fieldwork
3 Highways	Draft Report
4 SAP Access review	Terms of Reference
5 Localism Act	Terms of Reference
6 Commerciality of Contracts	Terms of Reference
7 Records and Case Management	Reference
8 Housing Benefits	Fieldwork
9 Council Tax	Fieldwork
10 NNDR	Fieldwork
11 Income and Debt Management	Terms of Reference
12 Customer Financial Affairs (Adults Social Care and Health)	Terms of Reference
13 Contract Compliance (Environment, Planning and Regeneration)	Reference
14 Information Management Strategy	Planning

Appendix D: Internal Audit Effectiveness Indicators

Performance Indicator	Annual Target	End of Quarter 1
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	54%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment
Average client satisfaction score (above 3)	90%	100%
% of Plan delivered	16%*	17%
% of draft reports completed within 10 days of finishing fieldwork	90%	100%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By April	Quarter 4 assessment
Preparation of Annual Report (previous year)	Prior to A.G.S.	Quarter 1 assessment
Staff with professional qualifications	70%	75%
Staff development days	5 days	Quarter 4 assessment

* Quarter 1 target equated as 95% of quarter 1 activity