

Internal Audit Service Follow-up Audit Alexandra Palace Trading Company (APTL) May 2009

Recommendation	Priority	Management Response	Original Deadline	Status at time of Follow-up audit	Management comments as at 21/05/2009	Revised Deadline	Management Action Required
<p>1. <u>Corporate Governance</u> APTL ensure that the agreed Code of Corporate Governance is embedded throughout the organisation; take appropriate measures to publicise it; ensure that responsibility for monitoring and reviewing its operation is defined; and ensure that it is complied with on an ongoing basis across the organisation with regular reports to the Board demonstrating compliance.</p>	2	<p>Corporate Governance arrangements were agreed at the APTL Board of 25th January 2008. Further work will be conducted on the governance of the company to ensure it is operating effectively. The current arrangements fulfil statutory company law requirements.</p>	None Given	<p>Partially Achieved There is a scheme of delegation in place however there has been no substantial review of this document since its inception. APTL needs to ensure that effective corporate governance arrangements are embedded throughout the organisation.</p>	<p>There is a scheme of delegation in place which meets statutory requirements. Now the new Managing Director and the Senior Management Team are in place, further work is planned to improve this document to include for example, more detail on the respective roles of the Board and the Management Team</p>	End of July 2009	Yes
<p>2. <u>Risk Management Framework</u> APTL implement a risk management framework for their organisation; ensure that responsibility for monitoring and reviewing its operation is defined; and ensures that it is complied with and embedded across the organisation</p>	1	<p>APTL have implemented Business risk framework linked to the business performance within its business plan, this will be reviewed on a regular basis by the senior management team and Board.</p>	On-going	<p>Partially Achieved The APTL Business Plan for 2009/10 includes a risk register which highlights the key risks faced by the organisation and identifies actions required to reduce the likelihood and impact of those risks.</p>	<p>Further work in this area was undertaken at a workshop in April following which a draft risk register was drawn up. The risk register will be completed at a further session before the end of June and presented to the Board in September</p>	July 2009	Yes
<p>3. <u>Relationship with Haringey Council</u> APTL formally agree an operating framework between the organisation and Haringey Council. The framework should</p>	1	<p>Management believe this recommendation should be removed on the basis: APTL is a wholly separate commercial operating company</p>	None Given	<p>Partially Achieved Whilst this recommendation was originally requested to be removed it is felt that there is benefit to be derived from the introduction of terms</p>	<p>Subject to wider governance review for which deadlines are still being set</p>	To be advised	Yes

<p>specify the processes and timing for financial and legal input from Haringey Council into reports to APTL's Board</p>		<p>whose purpose is defined by the memorandum and articles of association. It must be noted that there is a risk that too close an association with LBH may lead to the inadvertent creation of a shadow directorship of APTL which would not be beneficial. There is also a risk of the local authority having undue influence over the decisions of the charity trustees and officers which could have serious repercussions if the Charity commission were to conclude that the necessary separation had been compromised.</p>		<p>of reference to improve clarity. Monthly meetings have been introduced with the Council's Head of Finance which have assisted in bringing bidding timescales in line. The governance review for APPCT, which commences in June 2009, will also provide an opportunity for defining this relationship for both the Trust and APTL.</p>		
<p>4. <u>Internal Audit Arrangements</u> APTLC ensure that appropriate internal audit arrangements are in place for their organisation. Annual audit plans should be in place, which are agreed by the Board. Monitoring arrangements, including</p>	<p>2</p>	<p>This is recognised as an area for improvement. The newly appointed Head of Finance will be re-assessing the financial controls and procedures during the 2008/09 financial year and will look to re-</p>	<p>June 2009</p>	<p>Deadline not passed. Work is being undertaken to address the recommendation.</p>	<p>Tendering for the appointment of internal auditors is to commence at the end of June 2009.</p>	<p>On target to complete Yes</p>

<p>review of internal audit reports and implementation of recommendations should be in place</p>		<p>establish a robust internal audit function by June 2009.</p>	<p>March 2009</p>	<p>Not Achieved Legal opinion was being sought as to whether APTL is obliged to comply with local and statutory contract regulations. Budget holders have been instructed to follow the Trust's draft procurement policy (which is closely based on the Council's policy) until such time as a bespoke policy for APTL has been developed and approved. This piece of work is planned for 2009/10.</p>	<p>Legal opinion has now been received, which clarified that APTL is required to follow EU Procurement Directives by virtue of its relationship with the Trust and the Council. A draft tendering and procurement policy has been produced and will be implemented by July 2009. In the interim budget holders are instructed to follow the Trust's policy, which closely mirrors that of the Council.</p> <p>Following the appointment of the Executive Assistant a review of existing contracts will be conducted to gauge the level of further work required</p>	<p>Not set as yet</p>	<p>Yes</p>
<p>5. <u>Contract Management Framework</u> APTL implement a contract management framework for their organisation; ensure that responsibility for monitoring and reviewing its operation is defined; and ensures that it is complied with and embedded across the organisation. The framework should define approval and reporting requirements, including the involvement of the Board.</p>	<p>1</p>	<p>APTL agree this is an area for improvement and will take advice on the most suitable course of action and implement</p>	<p>March 2009</p>	<p>Partially Achieved APTL have advised that an agreed process for producing the business plan in a</p>	<p>The management view is this has been achieved for the following reasons.</p>	<p>Not set</p>	<p>Yes</p>
<p>6. <u>Business Planning Framework</u> APTL implement a formal business planning</p>	<p>1</p>	<p>Agreed</p>	<p>November 2008</p>	<p>Partially Achieved APTL have advised that an agreed process for producing the business plan in a</p>	<p>The management view is this has been achieved for the following reasons.</p>	<p>Not set</p>	<p>Yes</p>

<p>framework for their organisation; and ensure that responsibility for monitoring and reviewing its progress is defined.</p> <p>The framework should define approval, monitoring and reporting requirements, including the involvement of the Board.</p>			<p>standard format is in place, although a formal framework has not been implemented. Embedding the business planning process will take place from 2009/10 onwards via reports to the senior managers and the Board, and staff work plans and performance reviews. It is still advised that APTL fully address the original recommendation.</p>	<p>A standard business plan format was adopted for the 2008/09 business plan and informed the business plan for 2009/10 – although the opportunity was taken to improve the latter further.</p> <p>The creation and delivery of a business plan is enshrined in the job description of the MD. In addition, senior managers contribute to the process according to an agreed formula and timeframe.</p> <p>The business plan is subject to APTL Board approval on an annual basis and progress against targets reviewed monthly through management accounts and quarterly at Board meetings.</p> <p>Each Head of Dept has responsibility for their budget for which they have signed up to deliver.</p> <p>On 23 April a staff</p>		
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<p>7. <u>Performance review and staff development</u></p> <p>APTL ensure that a formal performance review and staff training and development framework is introduced.</p> <p>The framework should specify the roles and responsibilities of all relevant parties, including the Board</p>	<p>2</p>	<p>APTL have subsequently implemented a performance review framework which came into effect in June 08 and all staff had been appraised by the end of July 08.</p>	<p>September 2008</p>	<p>Achieved</p> <p>Appraisals of staff were undertaken in line with the agreed deadline. The performance review framework currently in place is based on the Council's own process.</p> <p>APTL advised that the performance review framework will be linked to business plan to ensure consistency.</p>	<p>showcase was held and the aims of the business plan were discussed and a bespoke staff version of the business plan was distributed. This will inform monthly staff meetings too.</p> <p>All staff work plans and appraisals will be focused on the 6 aims identified through the business plan and will be monitored and evaluated in 1:1s, mid year reviews and the end of year review.</p>	<p>N/A</p>	<p>No</p>
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<p>8. <u>Staffing</u> APTL should seek to fill all current vacant posts as soon as possible.</p>	2	<p>Key senior management and operational posts have been recruited to and filled. Board have approved senior posts, commencement dates range from May 08 to November 08.</p>	November 2008	<p>Not achieved by original deadline however all key management staff with the exception of the MD's Executive Assistant have now been appointed</p>	<p>This was achieved by the original deadline in terms of SMT. A decision was taken by APTL Board in September 08 to create a new Head of Catering post, which is recruitment to this post happened later.</p>		
<p>9. <u>Contract Management</u> APTL should ensure that its expenditure complies with local and statutory procurement regulations, especially in areas of high expenditure. Compliance with procurement regulations should be monitored and reported on regularly</p>	1	<p>Agree systems to put in place following a review by the Head of Finance in consultation with the new MD and Board</p>	March 2009	<p>Not Achieved See comments at recommendation 5.</p>	<p>Linked to recommendation 5</p>	as per R5 above	Yes
<p>10. <u>Procedure Manuals</u> APTL should develop and implement written procedure manuals for each trading activity which should be formally approved. Responsibility for monitoring, reviewing and updating the procedures should be identified. APTL should use the opportunity of introducing</p>	2	<p>Agreed. This is now in hand and responsibility given to the respective department managers.</p>	March 2009	<p>Not achieved Not all of the trading areas have produced procedure manuals. However APTL advise that this will be scheduled into 2009/10 work plans. It is still advised that APTL fully address the original recommendation.</p>	<p>Not all of the trading areas have to date produced updated procedure manuals; however this is on individual Senior Management Team members' work plans for 2009/10</p>	March 2010	Yes

<p>formal procedure manuals to undertake a programme of staff training relevant to their roles and responsibilities.</p> <p>All staff should be required to formally acknowledge receipt of the procedure manuals</p>						
<p>11. <u>Segregation of duties</u></p> <p>APTL must ensure that there is adequate separation of duties across all functions and operational processes</p>	<p>Separation of duties is always difficult in a small Finance team. The Head of Finance will conduct a review of existing controls and procedures to ensure that, where separation of duties is not possible, compensating controls exist to protect the organisation from fraud and error</p>	<p>March 2009</p>	<p>Achieved Due to the small size of the finance team it has not been possible to introduce a complete segregation of duties. However it was agreed that the revised procedures introduced did achieve the required objective.</p>	<p>A centralised post opening procedure has been implemented whereby cheques are logged and signed for before being passed to the Sales Ledger Clerk. Due to the small size of the finance team it has not been possible to introduce a complete segregation of duties. The appointment of the Financial and Management Accountant, who is responsible for reconciling the bank account, has improved internal controls.</p>	<p>N/A</p>	<p>No</p>
<p>12. <u>CRB Checks</u></p> <p>All persons employed in the Ice Rink should be subject to CRB check.</p> <p>Any organisation or individual who rents the Ice Rink for lessons or classes/clubs</p>	<p>It is accepted that all APTL staff that work on the ice and have contact with child or vulnerable adults will be CRB checked. Reception staff will not (which is a similar policy to that adopted by</p>	<p>November 2008</p>	<p>Achieved CRB checks have been carried out for staff that are employed in relevant positions in the Ice Rink. A record of checks carried out is</p>	<p>No comment</p>	<p>N/A</p>	<p>No</p>

should be required to provide proof of CRB checks in order to safeguard APTL. Regular monitoring and checking procedures should be in place to ensure that compliance with requirements is maintained.	LBH).			maintained in spreadsheet form as an aid to monitoring. Advice on the maintenance of CRB checks has also been sought from the Council's Recruitment Contract Officer		
13. <u>License checks on security staff</u> APTL should ensure that all security staff employed on site, directly, or via a contract, have appropriate licenses in accordance with statutory requirements. Regular monitoring and checking of procedures should be in place to ensure that compliance with requirements is maintained	Agreed	1	September 2008	Not Achieved It is still advised that APTL fully address the original recommendation. APTL should ensure that they have adequate procedures in place to satisfy themselves that work completed by APPCT ensures that security staff hold appropriate licenses.	The management view is this is not applicable as this is a primary responsibility of APPCT	Not set Yes
14. <u>Banking Procedures</u> All cheques received by APTL must be kept securely locked away until banked. Banking of all income must be done in a timely manner.	Agreed	2	September 2008	Achieved All cheques are now kept in the safe. Income is being banked in a timely manner.	No comment	N/A
15. <u>Accounting for controlled stationery</u> APTL needs to maintain	Agreed	2	January 2009	Partially Achieved Purchase order books are treated as controlled stationery	The management view is that this has been achieved because purchase order books	Not set Yes

<p>adequate records and security arrangements in respect of controlled stationery items, notably order books. The record should include details of all controlled stationery issued across all trading functions. Used order books should be retained to resolve any queries that may arise.</p>	2	<p>Agreed, although this will be a staged approach with our hirers to ease the initial double charging for arrears in advance</p>	December 2008	<p>by the issuing department. However the holding of stock at team level has is subject to review this year.</p>	<p>are treated as controlled stationery by the issuing HR department. The holding of stock at team level is subject to review this year.</p>	March 2010	Yes
<p>16. <u>Ice Rink Charging Policy</u> The Ice Rink charging policy should be revised to require payment in advance for its hire by individuals or clubs/organisations</p>	2	<p>Agreed. The historical discrepancies on the bank reconciliation have now been resolved and the bank reconciliation will be kept up to date going forward</p>	On-going	<p>Not achieved APTL advise that the whole of the pricing policy and charging policy for events, catering and the ice rink will be subject to review in 2009/10.</p>	<p>No comment</p>	N/A	No
<p>17. <u>Bank Reconciliation</u> All outstanding queries related to the bank reconciliation must be resolved as soon as possible</p>	3	<p>Agreed. The Head of Finance plans to implement a new management information pack from the 2009/10 financial year, together with new procedures for</p>	March 2009	<p>Achieved The senior management team meets every 2 weeks and key indicators have been introduced for each trading/service area. The</p>	<p>From June 2009, Crystal Reports are to be introduced with more detailed departmental reporting on monthly variances.</p>	Not set	Yes
<p>18. <u>Management Information</u> APTL should ensure that all key management information is made available to all trading functions in a timely manner, notably information in respect of both paid and</p>							

unpaid accounts		<p>forecasting and variance reporting.</p> <p>In the interim, the Head of Finance will work with other senior managers to ensure they are provided with the information necessary for them to review income and expenditure in the areas under their control</p>		<p>Managing Director holds monthly one to one meetings with all senior managers, meets with the Board quarterly, the Chair every 2 weeks and the Council's Director of Corporate Resources monthly. Business performance reports are issued monthly to the APTL Board.</p>			
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