



# Internal Audit Progress Report

For the year ended 31 March 2011

Presented to Board Meeting of: 21 December 2010

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In the event of any questions arising from this report please contact Graeme Clarke, Director, [graeme.clarke@mazars.co.uk](mailto:graeme.clarke@mazars.co.uk) or Richard Bott, Partner, [richard.bott@mazars.co.uk](mailto:richard.bott@mazars.co.uk).

**Status of our reports**

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## 1. Introduction

- 1.1 The purpose of this report is to update the Board as to the progress in respect of the Internal Audit Strategy and Operational Plan for the period to 31 March 2011.
- 1.2 The Internal Audit Strategy was considered and approved by the APPCT Board at its meeting on 12 January 2010.

## 2. Summary of internal audit activity to date

- 2.1 There have been three reports issued since the last Board meeting. These relate to:-
  - Follow Up (Report reference number - 01.10/11);
  - Budget Setting and Control (reference 02.10/11); and
  - Health and Safety/DDA Compliance (reference 03.10/11).
- 2.2 The review of Facilities/Contract Management commenced on 15 November 2010. Due to management availability, the debrief had to be delayed and is currently planned for 16 December 2010.
- 2.3 As part of the Internal Audit Plan, there are two days set aside for an advisory review to assist the Trust in devising and implementing a Risk Management Framework. These resources have not been called on to date, although we understand this will be by the end of the year.

## 3. Key issues arising from the internal audit programme to date

- 3.1 Further to section 2 of the report, the key issues arising from the three reports issued since the last meeting of the Board are as follows:

*Follow Up (01.10/11)*
- 3.2 This was a review to follow up progress made by Alexandra Park and Palace Charitable Trust (APPCT) in implementing internal audit

recommendations arising from previous audits. There were a total of 12 recommendations accepted by Management which we followed up on. Six were categorised as '1' (High); and six were categorised as '2' (Medium).

- 3.3 Of these recommendations, six were classified as having been implemented and five recommendations are considered to be 'in progress', all of which were originally categorised as category '1' (High). One of the "in progress" recommendations concerns the need to develop a Code of Governance which, whilst the Trust has adopted and approved the NVCO Code of Governance, still needs to be adapted to APPCT requirements. The second such recommendation refers to the development of a Risk Management Framework and, although there is a Business Risk Register and a Health and Safety Risk Register in place, the framework still requires developing. The third recommendation identifies the need to develop an operating framework between the Trust and Haringey Council, which is being produced as part of the Trust's Code of Governance work. The fourth and fifth 'in progress' recommendations relate to the need for the Trust to develop a contract management framework and a three year business plan, respectively.
- 3.4 One recommendation is considered superseded. This related to the performance of the Development Manager being subject to a formal appraisal. This has been superseded as the contract for the Development Manager has since ended.

*Budget Setting and Control (02.10/11)*

- 3.5 This was a review of the controls and processes for budget setting and control within APPCT. It is recognised, that due to the current state of repair of the Palace, APPCT's ability to generate revenue through its commercial subsidiary Alexandra Palace Trading Limited (APTL) is limited and, consequently, APPCT has run at a revenue deficit for a number of years. The Council, as corporate trustee, has an obligation to provide funds to meet this deficit. The dependency of APPCT on revenue funding from LBH and gift aid of profits from APTL requires there to be close links in the budget setting processes for all parties. As a result, the timetable for business planning and budget setting of APPCT and APTL has been aligned to coincide with that of LBH and, each year, the Trust submits a formal bid for revenue funds, as well as any identified capital bid items.
- 3.6 Overall we provided a 'substantial' assurance in this area. One minor recommendation were made as part of this review, relating to the need to ensure that controls identified in its Risk Register relate to activities undertaken by APPCT rather than APTL.

*Health and Safety/DDA Compliance (03.10/11)*

- 3.7 This review looked at the adequacy and effectiveness of the Health and Safety (H&S) arrangements within APPCT. We also considered arrangements in place to ensure compliance with the Disability Discrimination Act (DDA). This area was included in the Audit Plan due to the significance of the risk associated with this area on the APPCT Risk Register, specifically, 'Health and Safety risks/non-compliance with H&S regulations' (Risk Reference 1). This area has also been a major area of focus for the Trust with a number of improvements made over the past year.

- 3.8 Overall, we provided ‘substantial’ assurance in this area and one minor recommendation was made in total. This related to the need to determine whether a full-time permanent Health & Safety and/or Fire Officer position is required or whether duties can be split between existing post-holders. Job descriptions should be updated as appropriate.
- 3.9 The following table provides a summary of assurances and the number and categorisation of recommendations in reports finalised to date.

Report Reference	Auditable Area	Audit Approach	Level of Assurance (If appropriate)	Recommendations				Total agreed by Management
				Fundamental	Significant	Minor	Total	
01.10/11	Follow Up	N/a	Not applicable	-	-	-	-	-
02.10/11	Budget Setting and Control	Systematic	Substantial	-	-	1	1	1
03.10/11	Health and Safety/DDA Compliance	Key Controls	Substantial	-	-	1	1	1
Totals				0	0	2	2	2
%				0%	0%	100%	100%	100%

3.10 We use the following levels of opinion and recommendation classifications within our audit reports

<b>Levels of Opinion</b>	<b>Control Environment</b>	<b>Effectiveness of Controls</b>
<b>Full Assurance:</b>	The controls fully mitigate the specific risks.	The controls are operating effectively.
<b>Substantial Assurance:</b>	Some key controls do not fully mitigate the specific risk.	Some key controls are not operating effectively and compensating controls are not adequately documented.
<b>Adequate Assurance</b>	In the main, the controls mitigate the risks, but not fully.	Partial effective operation exists over key controls to a material degree.
<b>Limited Assurance:</b>	The controls are not adequately mitigating the risks in the majority of instances or in areas of key controls.	The operational effectiveness of the controls is poor.
<b>No Assurance:</b>	No controls in place.	Controls are ineffective or it is not possible to assess their effectiveness.

<b>Recommendation Classifications</b>	<b>Description</b>
<b>Fundamental (Priority 1):</b>	Recommendations represent fundamental control weaknesses, which expose APPCT to a high degree of unnecessary risk.
<b>Significant (Priority 2):</b>	Recommendations represent significant control weaknesses, which expose APPCT to a moderate degree of unnecessary risk.
<b>Minor (Priority 3):</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## 4. Comparison to Detailed Audit Timetable for 2010/11

Auditable Area	Planned Days	Actual Days billed to date	Target Review Start Date	Actual Review Start Date	Target Board Meeting	Actual Board Meeting	Comments
Corporate Risk Management	2	-	As required.	tbc	As completed.		See 2.3.
Core Financial Controls – Budget Setting and Control	1	1	September/October 2010	16 September 2010	December 2010	21 December 2010	See 2.1. Final Report issued
Health and Safety/DDA Compliance	3	3	September/October 2010	11 October 2010	December 2010	21 December 2010	See 2.1. Final Report issued
Facilities/Contract Management	4	-	November 2010	15 November 2010	February 2011		See 2.2. Fieldwork completed awaiting debrief
Follow Up	1	1	March 2010	19 May 2010	<del>June 2010</del> December 2010	21 December 2010	See 2.1. Final Report issued.
Audit Management	2	1.5	n/a	n/a	n/a	n/a	
<b>Totals</b>	<b>13</b>	<b>6.5</b>					