

**MEETING**  
**AUDIT COMMITTEE**

**DATE AND TIME**  
**TUESDAY, 20 MARCH 2007 AT 7PM**

**VENUE**  
**THE TOWN HALL, THE BURROUGHS, HENDON, NW4 4BG**

**TO: MEMBERS OF THE COMMITTEE (Quorum 3)**

Chairman: Councillor Jeremy Davies

Vice Chairman: Councillor Daniel Thomas

**Councillors:**

Danish Chopra

Dean Cohen

Geof Cooke

Richard Cornelius

Marina Yannakoudakis

**Substitutes:**

**Councillors**

Wayne Casey

Mukesh Depala

Monroe Palmer

Hugh Rayner

Alan Schneiderman

Agnes Slocombe

You are requested to attend the above meeting for which an Agenda is attached.

Janet Rawlings, Democratic Services Manager

Democratic Services contact: Katy Lam 020 8359 2015

CORPORATE GOVERNANCE DIRECTORATE

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To view agenda papers on the website: <http://committeepapers.barnet.gov.uk/democracy>

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Town Hall, Hendon NW4 4BG

## ORDER OF BUSINESS

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2.	ABSENCE OF MEMBERS		
3.	PUBLIC QUESTION TIME	-	-
4.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-	-
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11.	2006/7 Internal Audit Annual Plan	HIAEG	190 – 224
12.	Annual Work Plan of the Corporate Anti-Fraud Team 2007	AHCFT & DDCG	225 – 240
13.	Corporate Risk Management Strategy	EDfR	241 – 244
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15.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-	-

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**AGENDA ITEM: 6**

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	Review of effectiveness and terms of reference of the Audit Committee
Report of	Deputy Director for Resources & Chief Finance Officer
Summary	To review the Committee's effectiveness, as required annually by its terms of reference, and to review the terms of reference.

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Officer Contributors:	Clive Medlam, Deputy Director for Resources & Chief Finance Officer; Michael Bradley, Head of Internal Audit & Ethical Governance; Jonathan Bunt, Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	none
Enclosures	Appendix A : Review of effectiveness Appendix B : Terms of reference
For decision by	The Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

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Contact for further information: Clive Medlam, Deputy Director for Resources & Chief Finance  
0208 359 7110

## **1. RECOMMENDATIONS**

- 1.1** The Committee's views are sought on the review of effectiveness of the Committee over the past year, as attached at Appendix A.
- 1.2** That the Committee identify any development requirements of its Members, collectively or individually.
- 1.3** That the Committee consider the Committee's terms of reference as set out in the Constitution and at Appendix B and instruct the Deputy Director for Resources & Chief Finance Officer to make any recommendations for change to the Special Committee (Constitution Review).

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1** Audit Committee 15 February 2006 resolved to recommend to the Special Committee (Constitution Review) that the proposed Terms of Reference for the Audit Committee, including to conduct an annual review of the Committee's effectiveness, be adopted and included in the Constitution.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1** Reviewing the work of the Audit Committee is an essential aspect of corporate governance.

## **4. RISK MANAGEMENT ISSUES**

- 4.1** The majority of the Audit Committee's work programme is inextricably linked to risk management.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1** Monitoring of the Council's systems for accounting, regulation and control contribute to the management of resources and ensuring the equitable delivery of services to all members of the community.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1** None.

## **7. LEGAL ISSUES**

- 7.1** None.

## **8. CONSTITUTIONAL POWERS**

- 8.1** This Committee's terms of reference include a requirement to review annually the Committee's effectiveness

## **9 BACKGROUND INFORMATION**

- 9.1 Attached at Appendix A is a review of effectiveness for the past year, using the recommended template from the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance on model audit committees. This shows that the Audit Committee has substantially operated in line with recommended practice.
- 9.2 In response to the large number of new Members joining the Committee in May 2006, including a new chairman being appointed, a training event was scheduled for the Committee ahead of some of the meetings during 2006/07. Members are invited to consider what further training they would like considered during 2007/08, either for the Committee as a whole or individually.
- 9.3 In reviewing the Committee's effectiveness it makes sense to also review its terms of reference, which are set out in Appendix B. These were reviewed during 2006 and were brought very much in line with the CIPFA model for audit committees, although Members will recall that the majority of functions were already being performed by the Committee previously.
- 9.4 There are no recommendations for changing any of the terms of reference. In reviewing these, however, Members are asked to keep in mind the "Statement of Purpose" set out in the terms of reference which are much more focused than for a scrutiny committee.
- 9.5 One outstanding point from the discussion last year was whether there should be co-option of external members. It was agreed that the practice within other London Boroughs be investigated and to review the position within Barnet in the light of this feedback. Information obtained from other boroughs will be reported verbally at the meeting.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: MM

CFO: CM

## Appendix A

### Measuring the Effectiveness of the Audit Committee

Issue	Yes / No	Comment
<b>Terms of Reference</b>		
Have the committee's terms of reference been approved by full council?	Yes	As part of Constitution review that was completed in 2006. This annual effectiveness review also includes a short review of terms of reference.
Do the terms of reference follow the CIPFA model?	Yes	The Chief Finance Officer conducted the 2006 review against these.
<b>Internal Audit Process</b>		
Does the committee approve the strategic audit approach and the annual programme?	Yes	Annual plan agreed in March/April every year.
Is the work of internal audit reviewed regularly?	Yes	Annually by External Audit.
Are summaries of quality questionnaires from managers reviewed?	No	Recently dropped as a performance indicator to align Audit Committee and corporate performance management arrangements. However, information still recorded by Internal Audit and can be reinstated if required.
Is the annual report, from the head of audit, presented to the committee?	Yes	Interim and annual reports are presented to the Audit Committee by the Head of Internal Audit & Ethical Governance. Report incorporates a review against the Internal Audit work plan agreed at the start of the year.
<b>External Audit Process</b>		
Are reports on the work of external audit and other inspection agencies presented to the committee?	Yes	The Chairman of the Audit Committee also reviewed the full range of External Audit reports received during the year with the Head of Strategic Finance, and further reports have now been added to the annual work plan for the committee.
Does the committee input into the external audit programme?	Yes	The committee receives a report on the External Audit plan, which it is able to make recommendations on. The committee also asked the external auditor to do some additional work to review progress with fixed asset revaluations.
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	Yes	Response from officers and subsequent action plans form part of the Internal Audit reports to the committee. Where the committee is not satisfied with the response by Directors to audit recommendations, the committee requires the Directors to attend its meetings to give an explanation.

Does the committee take a role in overseeing: <ul style="list-style-type: none"> <li>• risk management strategies</li> <li>• internal control statements</li> <li>• anti-fraud arrangements</li> <li>• whistle-blowing strategies?</li> </ul>	Yes Yes Yes Yes	The committee approves the corporate Statement on Internal Control (SIC) and receives an annual report from the Corporate Anti Fraud Team (CAFT), which includes whistle blowing
<b>Membership</b>		
Has the membership of the committee been formally agreed and a quorum set?	Yes	
Is the chairman free of executive or scrutiny functions?	Partly Met	The 2006 Constitution review introduced the requirement for the chairman to be from an opposition party. The current chairman, however, is a substitute member for several scrutiny committees.
Are members sufficiently independent of the other key committees of the council?	Yes	No Cabinet members sit on the Audit Committee.
Have all members' skills and experiences been assessed and training given for identified gaps?	Partly Met	In response to the large number of new Members joining the committee in May 2006, including a new chairman being appointed, a training event was scheduled for the committee ahead of some of the meetings during 2006/07.
Can the committee access other committees as necessary?	Yes	
<b>Meetings</b>		
Does the committee meet regularly?	Yes	Meetings are also planned around the dates for key reports being produced, e.g. Statement of Accounts, SIC, Annual Audit Letter.
Are separate, private meetings held with the external auditor and the internal auditor?	Yes	
Are meetings free and open without political influences being displayed?	Yes	Meetings are also open to the public.
Are decisions reached promptly?	Yes	
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	Yes	Where it has been difficult to get reports completed the chairman has agreed to additional meetings rather than have late reports circulating.
Does the committee have the benefit of attendance of appropriate officers at its meetings?	Yes	
<b>Training</b>		
Is induction training provided?	Yes	See earlier answer.
Is more advanced training available as required?	Yes	See earlier answer.
<b>Administration</b>		

Does the authority's Section 151 officer or deputy attend all meetings?	Yes	
Are the key officers available to support the committee?	Yes	



## **Audit Committee Statement of Purpose & Terms of Reference**

### **Statement of Purpose**

The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

### **Terms of Reference**

#### Audit Activity

1. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
2. To consider summaries of specific internal audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of internal audit services.
4. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
6. To consider specific reports as agreed with the external auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To liaise with the Audit Commission over the appointment of the Council's external auditors.
9. To commission work from the internal and external audit.

#### Regulatory Framework

10. To maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations.
11. To review any issue referred to it by the chief executive or a director, or any Council body.

12. To monitor the effective development and operation of risk management and corporate governance in the Council.
13. To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.
14. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
15. To consider the Council's compliance with its own and other published standards and controls.

#### Accounts

16. To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

#### Review of Effectiveness

18. To conduct an annual review of the effectiveness of the Audit Committee.

## **AGENDA ITEM: 7**

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<b>Meeting</b>	<b>Audit Committee</b>
<b>Date</b>	<b>20 March 2007</b>
<b>Subject</b>	<b>Review of Financial Regulations</b>
<b>Report of</b>	<b>Deputy Director for Resources &amp; Chief Finance Officer</b>
<b>Summary</b>	To update the council's financial regulations.

<b>Officer Contributors</b>	Clive Medlam, Deputy Director for Resources & Chief Finance Officer Jonathan Bunt, Head of Strategic Finance
<b>Status (public or exempt)</b>	Public
<b>Wards affected</b>	Not applicable
<b>Enclosures</b>	Appendix A – Financial Regulations (revised) Appendix B – Financial Regulations (current) Appendix C – Comparison of current and revised Financial Regulations
<b>For decision by</b>	The Audit Committee
<b>Function of</b>	Council
<b>Reason for urgency / exemption from call-in (if appropriate)</b>	None

Contact for further information: Clive Medlam, Deputy Director for Resources & Chief Finance Officer on 020 8359 7110 or Jonathan Bunt, Head of Strategic Finance on 020 8359 7249

## **1. RECOMMENDATIONS**

- 1.1 That the revised financial regulations attached at Appendix A be recommended to the Special Committee (Constitutional Review) for approval and subsequent recommendation for adoption at Council in place of the existing regulations.**
- 1.2 That the Deputy Director for Resources & Chief Finance Officer be instructed to update the Special Committee (Constitutional Review) of the decision of this committee under 1.1.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Constitution Review Committee 22 March 2006 (Financial Regulations)
- 2.2 Council 11 April 2006 (Report of the Special Committee (Constitution Review) 22 March 2006)

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 It is important for reasons of corporate governance that Financial Regulations are reviewed regularly and updated to reflect current best practice.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Financial regulations govern the way the Council's finances and assets are managed. Failure to have these up to date could result in mismanagement of Council funds and resources.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Effective systems of financial regulation, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 The financial regulations govern the way in which the council manages its finances and assets.

## **7. LEGAL ISSUES**

- 7.1 All issues dealt with in the report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations".

## **9 BACKGROUND INFORMATION**

- 9.1 The current Financial Regulations were approved by the Constitution Review Committee in March 2006 and subsequently Council in April 2006. The changes approved at that time were focused on part one of the regulations to simplify the wording, reflect necessary changes to responsibilities of Heads of Service, enhance the control over capital expenditure and clarify the arrangements for the submission of alternative budget motions to Council.
- 9.2 The review this year, which has led to the version attached as Appendix A of the report, has focused equally on both part one and part two the regulations.
- 9.3 Part one looks at the financial management of the authority, and the changes build upon the work completed in 2006, whereas part two focuses on the financial administration arrangements of the authority and are updated to reflect the changes in particular to the corporate structures and the implementation of the Modernising Core Systems project and the resultant impact on the Council's systems and processes.
- 9.4 Once approved, it is important that the revised regulations are briefed across the Council.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None

Legal: MM  
CFO: JB

## **Financial Regulations**

(Amended April 2007)

Financial Regulations govern the way the council undertakes financial forward planning, annual budget setting, budget monitoring and closing of the accounts – setting out the responsibilities of Council, Cabinet (and Cabinet Committees), the Chief Finance Officer, Directors, Heads of Service and Cost Centre Managers. These aspects are set out in Part 1 (Financial Management).

Financial Regulations also govern the way day to day financial administration is conducted and financial controls are exercised. These aspects are set out in Part 2 (Financial Administration).

Financial Regulations are supported by other elements of the Council Constitution, in particular:-

- Scheme of Delegation
- Budget & Policy Framework Procedure Rules
- Contract Procedure Rules
- Rules on the Disposal of Land & Property.

## Part 1 – Financial Management

- 1 Medium Term Financial Strategy
- 2 Financial Forward Planning
- 3 Annual Budget Setting
- 4 Budget Management & Monitoring
  - Latest Approved Budget
  - Budget Monitoring
  - Central Contingency
  - Reporting to Members
  - Authorisation of Non-Budgeted Expenditure
- 5 Further Responsibilities of Heads of Service
  - Budget Monitoring
  - External Funding
  - Full Year Effects
  - Impact on Other Services
  - Partnership Working
  - General Requirements
- 6 Closing of Accounts & Statement of Accounts
- 7 Treasury Management Framework
- 8 Pension Fund Management

### 1 MEDIUM TERM FINANCIAL STRATEGY

1.1 The Medium Term Financial Strategy, approved by Cabinet, sets out the Executive's approach on a range of issues, including:-

- the way in which corporate service priorities are considered as part of the council's capital and revenue budget processes;
- the level of balances and reserves (having taken account of advice from the Chief Finance Officer);
- the approach to bidding for external funding;
- the setting of fees and charges;
- the management of financial risks;
- the recovery of debt.

- 1.2 The Medium Term Financial Strategy will normally be approved by Cabinet at the start of each four year municipal term, and be updated annually or sooner if there is a need to respond to significant changes in resource and/or expenditure assumptions.

## **2 FINANCIAL FORWARD PLANNING**

- 2.1 The Chief Finance Officer, in consultation with the Cabinet Member with responsibility for Resources, will maintain a Financial Forward Plan that covers a period of at least four financial years, including the current financial year.
- 2.2 The Financial Forward Plan will be produced in line with the Medium Term Financial Strategy and reported in conjunction with the annual budget, council tax and rent proposals to Cabinet and Council before 11 March of the preceding financial year. Further updates on the Financial Forward Plan may be reported during the year.
- 2.3 The Financial Forward Plan will cover revenue and capital budgets, and will highlight how resources are being re-directed to address Corporate Plan priorities.
- 2.4 In respect to resources, the Financial Forward Plan will take account of the following:-
- forecasts of formula and specific grants;
  - increases in fees and charges, and the introduction of new charges;
  - interest earnings;
  - levels of reserves and balances;
  - increased income from rents and council tax;
  - capital receipts and grants.
- 2.5 In respect to expenditure, the Financial Forward Plan will take account of the following:-
- full year effects of previous decisions;
  - changes in responsibility arising from new or amended legislation or regulations, net of increased income from new fees and charges;
  - re-direction of resources to achieving Corporate Plan priorities and targets and away from non priority areas;
  - forecast changes in service demand;
  - forecasts of inflation, pay awards and interest rates;
  - efficiency savings;
  - planned service reductions;
  - prudential borrowing;
  - financial risks.



- 2.6 In that the Financial Forward Plan has a four year horizon it is to be expected that figures in later years will often be preliminary estimates and/or aspirations of future decisions and changes in council policy.

### **3 ANNUAL BUDGET SETTING**

- 3.1 The Executive will publish a draft budget and performance management plans for consultation, usually after the Provisional Local Government Finance Settlement has been announced. Arrangements for budget consultation will be determined by the Executive.
- 3.2 The Chief Finance Officer will set the council taxbase for tax-setting purposes before 31 January of the preceding financial year, and notify precepting and levying bodies of this figure by this date. The Chief Finance Officer will, at the same time, notify all Council Members.
- 3.3 The Executive will finalise its recommendations to Council on the revenue budget, council tax, capital programme and rent levels taking account of the results of budget consultation. This will normally be in February, following announcement of the Final Local Government Finance Settlement.
- 3.4 The Executive's recommendations to Council must be made in time for Council to set the capital and revenue budget and council tax before 11 March of the preceding financial year.
- 3.5 The budget and capital programme that the Executive recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-
- outturn forecasts for the current year;
  - guidance from the Chief Finance Officer on the appropriate level of reserves, balances and contingencies;
  - financial risks associated with proposed budget developments, reductions and ongoing projects;
  - forecasts of capital receipts;
  - affordability of prudential borrowing over the period of the council's financial forward plan;
  - recommendations from the external auditor on matters such as the level of reserves and provisions.
- 3.6 The budget recommended by the Executive will incorporate the latest projection of income from fees and charges.
- 3.7 Directors and Heads of Service may approve changes to fees and charges annually where the change is broadly in line with inflation. The date for annual increases need not be 1 April.

- 3.8 Cabinet Resources Committee must approve changes to fees and charges that are significantly different from inflation, the introduction of new fees and charges, and changes to fees and charges outside the normal annual cycle.

#### Alternative Budget Motions

- 3.9 Alternative budget motions must be validated by the Chief Finance Officer before they are accepted as a valid budget motion. This is essential since if an alternative budget motion is approved, the Chief Finance Officer will need to amend the council tax bills immediately following the Council meeting and Cabinet and officers will be required to implement the detailed budget proposals.
- 3.10 The alternative budget motion must set out the appropriate changes to Cabinet's recommendations as they affect the budget for the forthcoming year and any element of the Financial Forward Plan (e.g. balances, full year effects, council tax levels). The Chief Finance Officer may also require further information to be included if he/she considers it will improve the Council's understanding of the financial implications in the forthcoming or future years.
- 3.11 Any Member proposing to put an alternative budget motion to Council is responsible for ensuring it is received by the Democratic Services Manager in line with the deadline set out in Part 4, Section 1 of the Constitution. It is also their responsibility to ensure they give the Chief Finance Officer sufficient time to fully validate their alternative budget proposals.

## **4 BUDGET MANAGEMENT & MONITORING**

#### Latest Approved Budget

- 4.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year in accordance with the "Scheme of Virement".
- 4.2 The Chief Finance Officer is responsible for maintaining the latest approved budget.
- 4.3 It is envisaged that the Scheme of Virement for revenue and capital budgets will be determined by the Leader as part of the scheme of delegation. If this is not done, the Chief Finance Officer must determine a scheme in consultation with the Cabinet Member for Resources.

#### Budget Monitoring – General

- 4.4 Directors and Heads of Service should ensure that their cost centre managers do not enter into commitments before satisfying themselves there is sufficient approved budget provision. Directors and Heads of Service have no authority to overspend revenue or capital budgets, or under-recover income budgets under their control, and are responsible for monitoring their budgets to ensure this situation does not arise.

- 4.5 Directors and Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets. Where these occur they should in the first instance be returned to central contingencies unless regulations specify restrictions on their use which make this inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service. Where these exceptions occur, the Director or Head of Service is responsible for notifying the Chief Finance Officer that this is to occur.
- 4.6 Directors and Heads of Service must notify the Chief Finance Officer of forecast revenue budget or capital project overspends regardless of whether offsetting savings or additional income or capital resources have been identified.

#### Budget Monitoring – Revenue

- 4.7 Having notified the Chief Finance Officer of a forecast revenue budget overspend, the Director or Head of Service must submit proposals to the Chief Finance Officer for offsetting the forecast overspend, together with an assessment of the impact these corrective actions will have on service delivery and performance targets. Approval to these budget variations will be in line with the Scheme of Virement (see 3.3).
- 4.8 When notifying the Chief Finance Officer of such a situation, Directors and Heads of Service must advise if the problem relates solely to the current financial year or needs to be addressed within the financial forward plan as well.
- 4.9 Some services or projects within the council's budget and capital programme may be wholly or part funded by time-limited external funding. As soon as the possibility of expenditure slipping past the funding deadline is forecast, the cost centre / project manager must notify the Chief Finance Officer immediately, and provide options for reducing expenditure and/or identifying alternative funding. It should not be assumed that the loss of external funding arising from expenditure slipping will be met from central resources.

#### Budget Monitoring – Capital

- 4.10 Forecast overspends on approved capital projects must be communicated to the Chief Finance Officer immediately
- 4.11 Having notified the Chief Finance Officer, the Director or Head of Service must submit options to the Chief Finance Officer for offsetting the forecast overspend (e.g. by reducing the project specification, or budget for other projects) and/or identifying additional funding.
- 4.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment on an approved capital project over £500,000.

#### Central Contingency

- 4.13 The Chief Finance Officer will determine which budget developments are to be held within the central contingency.
- 4.14 Allocations from the central contingency relating to planned developments will be approved by the Chief Finance Officer, in consultation with the Cabinet Member for Resources, following the receipt from a Director or Head of Service of a fully costed proposal to incur expenditure that is in line with planned development (including full year effect). Where there is a significant increase in the full year effect, the contingency allocation must be approved by Cabinet Resources Committee.
- 4.15 Allocations from the central contingency for unplanned expenditure up to £250,000, including proposals to utilise underspends previously generated within the service and returned to central contingency, will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources. Where there are competing bids for use of underspends, additional income or windfalls previously returned to central contingency, priority will be given to the service(s) that generated that return.
- 4.16 Allocations for unplanned expenditure over £250,000 must be approved by Cabinet Resources Committee.

#### Reporting to Members

- 4.17 The Chief Finance Officer will report to each and every ordinary Cabinet Resources Committee on the revenue and capital budgets and prudential borrowing indicators.
- 4.18 Reports on the revenue budget will normally include:-
- a revised forecast outturn;
  - advice from the Chief Finance Officer on whether action is required to address any diminution in reserves and, if necessary, proposals and/or options for action that needs to be taken.
- 4.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:-
- allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;
  - underspends and windfall benefits returned to the centre;
  - increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by a Director or Head of Service;
  - variations in capital project budgets;
  - additions to the capital programme outside of the main budget cycle.

#### Authorisation of Non-Budgeted Expenditure

- 4.20 In cases of urgency or emergency, the Chief Executive may approve revenue or capital expenditure in excess of the latest approved budget.
- 4.21 The Chief Finance Officer may approve revenue or capital expenditure not provided for within the latest approved budget if satisfied that:-
- the expenditure is wholly reimbursable to the Council; or
  - compensatory savings have been identified;
  - and
  - there are no significant full year effects.

In all circumstances, the expenditure must be consistent with the Corporate Plan and performance management plans.

## **5 FURTHER RESPONSIBILITIES OF DIRECTORS AND HEADS OF SERVICE**

### Budget Monitoring

- 5.1 Directors and Heads of Service must establish arrangements for managing revenue and capital budgets within their services. These arrangements must include:-
- schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement); The scheme of delegation must also include levels of responsibility for committing expenditure and responsibility for the identification and collection of income due to the authority, control of Contracts, HR establishment lists and staff recruitment;
  - a budget monitoring framework that reports back to service management teams, enabling Directors and Heads of Service to provide the Chief Finance Officer with a report on their revenue and capital budgets in accordance with the timetable he/she sets;
  - details of who has authority to take decisions in respect to their service's budget in their absence.

### External Funding

- 5.2 External funding covers bids to Government and other organisations that are offering funding for projects that meet certain criteria. It also covers contributions being sought from participating organisations and individuals.
- 5.3 Directors and Heads of Service must provide the Chief Finance Officer will details of all bids for external funding. In particular, the following information must be provided:-
- how the bid supports achievement of Corporate Plan targets;

- whether the bid is for capital and/or revenue funding;
- revenue and capital matched funding contributions required from the council, and how these will be identified;
- revenue and capital matched funding contributions required from other organisations and individuals, how these amounts will be secured, and the risks associated with them;
- an 'exit strategy', which sets out how budgets will be adjusted after the grant expires;
- where the bid is for revenue funding:-
  - whether this is to support existing levels of activity or enhanced / new activities;
  - proposals for reducing the activity OR incorporating it in the base budget once the external funding is exhausted;
- where the bid is for capital funding :-
  - whether an asset will be created, and if so, how this fits in with the council's Asset Management Strategy;
  - how the ongoing cost of maintaining the asset will be funded;
  - whether the asset can / will be disposed of at a later date.

5.4 Directors and Heads of Service must not commit expenditure on projects requiring matched funding contributions until the external funding has been confirmed, unless approval has been given by the Chief Finance Officer. Decisions to proceed ahead of confirming external funding will be taken after assessing all relevant risks. The Chief Finance Officer has the right to refer the decision to the Cabinet Resources Committee or Cabinet Member for Resources.

5.5 Directors and Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and should in the first instance be returned to the central contingency unless regulations specify restrictions on their use which make this inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service. Where the amount notified is less than the budget, the Director or Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.

5.6 Where external funding is applied for, it is the responsibility of the Director or Head of Service to ensure that the monies are received from the paying body and, wherever possible, received ahead of the planned expenditure being incurred by the council.

- 5.7 Directors and Heads of Service must ensure that all conditions associated with external funding are met and that information required to complete grant and subsidy claims is provided on time.

#### Full Year Effects

- 5.8 In preparing any estimates of expenditure and income, Directors and Heads of Service must give proper consideration to full year effects.

#### Control of Establishment Lists

- 5.9 Directors and Heads of Service are responsible for making arrangements to ensure control of the service HR Establishment list. In particular to ensure that proper controls are in place to ensure that the service HR structure is fully and accurately maintained in SAP and that a system of control is in place to ensure that no new posts are created without adequate resources being in place.

#### Impact on Other Services

- 5.10 Before a Director or Head of Service makes a decision that could affect the budget of another Director or Head of Service they must first consult with the other Director(s) or Head(s) of Service.

#### Statement of Internal Control

- 5.11 Directors and Heads of Service must support the work on corporate risk management led by the Executive Director for Resources, contributing to the production of the annual Statement of Internal Control that has to be published alongside the Statement of Accounts.

#### Partnership Working

- 5.12 Before entering into a partnership with another organisation that involves pooling some of the council's revenue and/or capital budgets, the Director or Head of Service must ensure that adequate financial controls are in place. A financial risk assessment must also be prepared and monitored over time.

#### General Requirements

- 5.13 Directors and Heads of Service must consult the Chief Finance Officer at an early stage on any current or future matter or decision that has financial implications that are not incorporated in the Financial Forward Plan or could impact on the Medium Term Financial Strategy.
- 5.14 Directors and Heads of Service must adhere to guidance issued by the Executive Director for Resources and Chief Finance Officer in respect to financial forward planning, budget setting, budget monitoring and closing of the accounts.

## **6 CLOSING OF ACCOUNTS & STATEMENT OF ACCOUNTS**

- 6.1 The Chief Finance Officer is responsible for making arrangements for closing the accounts and producing the annual Statement of Accounts, as well as all matters relating to their audit and public inspection.
- 6.2 The Statement of Accounts will be prepared in accordance with the CIPFA Code of Accounting Practice, which includes the deadline for their production and the requirement to include a Statement on Internal Control (SIC).
- 6.3 Directors and Heads of Service must provide on time any information the Chief Finance Officer requires to close the accounts and complete all grant and subsidy claims.
- 6.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of revenue and capital services and projects if this is to the council's financial benefit.
- 6.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to the Audit Committee, together with an appropriate action plan.

## **7 TREASURY MANAGEMENT FRAMEWORK**

- 7.1 The Council adopts the key recommendations contained in "The Prudential Code for Capital Finance in Local Authorities - Interim Guidance & Notes Supplement" (CIPFA, February 2004), "Treasury Management in the Public Services: Code of Practice" (CIPFA, 2001) and any subsequent recommended good practice by CIPFA.
- 7.2 Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.
- 7.3 The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 7.4 Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.
- 7.5 The Chief Finance Officer has the delegated authority to undertake long term borrowing on behalf of the Authority and will issue a Delegated Powers Report immediately after this power is exercised to inform Members.

## **8 PENSION FUND MANAGEMENT**



### 8.1 The Chief Finance Officer is responsible for:-

- appointing pension fund investment managers, independent investment advisors and any other external advisors or administrators in respect to pension fund investment management;
- producing and publishing a Funding Strategy Statement;
- recommending a Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;
- appointing actuaries;
- communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management;
- keeping under reviewing arrangements for governance of the pension fund, taking into account current best practice guidance.

### 8.2 The Pensions Manager is responsible for:-

- approving early payment of deferred benefits under regulation 31;
- exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;
- issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);
- determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);
- exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);
- informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);
- determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);
- determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);

- determining that any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member rejoined the Scheme will only be accepted with the Employer's permission (Regulation 32 of the 1997 Regulations);
- exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);
- deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension;
- communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management

## Part 2 – Financial Administration

- 1 Introduction
- 2 Accounting
- 3 Internal Audit
- 4 Corporate Anti-Fraud Team
- 5 Banking Arrangements
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### 1 INTRODUCTION

- 1.1 These Financial Management Rules apply to all financial transactions of the Council with the exception of schools with delegated budgets, which have their own set of financial regulations.
- 1.2 They are designed to safeguard the interests of the Council and individual officers by setting out clear procedures to be followed under the various sections.
- 1.3 This should be used in conjunction with other points of the constitution, legal requirements and other codes of practice which may be issued under 1.5 of this section.
- 1.4 The Chief Finance Officer or Head of Internal Audit and Ethical Governance, after discussion with the relevant Chief Officer, may report any breach of this Code to the Cabinet Meeting or Cabinet Resources Committee.
- 1.5 These Financial Management Rules may be supplemented at any time by other codes of practice or instructions issued by the Chief Finance Officer.

### 2 ACCOUNTING

- 2.1 All accounting arrangements across the council shall be in a manner approved by the Chief Finance Officer, taking into account best practice guidance issued by relevant external bodies, such as CIPFA and the Audit Commission.

- 2.2 There must be adequate separation of duties to ensure that no one officer is able to handle any financial transaction from start to finish without there being some mechanism for independent checking. By finish is meant the completion of the accounting for the transaction.
- 2.3 All accounting should occur on SAP and any exceptions must be specifically authorised by the Chief Finance Officer.

### **3 INTERNAL AUDIT**

- 3.1 Under the Accounts and Audit Regulations 2006 the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit & Ethical Governance has the delegated authority for providing and maintaining this service.

#### Objective, Role, Scope and Reporting

- 3.2 The Internal Audit Service is an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.
- 3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, counsel, and information concerning the activities reviewed and risks not mitigated adequately. This objective includes promoting effective control at reasonable cost.
- 3.4 The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control operated by the Council and service management.
- 3.5 Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, in order to review, appraise and report on:-
  - the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
  - the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and service management and the extent of compliance with legislation and regulations, including reporting requirements of regulatory bodies;
  - the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity and risk management strategies exist;

- the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
- the suitability of the organisation of the units audited for carrying out their functions, to ensure that services are provided in a way which is economical, efficient and effective;
- the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- the operation of the Council's Corporate Governance arrangements.

#### Independence

- 3.6 Internal Audit is independent of the activities audited. Internal Auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgements essential to the proper conduct of audits. It is achieved through organisational status and objectivity.
- 3.7 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit & Ethical Governance is responsible to the Corporate Governance Director and has access to the Chief Executive and Audit Committee, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on unmitigated risks reported.
- 3.8 The Head of Internal Audit & Ethical Governance shall be able to meet the Chairman of the Audit Committee alone outside of the normal Audit Committee meetings.
- 3.9 Objectivity is an independent mental attitude which internal auditors maintain in performing audits. Internal auditors do not subordinate their judgement on audit matters to that of others. Drafting procedures for systems, and designing, installing and operating systems are not audit functions. Performing such activities impairs audit objectivity.

#### Responsibility & Authority

- 3.10 Internal Audit is an integral part of the organisation and functions under the policies established by management and the council.
- 3.11 The purpose, scope, authority and responsibility of the internal auditing service is defined in a formal charter. The charter makes clear the independence of the internal auditing service and emphasises that it must not be restricted when carrying out its responsibilities.

- 3.12 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit & Ethical Governance to inform the overall assurance that can be delivered and to Head of the Corporate Anti Fraud Team (CAFT) for investigation. Primary responsibility for the prevention, detection and initial investigation of fraud lies with line management.
- 3.13 The Head of Internal Audit & Ethical Governance and Chief Finance Officer, Head of CAFT or authorised representative, shall have authority to:-
- enter any Council land or premises;
  - have access to all records, documents, correspondence and assets of the Council;
  - receive such explanations as are necessary concerning any matter under examination, and
  - require any employee of the Council to produce cash, stores or any other Council property under his or her control
- 3.14 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management.
- 3.15 The Head of Internal Audit & Ethical Governance shall report to the Chairman of the Audit Committee all significant concerns that he may have over the adequacy and effectiveness of internal controls and risk management activities within the organisation.

#### Ethical Governance

- 3.16 The Head of Internal Audit & Ethical Governance shall raise the profile and awareness of governance activities throughout the council and set standards for modern, proactive and cost-effective governance in the Council.
- 3.17 The Head of Internal Audit & Ethical Governance shall provide assurance on the organisation's external governance arrangements.

## **4 CORPORATE ANTI-FRAUD TEAM**

- 4.1 Under Section 151 of the Local Government Act 1985 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Head of the Corporate Anti-Fraud Team (CAFT) has the delegated authority for providing and maintaining this service.

#### Objective & Scope

- 4.2 The CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the

effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate.

- 4.3 The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority.
- 4.4 The scope of the CAFT encompasses both the investigation and examination of the effectiveness of the council's systems of fraud control when subject to breach. In carrying out assigned responsibilities, Investigation Officers:-
- review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
  - provide protocols and systems which ensure accurate reporting of any such fraud (including "Whistleblowing" and a "Fraud Hotline"), create and promote policies, plans, procedures, law, regulations and guidance which have a significant impact on the organisation;
  - provide an effective, efficient and value for money investigation service;
  - provide the organisation, its employees and business partners with a comprehensive guide in areas such as money laundering and other legislation relating to the proceeds of crime.

#### Independence

- 4.5 CAFT officers are independent when they can carry out their work so act freely and objectively. Independence permits Investigators to render the impartial and unbiased judgements essential to the proper investigation and conclusion of fraud.

#### Responsibility & Authority

- 4.6 The primary responsibility for the prevention detection and deterrence of fraud lies with Heads of Service. This responsibility includes ensuring that staff and partners are aware of both the implications of fraud and the risks of fraud across their service area. The primary responsibility for the investigation of any suspected fraud found in a service area lies with the CAFT. All details must be immediately forwarded to the CAFT, to preserve the chain of evidence linked to such investigations within the law.
- 4.7 All Council Members and employees are personally responsible for ensuring they (and any subordinates) are aware of the Council's Counter Fraud Framework, procedures and policies, and for alerting either their Head of Service, Deputy Director of Corporate Governance or the CAFT to any suspected breach.
- 4.8 The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security & Administration Act 2001 to act as the Authorised Officer in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.
- 4.9 The Deputy Director of Corporate Governance and / or the Head of the CAFT are the London Borough of Barnet responsible officers for the authorisation of arrest

and prosecution of offenders including deciding on any appropriate sanction action available within the law. Those officers are responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures & Investigations Act 1996 (CPIA) the Police & Criminal Evidence Act 1984 (PACE), Human Rights Act 2000.

- 4.10 The Deputy Director of Corporate Governance and/ or the Head of Legal are the designated persons for the authorisation of covert surveillance powers in accordance with Regulation of Investigative Powers Act 2000 (RIPA).
- 4.11 Any suspected irregularity involving fraud/corruption within any function of the Council or its partner organisations or suppliers and contractors must be reported to the CAFT. Responsibility for the subsequent investigation of potential fraud and corruption lies with the CAFT.
- 4.12 The Deputy Director of Corporate Governance, Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-
  - Enter or visit any land, premises, offices or establishments of the Council; and carry out any necessary searches of the aforementioned.
  - have access to, search, and remove any and all records, documents and correspondence, including electronically held correspondence, documents and records, and property and assets of the Council;
  - receive such explanations as are necessary concerning any matter under examination, and / or fraud investigation;
  - require any employee of the Council to produce and surrender any cash, stores, equipment or any other Council property under his or her control
  - interview any and all individuals in connection with investigations including interviews in accordance with the Police & Criminal Evidence Act (on tape).

## **5 BANKING ARRANGEMENTS**

- 5.1 The Chief Finance Officer must approve all banking and card acquiring arrangements across the Council, and must be satisfied with the safe keeping of all controlled banking stationery.
- 5.2 The Chief Finance Officer will maintain a register of all bank and card acquiring contracts.
- 5.3 Cheques drawn on the Council's main bank accounts shall be authorised by the pre-printed title "Chief Finance Officer, London Borough of Barnet".
- 5.4 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers authorised to do so by the Chief Finance Officer.
- 5.5 The Chief Finance Officer will be responsible for ensuring that the Council's banking arrangements are reviewed on a regular basis and that the banking contract is reviewed every three years.



## 6 SECURITY OF ASSETS

### General

- 6.1 Directors and Heads of Service are responsible for the proper security of all buildings, stocks, furniture, equipment and cash etc. within their service. The Chief Executive shall exercise a co-ordinating role on security issues and shall be consulted where it is felt that security is inadequate or in special circumstances.
- 6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority. Areas where cash is counted and held must be secure and with access restricted only to authorised staff.
- 6.3 All keys to safes and the like items shall be carried on the person of the officer responsible. Directors and Heads of Service shall keep a record of key holders. Any loss of keys must be reported to the Director or Head of Service.
- 6.4 Directors and Heads of Service are responsible for the proper security and privacy of all information held in computer systems under their control, for ensuring that these systems can only be accessed by authorised personnel and that adequate controls exist to ensure the separation of duties.
- 6.5 Directors and Heads of Service are responsible for undertaking a risk assessment of all assets considered crucial to the delivery of the service. The risk assessment should cover the loss of the asset caused by malfunction and the possibility of restricted access caused by an emergency crisis and the mitigating actions and contingency plans that will need to be developed to support business continuity.

### Land & Property

- 6.6 The Head of Property Services shall maintain an asset register of all properties owned by the Council (except houses and flats provided under the Housing Acts) with those assets valued on a five year cycle.
- 6.7 The asset register will show the service user of the property and link to a database of details of interest and rents payable and tenancies granted.
- 6.8 The Head of Legal shall have secure custody of title deeds and maintain an indexed register of those titles (terrier). The Head of the Information Observatory will maintain a digital map of the extents of the titles.

### Other Assets

- 6.9 Directors and Heads of Service must maintain inventories of all assets employed in their service, and make arrangements for these to be checked at least annually.
- 6.10 Any surpluses/deficits in excess of a figure set by the Chief Finance Officer shall be reported to him/her. The Chief Finance Officer shall agree the action to be taken in relation to these differences, including, if necessary reporting to the Cabinet Meeting or Cabinet Committee.
- 6.11 Council assets may only be used for council business, and may only be removed from council premises with the consent of the Director or Head of Service. The officer removing the asset then becomes responsible for the safekeeping of the

asset.

- 6.12 All Council assets shall, wherever possible, be security marked.
- 6.13 Directors and Heads of Service are responsible for the sale or disposal of assets employed in their service, and for accounting for these transactions. All disposals in excess of £6,000 (or a higher figure that is consistent with capital accounting regulations) are to be notified to the Chief Finance Officer.

#### Stocks & Stores

- 6.14 Directors and Heads of Service are responsible for the safekeeping of stocks and stores held, ensuring no deterioration or damage occurs whilst held and not allowing levels held to exceed a reasonable level. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.
- 6.15 Stores shall only be issued against properly authorised requisition notes, which shall be receipted by the person collecting the goods.
- 6.16 Unused items returned to stores shall be recorded on a stores return note.
- 6.17 The condition of stocks shall be checked on a regular basis by the Officer responsible for them. Decisions regarding stock that has become obsolete should be made against clearly defined criteria and options for the most cost effective disposal of that stock must be identified.
- 6.18 Directors and Heads of Service must ensure that items classified as stock are checked at least once each financial year.
- 6.19 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Director or Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account. Wherever possible all stock considered for writing off should first be offered for sale. A record of all write-offs and disposals must be maintained. Specialist items such as hazardous chemicals must be disposed of in accordance with relevant safety procedures.
- 6.20 Stock balances must be valued in accordance with the relevant accounting standards, i.e. where applicable lower of historical cost or net realisable value.
- 6.21 The Chief Finance Officer or authorised representative may have access to all stock and stores and may make such checks as thought necessary.

## **7 IMPREST ACCOUNTS**

- 7.1 The Chief Finance Officer must authorise all imprest accounts.
- 7.2 The imprest account holder must:-
  - provide a certificate showing the state of the account at the end of the financial year and additionally when requested by the Chief Finance Officer;
  - only reimburse expenditure up to a limit set by the Chief Finance Officer;

- obtain receipts for all payments made, which should be proper VAT receipts wherever possible;
- properly account for VAT in all float reimbursements;
- not allow the account to be overdrawn and shall arrange for reimbursement at regular intervals;
- not pay any salaries or wages from the account;
- not pay income into the account;
- provide the Chief Finance Officer with a full account for the advance when ceasing to be the imprest account holder.

## **8 INCOME**

- 8.1 Officers should encourage payment in advance or at point of service delivery wherever possible, and minimise the amount of credit given to customers.
- 8.2 All records relating to income due to the Council, accounts raised, and receipts issued shall be in a format agreed by the Chief Finance Officer.
- 8.3 Officers responsible for controlled stationery must keep it secure.
- 8.4 Methods of payment must be agreed by the Chief Finance Officer.
- 8.5 The Chief Finance Officer, or officer nominated by the Chief Finance Officer, may authorise payment by instalments if full payment cannot be obtained immediately.
- 8.6 Officers receiving monies shall keep an accurate and chronological account of all receipts and bankings.
- 8.7 Monies received must be banked on the day of receipt wherever possible, and not later than the next working day. All amounts paid in must be referenced to enable subsequent identification of the accounts to which they relate. All cheques, postal orders etc. shall be crossed with the crossing stamp provided.
- 8.8 No deductions may be made from monies received.
- 8.9 Heads of Service must notify the Chief Finance Officer of all monies due to the Council under contracts, leases or other agreements and the cessation of use or change of user affecting this income.

### Invoicing & Debt Recovery

- 8.10 Officers responsible for raising invoices must ensure that VAT has been properly accounted for and that the debt is recorded in a format approved by the Chief Finance Officer.
- 8.11 Officers responsible for the collection of amounts invoiced should only put forward amounts for write-off after all appropriate steps to recover the debts have been exhausted.
- 8.12 A review of every debt should be undertaken at least quarterly.

## **9 INSURANCE**

- 9.1 The Chief Finance Officer is responsible for arranging adequate insurance cover for the Council and keeping comprehensive records of all risks covered.
- 9.2 Directors and Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks.
- 9.3 Any incident which could give rise to an insurance claim must be promptly notified to the Chief Finance Officer by the relevant officer, who shall also inform the Police if appropriate.
- 9.4 The Chief Finance Officer will handle all insurance claims, in conjunction with the Head of Legal and/or the insurance company if proceedings are issued.
- 9.5 Officers must consult the Chief Finance Officer and Head of Legal in all cases where the Council is requested to give an indemnity.
- 9.6 Officers in receipt of a motor vehicle allowance must produce registration documents, insurance policy, certificate of insurance and test certificate if required by the Chief Finance Officer. Insurance policies must be comprehensive and cover use on official business.

#### Schools

- 9.7 Where funds for insurance are delegated to any school, the Council may require the school to demonstrate that cover relevant to an Council's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Council if the Council makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets. The Council will have regard to the actual risks, which might reasonably be expected to arise at the school in question in operating this requirement rather than applying an arbitrary minimum level of cover for all schools.
- 9.8 It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance must not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.
- 9.9 The Council is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

## **10. INVESTMENTS, BORROWING, CAPITAL FINANCING & TRUST ACCOUNTS.**

- 10.1 All investments, except bearer securities, controlled by the Council shall be registered in the Council's name or in the name of nominees approved at a cabinet meeting or by a cabinet committee.

- 10.2 All securities shall be held securely by the Council's bankers, the Chief Finance Officer or custodians approved at a cabinet meeting or by a cabinet committee.
- 10.3 The Chief Finance Officer shall ensure that all borrowing and, whenever applicable trust funds, are registered in the name of the Council.
- 10.4 The Chief Finance Officer will set Prudential indicators, as outlined in the Prudential Code for Capital Finance in Local Authorities, for the forthcoming and following two financial years. The Chief Finance Officer will also provide regular monitoring reports to cabinet committee and report any breaches or amendments of the code to Council.
- 10.5 The Chief Finance Officer will be the Council's registrar of all stocks and bonds. In addition this officer will maintain a register of all loans and investments made in the name of the Council.
- 10.6 The Chief Finance Officer shall ensure that all legislative amendments and changes in treasury or capital limits are approved at a cabinet meeting or by a cabinet committee and where necessary full Council.
- 10.7 The Chief Finance Officer will be responsible for adopting the changes outlined in 10.6 and ensuring compliance with any amended practices or limits.

## 11 ORDERING OF SUPPLIES, WORKS & SERVICES

- 11.1 Procurement of supplies, works and services must be in accordance with Contract Procedure Rules.
- 11.2 Directors and Heads of Service must have systems in place to ensure that only authorised officers are allowed to place purchase orders, and that purchase orders are only raised when there is sufficient budget available.
- 11.3 Any procurement activity must follow the relevant steps prior to raising a purchase order:
  - 11.3.1 **Supplier Selection** : The authorised officer may contact the supplier(s) by phone and verbally request a quotation but the quotation should be provided in writing or by e-mail. There should be clarity about the requirements and what is expected to be achieved by this purchase. **Value for money** must be established and this is best achieved by obtaining more than one quotation as is indicated in the Contract Procedure Rules in the section of Selecting Contractors.
  - 11.3.2 **Quote / Tender evaluation** : Contract Procedure Rules require that all tenders are considered on the basis of the most economically advantageous tender (MEAT) taking into consideration price including payment terms and payment method, quality, durability and other relevant issues. Following receipt, check that it is arithmetically correct and that the requirements have been fully met. The reasons for accepting the quotation must be recorded and agreed with the cost centre manager, providing an audit trail should any queries be raised in the future. If the vendor doesn't exist on SAP, then a new vendor request must be sent to the Corporate Procurement Team (CPT). In addition, Directors and Heads of Service should explore the possibility of early payment discounts with

all suppliers of supplies, works and services. This must be done within the context of the overall Procurement Strategy.

- 11.3.3 **Creation of a purchase Order (PO)** : Once the purchase has been agreed, a purchase order must be raised on SAP.
- 11.3.4 **Payment of an invoice** : Authorised officers must ensure that a purchase order has been raised on the SAP system and successfully communicated to the supplier. Invoices in respect to works, supplies and services will be paid by the Central Accounts Team, but only after the authorising officer has first receipted the supply on SAP.
- 11.3.5 All invoices must reference a valid purchase order number, otherwise the Central Accounts Payable Team reserves the right to refuse payment of an invoice.
- 11.3.6 Only invoices presented in an acceptable format will be passed for payment. This includes invoices that do not comply with VAT Regulations.
- 11.3.7 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-
- return an invoice to the supplier and seek a new invoice with a revised date, whenever:-
    - the invoice is dated prior to receipt of supplies, works or services and this is contrary to the agreed payment terms;
    - the invoice is incorrect;
    - the invoice does not reference a valid Purchase Order number.
- 11.3.8 when certifying an invoice for payment that was initially disputed, record the date on which the invoice was actually validated.
- 11.3.9 The Central Accounts Payable Team will perform a three-way match against the purchase order, goods receipt and invoice, prior to making a payment. Invoices that do not pass this criteria will be returned to the service for amendment.
- 11.3.10 **Payments in advance** : Directors and Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.

## 12 SALARIES, PENSIONS & ALLOWANCES

- 12.1 All appointments shall be made in accordance with the Council's contractual terms and conditions (i.e. pay, grading, allowances etc).
- 12.2 The Head of HR Shared Services will ensure that arrangements are made to calculate and pay all remuneration, pensions, compensation and other payments to current and former employees.

- 12.3 School Governing Bodies shall be responsible for assessing teachers' remuneration and the Head of HR Shared Services shall maintain teachers' salary and pensions for Schools that purchase the Traded Service.
- 12.4 Directors and Heads of Service must provide to the Head of HR Shared Services:-
- the names and specimen signatures of all officers authorised to sign HR records;
  - relevant details of appointments, leavers and any other change of circumstances that may affect payment;
  - details of all work related absences due to sickness, accidents on or off duty;
  - details of special leave without pay or other paid/unpaid leave or absence;
  - when required, overtime and certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the Head of HR Shared Services.
- 12.5 On an annual basis, the Head of HR Shared Services shall require that each pensioner residing overseas provides a life certificate.
- 12.6 Salaries and wages will be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the Head of HR Strategy. All payments shall be made direct to the person concerned unless that person authorises otherwise.
- 12.7 Payment will be paid on contractual dates. The Head of HR Shared Services has the discretion to change payment date.
- 12.8 All cost centre managers should use SAP to periodically verify correct payments to staff
- 12.9 All claims for payment of car allowances shall be approved through SAP e-forms or through a paper format approved by the Head of HR Strategy. The names of certifying officers and specimens of their signatures shall be forwarded by Directors and Heads of Service to the Head of HR Shared Services. The certifying officer must be satisfied that all expenses claims are valid and that the allowances should be paid by the Council before authorising the payment.
- 12.10 The Chief Finance Officer shall make payments of allowances to Members of the Council, co-opted members and members of the public who attend other Council bodies who are entitled to make such claims on submission of the approved form.
- 12.11 The Director of Corporate Governance is responsible for notifying the Heads of HR of any changes to Members' Allowances.

### **13 AMENITY & UNOFFICIAL FUNDS**

- 13.1 Amenity or Unofficial Fund relates to all sums of money other than those which are

required to be paid into the Council's General Account (or such other account so authorised by the Chief Finance Officer) or Trust Fund monies outside the authority of the Council.

- 13.2 All accounts shall be opened by the Chief Finance Officer and their names shall include the name of the Borough and the establishment concerned.
- 13.3 Provided the Chief Finance Officer approves and is satisfied with accounting and security arrangements, separate accounts need not be opened for funds of small amounts.
- 13.4 The head of each establishment which sets up such a fund shall inform the relevant Head of Service of its existence (and the Governing Body in the case of schools without delegated budgets).
- 13.5 Responsibility for the administration of the fund shall rest with the head of the establishment and with such other member(s) of staff as that person shall decide.
- 13.6 Expenditure from the fund shall be at the discretion of the establishment head in conjunction with other member(s) of staff as felt necessary.
- 13.7 Cheques shall be signed and countersigned by the head and deputies of the establishment. All transactions above a limit set by the Chief Finance Officer shall be signed by at least two authorised officers.
- 13.8 Auditors shall be appointed by the head of the establishment and the fee (if any) shall be charged to the fund. Where the turnover of the fund exceeds an amount set by the Chief Finance Officer, the fund must be audited by auditors approved by that officer. The Chief Finance Officer shall have the right to inspect the accounts.
- 13.9 At the end of each financial year the head shall submit an audited summary of the fund to the Chief Finance Officer (and Governing Body if appropriate).

## **14 RISK MANAGEMENT**



- 14.1 Sound governance requires effective and efficient management of risk, covering all forms of risk, not just financial.
- 14.2 The process of identifying risks should demonstrate a direct link to the Corporate Objectives.
- 14.3 Risks are assessed using the 3x3 matrix scoring system which rates each risk as having a high, medium or low likelihood of occurring and a high, medium or low impact on the ability to deliver against the Corporate Objectives.
- 14.4 All risks should be monitored and re-assessed based on the actions and activities that either mitigate the risk or have had an impact on the risk objective that has either increased or decreased the likelihood or impact.
- 14.5 The process of re-assessing the risk is conducted by the “lead officer” who is identified in the risk log, and accepted by the Director or Head of Service.
- 14.6 The approach to risk management within Barnet is that Directors and Heads of Service are responsible for ensuring their service has a robust and efficient method of managing risk.
- 14.7 It is the responsibility of Directors and Heads of Service to ensure that risks are identified in their Key Priority Plans and Service Plans and are reviewed on a regular basis.
- 14.8 Directors & Heads of Services are responsible for taking action to mitigate against the risk or to develop contingencies to be introduced should the risk materialise.

## **Financial Regulations**

(Amended April 2006)

Financial Regulations govern the way the council undertakes financial forward planning, annual budget setting, budget monitoring and closing of the accounts – setting out the responsibilities of Council, Cabinet (and Cabinet Committees), the Chief Finance Officer and other Heads of Service. These aspects are set out in Part 1 (Financial Management).

Financial Regulations also govern the way day to day financial administration is conducted and financial controls are exercised. These aspects are set out in Part 2 (Financial Administration).

Financial Regulations are supported by other elements of the Council Constitution, in particular:-

- Scheme of Delegation
- Budget & Policy Framework Procedure Rules
- Contract Procedure Rules
- Rules on the Disposal of Land & Property.

## Part 1 – Financial Management

- 1 Financial Forward Planning
- 2 Annual Budget Setting
- 3 Budget Management & Monitoring
  - Latest Approved Budget
  - Budget Monitoring
  - Central Contingency
  - Reporting to Members
  - Authorisation of Non-Budgeted Expenditure
- 4 Further Responsibilities of Heads of Service
  - Budget Monitoring
  - External Funding
  - Full Year Effects
  - Impact on Other Services
  - Partnership Working
  - General Requirements
- 5 Closing of Accounts & Statement of Accounts
- 6 Treasury Management Framework
- 7 Pension Fund Management

### 1 MEDIUM TERM FINANCIAL STRATEGY & FINANCIAL FORWARD PLANNING

- 1.1 The Chief Finance Officer, in consultation with the Cabinet Member with responsibility for Resources, will maintain a Financial Forward Plan that covers a period of at least four financial years, including the current financial year.
- 1.2 The Financial Forward Plan will be produced in line with the Medium Term Financial Strategy approved by Cabinet, which sets out the Executive's approach on a range of issues, including:-
  - the way in which corporate service priorities are considered as part of the council's capital and revenue budget processes;
  - the level of balances and reserves (having taken account of advice from the Chief Finance Officer);
  - the approach to bidding for external funding;
  - the setting of fees and charges;
  - the management of financial risks;

- the recovery of debt.
- 1.3 The Medium Term Financial Strategy will normally be approved by Cabinet at the start of each four year municipal term, and be updated annually or sooner if there is a need to respond to significant changes in resource and/or expenditure assumptions.
  - 1.4 The Financial Forward Plan will be reported in conjunction with the annual budget, council tax and rent proposals to Cabinet and Council before 11 March of the preceding financial year. Further updates on the Financial Forward Plan may be reported during the year.
  - 1.5 The Financial Forward Plan will cover revenue and capital budgets, and will highlight how resources are being re-directed to address Corporate Plan priorities.
  - 1.6 In respect to resources, the Financial Forward Plan will take account of the following:-
    - forecasts of formula and specific grants;
    - increases in fees and charges, and the introduction of new charges;
    - interest earnings;
    - levels of reserves and balances;
    - increased income from rents and council tax;
    - capital receipts and grants.
  - 1.5 In respect to expenditure, the Financial Forward Plan will take account of the following:-
    - full year effects of previous decisions;
    - changes in responsibility arising from new or amended regulations, net of increased income from new fees and charges;
    - re-direction of resources to achieving Corporate Plan priorities and targets;
    - forecast changes in service demand;
    - forecasts of inflation, pay awards and interest rates;
    - efficiency savings;
    - planned service reductions;
    - prudential borrowing;
    - financial risks.
  - 1.6 In that the Financial Forward Plan has a four year horizon it is to be expected that figures in later years will often be preliminary estimates and/or aspirations of future decisions and changes in council policy.

## **2. ANNUAL BUDGET SETTING**

- 2.1 The Executive will publish a draft budget and performance management plans for consultation, usually after the Provisional Local Government Finance Settlement has been announced. Arrangements for budget consultation will be determined by the Executive.
- 2.2 The Chief Finance Officer will set the council taxbase for tax-setting purposes before 31 January of the preceding financial year, and notify precepting and levying bodies of this figure by this date. The Chief Finance Officer will, at the same time, notify all Council Members.
- 2.3 The Executive will finalise its recommendations to Council on the revenue budget, council tax, capital programme and rent levels taking account of the results of budget consultation. This will normally be in February, following announcement of the Final Local Government Finance Settlement.
- 2.4 The Executive's recommendations to Council must be made in time for Council to set the capital and revenue budget and council tax before 11 March of the preceding financial year.
- 2.5 The budget and capital programme that the Executive recommends to Council must be based on reasonable estimates of expenditure and income, and take account of:-
  - outturn forecasts for the current year;
  - guidance from the Chief Finance Officer on the appropriate level of reserves, balances and contingencies;
  - financial risks associated with proposed budget developments, reductions and ongoing projects;
  - forecasts of capital receipts;
  - affordability of prudential borrowing over the period of the council's financial forward plan;
  - recommendations from the external auditor on matters such as the level of reserves and provisions.
- 2.6 The budget recommended by the Executive will incorporate the latest projection of income from fees and charges.
- 2.7 Heads of Service may approve changes to fees and charges annually where the change is broadly in line with inflation. The date for annual increases need not be 1 April.
- 2.8 Cabinet Resources Committee may approve changes to fees and charges that are significantly different from inflation, the introduction of new fees and charges, and changes to fees and charges outside the normal annual cycle.

#### Alternative Budget Motions

- 2.9 Alternative budget motions must be validated by the Chief Finance Officer before they are accepted as a valid budget motion. This is essential since if an alternative budget motion is approved, the Chief Finance Officer will need to amend the council tax bills immediately following the Council meeting and Cabinet and officers will be required to implement the detailed budget proposals.
- 2.10 The alternative budget motion must set out the appropriate changes to Cabinet's recommendations as they affect the budget for the forthcoming year and any element of the Financial Forward Plan (e.g. balances, full year effects, council tax levels). The Chief Finance Officer may also require further information to be included if he/she considers it will improve the Council's understanding of the financial implications in the forthcoming or future years.
- 2.11 Any Member proposing to put an alternative budget motion to Council is responsible for ensuring it is received by the Democratic Services Manager in line with the deadline set out in Part 4, Section 1 of the Constitution. It is also their responsibility to ensure they give the Chief Finance Officer sufficient time to fully validate their alternative budget proposals.

### **3. BUDGET MANAGEMENT & MONITORING**

#### Latest Approved Budget

- 3.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year.
- 3.2 The Chief Finance Officer is responsible for maintaining the latest approved budget.
- 3.3 It is envisaged that the Scheme of Virement for revenue and capital budgets will be determined by the Leader as part of the scheme of delegation. If this is not done, the Chief Finance Officer must determine a scheme in consultation with the Cabinet Member for Resources.

#### Budget Monitoring – General

- 3.4 Heads of Service should ensure that their cost centre managers do not enter into commitments before satisfying themselves there is sufficient budget provision. Heads of Service have no authority to overspend revenue or capital budgets, or under-recover income budgets under their control, and are responsible for monitoring their budgets to ensure this situation does not arise.
- 3.5 Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets, which must in the first instance be returned to central contingencies.
- 3.6 Heads of Service must notify the Chief Finance Officer of forecast revenue budget or capital project overspends regardless of whether offsetting savings or additional income or capital resources have been identified.

### Budget Monitoring – Revenue

- 3.7 Having notified the Chief Finance Officer of a forecast revenue budget overspend, the Head of Service must submit proposals to the Chief Finance Officer for offsetting the forecast overspend, together with an assessment of the impact these corrective actions will have on service delivery and performance targets. Approval to these budget variations will be in line with the Scheme of Virement (see 3.3).
- 3.8 When notifying the Chief Finance Officer of such a situation, Heads of Service must advise if the problem relates solely to the current financial year or needs to be addressed within the financial forward plan as well.
- 3.9 Some services or projects within the council's budget and capital programme may be wholly or part funded by time-limited external funding. As soon as the possibility of expenditure slipping past the funding deadline is forecast, the cost centre / project manager must notify the Chief Finance Officer immediately, and provide options for reducing expenditure and/or identifying alternative funding. It should not be assumed that the loss of external funding arising from expenditure slipping will be met from central resources.

### Budget Monitoring – Capital

- 3.10 Forecast overspends on capital projects must be communicated to the Chief Finance Officer immediately, and before commitments are entered into. These forecasts should identify overspends against budget for the current financial year and the total budget for the project.
- 3.11 Having notified the Chief Finance Officer, the Head of Service must submit options to the Chief Finance Officer for offsetting the forecast overspend (e.g by reducing the project specification, or budget for other projects) and/or identifying additional funding.
- 3.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment over £500,000.

### Central Contingency

- 3.13 The Chief Finance Officer will determine which budget developments are to be held within the central contingency.
- 3.14 Allocations from the central contingency relating to planned developments will be approved by the Chief Finance Officer, in consultation with the Cabinet Member for Resources, following the receipt from a Head of Service of a fully costed proposal to incur expenditure that is in line with planned development (including full year effect). Where there is a significant increase in the full year effect, the contingency allocation must be approved by Cabinet Resources Committee.
- 3.15 Allocations from the central contingency for unplanned expenditure up to £250,000, including proposals to utilise underspends previously generated within the service,

will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources.

- 3.16 Allocations for unplanned expenditure over £250,000 must be approved by Cabinet Resources Committee.

#### Reporting to Members

- 3.17 The Chief Finance Officer will report to each and every ordinary Cabinet Resources Committee on the revenue and capital budgets and prudential borrowing indicators.

- 3.18 Reports on the revenue budget will normally include:-

- a revised forecast outturn;
- progress in achieving budgeted savings;
- advice from the Chief Finance Officer on whether action is required to address any diminution in reserves and, if necessary, proposals and/or options for action that needs to be taken.

- 3.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:-

- allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;
- underspends and windfall benefits returned to the centre;
- increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by a Head of Service;
- variations in capital project budgets.

#### Authorisation of Non-Budgeted Expenditure

- 3.20 In cases of urgency or emergency, the Chief Executive may approve revenue or capital expenditure in excess of the latest approved budget.

- 3.21 The Chief Finance Officer may approve revenue or capital expenditure not provided for within the latest approved budget if satisfied that:-

- the expenditure is wholly reimbursable to the Council; or
  - compensatory savings have been identified;
- and
- there are no significant full year effects.



In all circumstances, the expenditure must be consistent with the Corporate Plan and performance management plans.

#### **4. FURTHER RESPONSIBILITIES OF HEADS OF SERVICE**

##### Budget Monitoring

4.1 Heads of Service must establish arrangements for managing revenue and capital budgets within their services. These arrangements must include:-

- schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement);
- a budget monitoring framework that reports back to service management teams, enabling Heads of Service to provide the Chief Finance Officer with a report on their revenue and capital budgets in accordance with the timetable he/she sets;
- details of who has authority to take decisions in respect to the entire service budget in their absence.

##### External Funding

4.2 External funding covers bids to Government and other organisations that are offering funding for projects that meet certain criteria. It also covers contributions being sought from participating organisations and individuals.

4.3 Heads of Service must provide the Chief Finance Officer will details of all bids for external funding. In particular, the following information must be provided:-

- how the bid supports achievement of Corporate Plan targets;
- whether the bid is for capital and/or revenue funding;
- revenue and capital matched funding contributions required from the council, and how these will be identified;
- revenue and capital matched funding contributions required from other organisations and individuals, how these amounts will be secured, and the risks associated with them;
- an 'exit strategy', which sets out how budgets will be adjusted after the grant expires;
- where the bid is for revenue funding:-
  - whether this is to support existing levels of activity or enhanced / new activities;
  - proposals for reducing the activity OR incorporating it in the base budget once the external funding is exhausted;

- where the bid is for capital funding :-
  - whether an asset will be created, and if so, how this fits in with the council's Asset Management Strategy;
  - how the ongoing cost of maintaining the asset will be funded;
  - whether the asset can / will be disposed of at a later date.

4.4 Heads of Service must not commit expenditure on projects requiring matched funding contributions until the external funding has been confirmed, unless approval has been given by the Chief Finance Officer. Decisions to proceed ahead of confirming external funding will be taken after assessing all relevant risks. The Chief Finance has the right to refer the decision to the Cabinet Resources Committee or Cabinet Member for Resources.

4.5 Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and must in the first instance be returned to the central contingency. Where the amount notified is less than the budget, the Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.

4.6 Heads of Service must ensure that all conditions associated with external funding are met and that information required to complete grant and subsidy claims is provided on time.

#### Full Year Effects

4.7 In preparing any estimates of expenditure and income, Heads of Service must give proper consideration to full year effects.

#### Impact on Other Services

4.8 Before a Head of Service makes a decision that could affect the budget of another Head of Service they must first consult with the other Head(s) of Service.

#### Statement of Internal Control

4.9 Heads of Service must support the work on corporate risk management led by the Executive Director for Resources, contributing to the production of the annual Statement of Internal Control that has to be published alongside the Statement of Accounts.

#### Partnership Working

4.10 Before entering into a partnership with another organisation that involves pooling some of the council's revenue and/or capital budgets, the Head of Service must ensure that adequate financial controls are in place. A financial risk assessment must also be prepared and monitored over time.

### General Requirements

- 4.11 Heads of Service must consult the Chief Finance Officer at an early stage on any current or future matter or decision that has financial implications that are not incorporated in the Financial Forward Plan or could impact on the Medium Term Financial Strategy.
- 4.12 Heads of Service must adhere to guidance issued by the Executive Director for Resources and Chief Finance Officer in respect to financial forward planning, budget setting, budget monitoring and closing of the accounts.

## **5. CLOSING OF ACCOUNTS & STATEMENT OF ACCOUNTS**

- 5.1 The Chief Finance Officer is responsible for making arrangements for closing the accounts and producing the annual Statement of Accounts, as well as all matters relating to their audit and public inspection.
- 5.2 The Statement of Accounts will be prepared in accordance with the CIPFA Code of Accounting Practice, which includes the deadline for their production and the requirement to include a Statement on Internal Control (SIC).
- 5.3 Heads of Service must provide on time any information the Chief Finance Officer requires to close the accounts and complete all grant and subsidy claims.
- 5.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of services and projects if this is to the council's financial benefit.
- 5.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to Cabinet and the Audit Committee, together with an appropriate action plan.

## **6. TREASURY MANAGEMENT FRAMEWORK**

- 6.1 The Council adopts the key recommendations contained in "The Prudential Code for Capital Finance in Local Authorities - Interim Guidance & Notes Supplement" (CIPFA, February 2004), "Treasury Management in the Public Services: Code of Practice" (CIPFA, 2001) and any subsequent recommended good practice by CIPFA.
- 6.2 Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.
- 6.3 The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- 6.4 Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.
- 6.5 The Chief Finance Officer has the delegated authority to undertake long term borrowing on behalf of the Authority and will issue a Delegated Powers Report immediately after this power is exercised to inform Members.

## **7. PENSION FUND MANAGEMENT**

7.1 The Chief Finance Officer is responsible for:-

- appointing pension fund investment managers;
- appointing an independent investment advisor;
- producing and publishing a Funding Strategy Statement;
- recommending Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;
- appointing actuaries.

7.2 The Pensions Manager is responsible for:-

- approving early payment of deferred benefits under regulation 31;
- exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;
- issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);
- determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);
- exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);
- informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);
- determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of

attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);

- determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);
- exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);
- deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension.

## Part 2 – Financial Administration

- 1 Introduction
- 2 Accounting
- 3 Internal Audit
- 4 Corporate Anti-Fraud Team
- 5 Banking Arrangements
- 6 Security of Assets
- 7 Imprest Accounts
- 8 Income
- 9 Insurance
- 10 Investments, Borrowing, Capital Financing & Trust Accounts
- 11 Ordering of Goods, Works & Services
- 12 Payment of Accounts
- 13 Salaries, Wages & Pensions
- 14 Travelling, Subsistence, & Financial Loss Allowance
- 15 Amenity & Unofficial Funds

### 1. INTRODUCTION

- 1.1 These Financial Management Rules apply to all financial transactions of the Council with the exception of schools with delegated budgets, which have their own set of financial regulations.
- 1.2 They are designed to safeguard the interests of the Council and individual officers by setting out clear procedures to be followed under the various sections.
- 1.3 This should be used in conjunction with other points of the constitution, legal requirements and other codes of practice which may be issued under 1.5 of this section.
- 1.4 The Chief Finance Officer or Head of Internal and Ethical Governance, after discussion with the relevant Chief Officer, may report any breach of this Code to the Cabinet Meeting or Cabinet Resources Committee.
- 1.5 These Financial Management Rules may be supplemented at any time by other codes of practice or instructions issued by the Chief Finance Officer.

## **2. ACCOUNTING**

- 2.1 All accounting arrangements across the council shall be in a manner approved by the Chief Finance Officer, taking into account best practice guidance issued by relevant external bodies, such as CIPFA and the Audit Commission.
- 2.2 There must be adequate separation of duties to ensure that no one officer is able to handle any financial transaction from start to finish without there being some mechanism for independent checking. By finish is meant the completion of the accounting for the transaction.

## **3. INTERNAL AUDIT**

- 3.1 Under the Accounts and Audit Regulations 1996 the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit and Ethical Governance has the delegated authority for providing and maintaining this service.

### Objective & Scope

- 3.2 The Internal Audit Service is an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.
- 3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. This objective includes promoting effective control at reasonable cost.
- 3.4 The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors:-
  - review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
  - review the systems established to ensure compliance with those policies, plans, procedures, laws, regulations and contracts which could have a significant impact on operations and reports, and should determine whether the organisation is in compliance;
  - review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
  - appraise the economy and efficiency with which resources are employed.
  - review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

### Independence

- 3.5 Internal Audit is independent of the activities audited. Internal Auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgements essential to the proper conduct of audits. It is achieved through organisational status and objectivity.
- 3.6 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit and Ethical Governance is responsible to the Chief Finance Officer, Chief Executive and Audit & Resources Overview & Scrutiny Committee, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.
- 3.7 Objectivity is an independent mental attitude which internal auditors maintain in performing audits. Internal auditors do not subordinate their judgement on audit matters to that of others. Drafting procedures for systems, and designing, installing and operating systems are not audit functions. Performing such activities impairs audit objectivity.

#### Responsibility & Authority

- 3.8 Internal Audit is an integral part of the organisation and functions under the policies established by management and the council.
- 3.9 The purpose, scope, authority and responsibility of the internal auditing service is defined in a formal charter. The charter makes clear the independence of the internal auditing service and emphasises that it must not be restricted when carrying out its responsibilities.
- 3.10 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit and Ethical Governance to inform the overall assurance that can be delivered. The primary responsibility for the prevention, detection and investigation of fraud lies with line management.
- 3.11 The Head of Internal Audit and Ethical Governance and Chief Finance Officer, or authorised representative, shall have authority to:-
- enter any Council land or premises;
  - have access to all records, documents, correspondence and assets of the Council;
  - receive such explanations as are necessary concerning any matter under examination, and
  - require any employee of the Council to produce cash, stores or any other Council property under his or her control
- 3.12 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management and to produce an Annual Statement of Internal Control

## **4. Corporate Anti-Fraud Team**



Under Section 151 of the Local Government Act 1985 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Head of the Corporate Anti-Fraud Team (CAFT) has the delegated authority for providing and maintaining this service.

### Objective & Scope

The CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority.

The scope of the CAFT encompasses both the investigation and examination of the effectiveness of the council's systems of fraud control when subject to breach. In carrying out assigned responsibilities, Investigation Officers:-

- review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- provide protocols and systems which ensure accurate reporting of any such fraud (including "Whistleblowing" and a "Fraud Hotline"), create and promote policies, plans, procedures, law, regulations and guidance which have a significant impact on the organisation;
- provide an effective, efficient and value for money investigation service;
- provide the organisation, its employees and business partners with a comprehensive guide in areas such as money laundering and other legislation relating to the proceeds of crime.

### Independence

CAFT officers are independent when they can carry out their work so act freely and objectively. Independence permits Investigators to render the impartial and unbiased judgements essential to the proper investigation and conclusion of fraud.

### Responsibility & Authority

The primary responsibility for the prevention detection and deterrence of fraud lies with Heads of Service. This responsibility includes ensuring that staff and partners are aware of both the implications of fraud and the risks of fraud across their service area. The primary responsibility for the investigation of any suspected fraud found in a service area lies with the CAFT. All details must be immediately forwarded to the CAFT, to preserve the chain of evidence linked to such investigations within the law.

The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security & Administration Act 2001 to act as Authorised Officer (Warrant Holder) in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.

The Head of the CAFT is also the Barnet responsible officer for the authorisation of arrest and prosecution of offenders including deciding on any appropriate sanction action available within the law. The officer is responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures & Investigations Act (CPIA) the Police & Criminal Evidence Act (PACE), Human Rights and Regulation of Investigative Powers Act (RIPA) including the authorisation of surveillance powers.

Any suspected irregularity involving fraud/corruption within any function of the Council or its partner organisations or suppliers and contractors must be reported to the CAFT. Responsibility for the subsequent investigation of potential fraud and corruption lies with the CAFT.

The Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-

- enter any Council land or premises;
- have access to all records documents correspondence and assets of the Council;
- receive such explanations as are necessary concerning any matter under examination, and
- require any employee of the Council to produce cash, stores or any other Council property under his or her control
- interview any and all individuals in connection with investigations including interviews in accordance with the Police & Criminal Evidence Act (on tape).

## **5. BANKING ARRANGEMENTS**

- 5.1 The Chief Finance Officer must approve all banking arrangements across the council, and must be satisfied over the safe keeping of all controlled banking stationery.
- 5.2 Cheques drawn on the Council's main bank accounts shall be authorised by the pre-printed title "Chief Finance Officer, London Borough of Barnet".
- 5.3 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers set out in writing by the Chief Finance Officer.

## 6. SECURITY OF ASSETS

### General

- 6.1 Heads of Service are responsible for the proper security of all buildings, stocks, furniture, equipment and cash etc. within their service. The Chief Executive shall exercise a co-ordinating role on security issues and shall be consulted where it is felt that security is inadequate or in special circumstances.
- 6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority.
- 6.3 All keys to safes and the like items shall be carried on the person of the officer responsible. Heads of Service shall keep a record of key holders. Any loss of keys shall be reported to the Head of Service.
- 6.4 Heads of service are responsible for the proper security and privacy of all information held in computer systems under their control, and for ensuring that these systems are can only be accessed by authorised personnel.

### Land & Property

- 6.5 The Chief Valuer shall maintain an indexed register (terrier) of all properties owned by the Council (except houses and flats provided under the Housing Acts).
- 6.6 This record will show the purpose for which the property is held, its location, extent and plan reference, and details of interest and rents payable and tenancies granted.
- 6.7 The Head of Legal shall have secure custody of title deeds.

### Other Assets

- 6.8 Heads of Service must maintain inventories of all assets employed in their service, and make arrangements for these to be checked at least annually.
- 6.9 Any surpluses/deficits in excess of a figure set by the Chief Finance Officer shall be reported to him/her. The Chief Finance Officer shall agree the action to be taken in relation to these differences, including, if necessary reporting to the Cabinet Meeting or Cabinet Committee.
- 6.10 Council assets may only be used for council business, and may only be removed from council premises with the consent of the Head of Service. The officer removing the asset then becomes responsible for the safekeeping of the asset.
- 6.11 All Council assets shall, wherever possible, be security marked.
- 6.12 Heads of Service are responsible for the sale or disposal of assets employed in their service, and for accounting for these transactions. All disposals in excess of £6,000 (or a higher figure that is consistent with capital accounting regulations) are to be notified to the Chief Finance Officer.

### Stocks & Stores

- 6.13 Heads of Service are responsible for the safekeeping of stocks and stores held and shall not allow levels held to exceed reasonable levels. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.
- 6.14 Stores shall only be issued against properly authorised requisition notes, which shall be receipted by the person collecting the goods.
- 6.15 Unused items returned to stores shall be recorded on a stores return note.
- 6.16 The condition of stocks shall be checked on a regular basis by the Officer responsible for them.
- 6.17 Heads of Service must ensure that stock items above a value determined by the Chief Finance Officer are checked at least once each financial year.
- 6.18 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account.
- 6.19 The Chief Finance Officer or authorised representative may have access to all stock and stores and may make such checks as thought necessary.

## **7. IMPREST ACCOUNTS**

- 7.1 The Chief Finance Officer must authorise all imprest accounts.
- 7.2 The imprest account holder must:-
  - provide a certificate showing the state of the account, when requested by the Chief Finance Officer;
  - only reimburse expenditure up to a limit set by the Chief Finance Officer;
  - obtain receipts for all payments made, which should be proper VAT receipts wherever possible;
  - properly account for VAT in all float reimbursements;
  - not allow the account to be overdrawn and shall arrange for reimbursement at regular intervals;
  - not pay any salaries or wages from the account;
  - not pay income into the account;
  - provide the Chief Finance Officer with a full account for the advance when ceasing to be the imprest account holder.

## **8. INCOME**

- 8.1 Officers should encourage payment in advance or at point of service delivery wherever possible, and minimise the amount of credit given to customers.
- 8.2 All records relating to income due to the Council, accounts raised, and receipts issued shall be in a format agreed by the Chief Finance Officer.
- 8.3 Officers responsible for controlled stationery must keep it secure.

- 8.4 Methods of payment must be agreed by the Chief Finance Officer.
- 8.5 The Chief Finance Officer may authorise payment by instalments if full payment cannot be obtained immediately.
- 8.6 Officers receiving monies shall keep an accurate and chronological account of all receipts and bankings.
- 8.7 Monies received must be banked on the day of receipt wherever possible, and not later than the next working day. All amounts paid in must be referenced to enable subsequent identification of the accounts to which they relate. All cheques, postal orders etc. shall be crossed with the crossing stamp provided.
- 8.8 No deductions may be made from monies received.
- 8.9 Internal transfers of official money shall be acknowledged in the records of the service concerned by the signature of the receiving officer.
- 8.10 Heads of Service must notify the Chief Finance Officer of all monies due to the Council under contracts, leases or other agreements and the cessation of use or change of user affecting this income.

#### Invoicing & Debt Recovery

- 8.11 Officers responsible for raising invoices must ensure that VAT has been properly accounted for and that the debt is recorded in a format approved by the Chief Finance Officer.
- 8.12 Officers responsible for the collection of amounts invoiced should only put forward amounts for write-off after all appropriate steps to recover the debts have been exhausted.
- 8.13 A review of every debt should be undertaken at least quarterly.

### **9. INSURANCE**

- 9.1 The Chief Finance Officer is responsible for arranging adequate insurance cover for the Council and keeping comprehensive records of all risks covered.
- 9.2 Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks. The Chief Finance Officer will at least annually provide Heads of Service with a statement of existing insurances for verification.
- 9.3 Any incident which could give rise to an insurance claim must be promptly notified to the Chief Finance Officer by the relevant officer, who shall also inform the Police if appropriate.
- 9.4 The Chief Finance Officer will handle all insurance claims, in conjunction with the Head of Legal and/or the insurance company if proceedings are issued.
- 9.5 The Chief Finance Officer will examine all new, or amendments to existing policies as required in respect to contractors, mortgagors or other persons in which the Council has an interest.

- 9.6 Officers must consult the Chief Finance Officer and Head of Legal in all cases where the Council is requested to give an indemnity.
- 9.7 Officers in receipt of a motor vehicle allowance must produce registration documents, insurance policy, certificate of insurance and test certificate if required by the Chief Finance Officer. Insurance policies must be comprehensive and cover use on official business.

## **10. INVESTMENTS, BORROWING, CAPITAL FINANCING & TRUST FUNDS**

- 10.1 All investments, except bearer securities, controlled by the Council shall be made in the Council's name or in the name of nominees approved by the Cabinet Meeting or Cabinet Committee.
- 10.2 All securities shall be held securely by the Council's bankers, the Chief Finance Officer or custodians approved by the Cabinet Meeting or Cabinet Committee.
- 10.3 All borrowing and, whenever possible all trust funds, shall be in the name of the Council.
- 10.4 The Chief Finance Officer shall be the Council's registrar of stocks and bonds and shall maintain records of all monies borrowed and lent.
- 10.5 Officers acting as trustees by virtue of their official position shall deposit all securities etc. which relate to the trust with persons authorised by the Chief Finance Officer unless the deed provides otherwise.
- 10.6 All relevant legislation and limits set by the Cabinet Meeting or Cabinet Committee shall be complied with.

## **11. ORDERING OF GOODS, WORKS & SERVICES**

- 11.1 Procurement of goods, works and services must be in accordance with Contract Procedure Rules.
- 11.2 Heads of Service must have systems in place to ensure that only authorised officers are allowed to place orders, and that orders are only raised when there is sufficient budget available.
- 11.3 Processes for ordering goods, works and services must be in accordance with arrangements approved by the Chief Finance Officer.

## **12. PAYMENT OF ACCOUNTS**

- 12.1 Methods of payment (e.g. cheque, BACS) must be agreed by the Chief Finance Officer.
- 12.2 The names of officers authorised by Heads of Service to certify invoices must be notified in advance to the Chief Finance Officer. When certifying invoices for payment these officers must first check that:-

- the works, goods or services to which the account relates corresponds to those shown on the relevant official order or that one of the exemptions set out in the Contracts Procedure Rules applies;
- the works, goods or services to which the account relates have been received or satisfactorily carried out and have been examined or approved;
- the prices, additions, calculations, discounts, other allowances and VAT are correct, and that the invoice is a proper VAT invoice;
- the expenditure has been properly incurred (official order raised, committee authority given), there is budgetary provision and the expenditure has been correctly coded;
- the appropriate entries have been made in inventories, stores records or stock books;
- the invoice has not previously been passed for payment.

12.3 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-

- return an invoice to the supplier and seek a new invoice with a revised date, whenever:-
  - the invoice is dated prior to receipt of goods, works or services and this is contrary to the agreed payment terms;
  - the invoice is incorrect;
- when certifying an invoice for payment that was initially disputed, record on the certification form the date on which the invoice was actually validated.

12.4 Invoices that are not produced in an acceptable format will not be passed for payment. This includes invoices that do not comply with VAT Regulations.

12.5 Heads of Service should explore the possibility of early payment discounts with all suppliers of goods, works and services. This must be done within the context of the overall Procurement Strategy.

12.6 Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.

### **13. SALARIES, WAGES & PENSIONS**

13.1 All appointments shall be made in accordance with the terms and conditions of the Council and the approved establishments, grades and rates of pay.

13.2 The Head of Human Resources shall calculate and pay all remuneration, pensions, compensation and other emoluments to current and former employees or shall approve and control alternative arrangements for this.

13.3 School Governing Bodies shall be responsible for assessing teachers' remuneration and the Head of Human Resources shall maintain teachers' salary and pensions.

13.4 Heads of Service must provide to the Head of Human Resources:-

- the names and specimen signatures of all officers authorised to sign personnel records;

- relevant details of appointments, leavers and any other change of circumstances that may affect payment or the nature of duty of any of their staff;
- details of absences due to sickness, accidents on or off duty, special leave without pay or other paid leave or absence;
- certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the Head of Human Resources.

- 13.5 At regular intervals the Head of Human Resources shall require that each pensioner shall provide a life certificate and statement of any employment which may affect the payment of pension. An undertaking to notify the Head of Human Resources should such employment be taken up shall also be obtained.
- 13.6 Salaries and wages shall normally be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the Head of Human Resources. All payments shall be made direct to the person concerned unless that person authorises otherwise.
- 13.7 Payment will normally only be made on the normal date except in respect of holidays or the person leaving the Council before that date. The Head of Human Resources has discretion to make an advance in exceptional circumstances.
- 13.8 The Head of Human Resources will periodically circulate a list of all salaried staff for Heads of Service to verify.

#### **14. TRAVELLING, SUBSISTENCE & FINANCIAL LOSS ALLOWANCE**

- 14.1 All claims for payment of car allowances shall be properly certified and in a format approved by the Chief Finance Officer. The names of certifying officers and specimens of their signatures shall be forwarded to the Chief Finance Officer.
- 14.2 The certification of any claim shall mean that the certifying officer is satisfied that the journeys were authorised, expenses were properly and necessarily incurred and that the allowances should be paid by the Council.
- 14.3 The Chief Finance Officer shall make payments of travelling or other allowances to Members of the Council (including co-opted Members), or its Committees or the Executive or its bodies, or members of the public who attend other Council bodies who are entitled to make such claims. All claims shall be made on the approved form.

#### **15. AMENITY & UNOFFICIAL FUNDS**

- 15.1 Amenity or Unofficial Fund relates to all sums of money other than those which are required to be paid into the Council's General Account (or such other account so authorised by the Chief Finance Officer) or Trust Fund monies outside the authority of the Council.
- 15.2 All accounts shall be opened by the Chief Finance Officer and their names shall include the name of the Borough and the establishment concerned.
- 15.3 Provided the Chief Finance Officer approves and is satisfied with accounting and



security arrangements, separate accounts need not be opened for funds of small amounts.

- 15.4 The head of each establishment which sets up such a fund shall inform the relevant Head of Service of its existence (and the Governing Body in the case of schools without delegated budgets).
- 15.5 Responsibility for the administration of the fund shall rest with the head of the establishment and with such other member(s) of staff as that person shall decide.
- 15.6 Expenditure from the fund shall be at the discretion of the establishment head in conjunction with other member(s) of staff as felt necessary.
- 15.7 Cheques shall be signed and countersigned by the head and deputies of the establishment. All transactions above a limit set by the Chief Finance Officer shall be signed by at least two authorised officers.
- 15.8 Auditors shall be appointed by the head of the establishment and the fee (if any) shall be charged to the fund. Where the turnover of the fund exceeds an amount set by the Chief Finance Officer, the fund must be audited by auditors approved by that officer. The Chief Finance Officer shall have the right to inspect the accounts.
- 15.9 At the end of each financial year the head shall submit an audited summary of the fund to the Chief Finance Officer (and Governing Body if appropriate).

## Appendix C

### Comparison of Current and Revised Financial Regulations

The purpose of this document is present clearly the changes between the current (April 2006) and revised (March 2007) versions of the Council's financial regulations.

This has been done by creating two tables (one each for Part 1 – Financial Management, and Part 2 – Financial Administration) which compare sections of the current version in left column with the equivalent sections of the revised version in the right column. Additions in the revised version are highlighted in **bold** and included within the paragraph in which they occur. Similarly, deletions from the previous version are highlighted in **bold** and ~~struck through~~, again within the paragraph in which they occur. All copied paragraphs are set in *italics*, with general comments set in normal type.

It should be noted that throughout the revised financial regulations, all references to "Heads of Service" have been changed to "Directors and Heads of Service". In general, these changes have not been included in the tables below.

#### Part 1 – Financial Management

Current Version (April 2006)	Revised Version (March 2007)
<b>1. Medium Term Financial Strategy &amp; Financial Forward Planning</b>	<b>1. Medium Term Financial Strategy 2. Financial Forward Planning</b>
The "Medium Term Financial Strategy & Financial Forward Planning" section has been split in two within the revised version. Although this has resulting in a change in the order of presentation, the content has remained essentially the same.	
<b>2. Annual Budget Setting</b>	<b>3. Annual Budget Setting</b>
No differences between the current and revised versions (apart from numbering of paragraphs)	
<b>3. Budget Management and Monitoring</b>	<b>4. Budget Management and Monitoring</b>
<i>3.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year.</i>	<i>4.1 The latest approved budget for a service or capital project is the budget determined by Council prior to the start of the year, as amended subsequently by approved variations throughout the year <b>in accordance with the "Scheme of Virement"</b>.</i>
<i>3.5 Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets, <del>which must in the first instance be returned to central contingencies.</del></i>	<i>4.5 <b>Directors and</b> Heads of Service are required to notify the Chief Finance Officer of all underspends, over-recovery of income or windfall benefits arising within their revenue and capital budgets. <b>Where these occur they should in the first instance be returned to central contingencies unless regulations specify restrictions on their use which make this</b></i>

	<i>inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service. Where these exceptions occur, the Director or Head of Service is responsible for notifying the Chief Finance Officer that this is to occur.</i>
3.10 Forecast overspends on capital projects must be communicated to the Chief Finance Officer immediately, and before commitments are entered into. These forecasts should identify overspends against budget for the current financial year and the total budget for the project.	4.10 Forecast overspends on <b>approved</b> capital projects must be communicated to the Chief Finance Officer immediately, and before commitments are entered into. These forecasts should identify overspends against budget for the current financial year and the total budget for the project.
3.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment over £500,000.	4.12 Due to the uncertainty around the generation and timing of capital receipts, and the impact that delays could have on the level of prudential borrowing, project managers must obtain the prior approval of the Chief Finance Officer before entering into any individual capital commitment <b>on an approved</b> capital project over £500,000.
3.15 Allocations from the central contingency for <u>unplanned</u> expenditure up to £250,000, including proposals to utilise underspends previously generated within the service, will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources.	4.15 Allocations from the central contingency for <u>unplanned</u> expenditure up to £250,000, including proposals to utilise underspends previously generated within the service <b>and returned to central contingency</b> , will be approved by the Chief Finance Officer in consultation with the Cabinet Member with responsibility for Resources. <b>Where there are competing bids for use of underspends, additional income or windfalls previously returned to central contingency, priority will be given to the service(s) that generated that return.</b>
3.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:- <ul style="list-style-type: none"> <li>• allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;</li> <li>• underspends and windfall benefits returned to the centre;</li> <li>• increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by a Head of Service;</li> <li>• variations in capital project budgets.</li> </ul>	4.19 These reports will make recommendations for varying the approved budget (revenue and capital) in the following circumstances:- <ul style="list-style-type: none"> <li>• allocations from the central contingency for unplanned expenditure over £250,000, or for planned expenditure where there are significant full year effects;</li> <li>• underspends and windfall benefits returned to the centre;</li> <li>• increases in service revenue budgets where overspends are considered unavoidable and cannot be contained within the overall budget managed by <b>a Director or Head of Service</b>;</li> <li>• variations in capital project budgets;</li> <li>• <b>additions to the capital programme outside of the main budget cycle.</b></li> </ul>
<b>4. Further Responsibilities of Heads of Service</b>	<b>5. Further Responsibilities of Heads of Service</b>
4.1 Heads of Service must establish arrangements for managing revenue and capital budgets within their	5.1 <b>Directors and</b> Heads of Service must establish arrangements for managing revenue and

<p>services. These arrangements must include:-</p> <ul style="list-style-type: none"> <li>schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement);</li> </ul>	<p>capital budgets within their services. These arrangements must include:-</p> <ul style="list-style-type: none"> <li>schemes of delegation, which set out the authority that cost centre managers and capital project managers have for taking budget decisions (within the corporate scheme of virement); <b>The scheme of delegation must also include levels of responsibility for committing expenditure and responsibility for the identification and collection of income due to the authority, control of Contracts, HR establishment lists and staff recruitment;</b></li> </ul>
<p>4.5 Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and must in the first instance be returned to the central contingency. Where the amount notified is less than the budget, the Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.</p>	<p>5.5 <b>Directors and</b> Heads of Service must advise the Chief Finance Officer of all grant and subsidy notifications as soon as they are received. Where the amount notified is greater than the budget, the excess will be deemed a windfall and should in the first instance be returned to the central contingency <b>unless regulations specify restrictions on their use which make this inappropriate or the underspend, additional income or windfall is to be used to offset uncontrollable overspends elsewhere within the service.</b> Where the amount notified is less than the budget, the Director or Head of Service must notify the Chief Finance Officer of options for containing any potential overspend.</p>
<p>No equivalent paragraph</p>	<p>5.6 <b>Where external funding is applied for, it is the responsibility of the Director or Head of Service to ensure that the monies are received from the paying body and, wherever possible, received ahead of the planned expenditure being incurred by the council.</b></p>
<p>No equivalent paragraph</p>	<p><b>Control of Establishment Lists</b></p> <p>5.9 <b>Directors and Heads of Service are responsible for making arrangements to ensure control of the service HR Establishment list. In particular to ensure that proper controls are in place to ensure that the service HR structure is fully and accurately maintained in SAP and that a system of control is in place to ensure that no new posts are created without adequate resources being in place.</b></p>
<p><b>5. Closing of Accounts &amp; Statement of Accounts</b></p>	<p><b>6. Closing of Accounts &amp; Statement of Accounts</b></p>
<p>5.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of services and projects if this is to the council's financial benefit.</p>	<p>6.4 In closing the accounts, the Chief Finance Officer may amend the originally approved funding of <b>revenue and capital</b> services and projects if this is to the council's financial benefit.</p>
<p>5.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the</p>	<p>6.5 The Annual Audit Letter includes the external auditor's report and opinion on the audit of the</p>

accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to <del>Cabinet and</del> the Audit Committee, together with an appropriate action plan.	accounts, as well as comments and recommendations on the council's financial standing, the legality of financial transactions and internal control. This will be reported each year to the Audit Committee, together with an appropriate action plan.
<b>6. Treasury Management Framework</b>	<b>7. Treasury Management Framework</b>
No differences between the current and revised versions (apart from numbering of paragraphs)	
<b>7. Pension Fund Management</b>	<b>8. Pension Fund Management</b>
<p>7.1 The Chief Finance Officer is responsible for:-</p> <ul style="list-style-type: none"> <li>• appointing pension fund investment managers;</li> <li>• <del>appointing an independent investment advisor;</del></li> <li>• producing and publishing a Funding Strategy Statement;</li> <li>• recommending Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;</li> <li>• appointing actuaries.</li> </ul>	<p>8.1 The Chief Finance Officer is responsible for:-</p> <ul style="list-style-type: none"> <li>• appointing pension fund investment managers, <b>independent investment advisors and any other external advisors or administrators in respect to pension fund investment management;</b></li> <li>• producing and publishing a Funding Strategy Statement;</li> <li>• recommending a Statement of Investment Principles to the General Functions Committee, after consulting first with the Pension Fund Advisory Panel;</li> <li>• appointing actuaries;</li> <li>• <b>communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management;</b></li> <li>• <b>keeping under reviewing arrangements for governance of the pension fund, taking into account current best practice guidance.</b></li> </ul>
<p>7.2 The Pensions Manager is responsible for:-</p> <ul style="list-style-type: none"> <li>• approving early payment of deferred benefits under regulation 31;</li> <li>• exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;</li> <li>• issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);</li> <li>• determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);</li> <li>• exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);</li> <li>• informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the</li> </ul>	<p>8.2 The Pensions Manager is responsible for:-</p> <ul style="list-style-type: none"> <li>• approving early payment of deferred benefits under regulation 31;</li> <li>• exercising discretion not to actuarially reduce deferred benefits paid early under regulation 31, on compassionate grounds or financial hardship grounds;</li> <li>• issuing a certificate of protection in pension benefits without an application from the member (Regulation 23 of the 1997 Regulations);</li> <li>• determining that a member who has opted out of the Scheme on more than one occasion should be able to rejoin the Scheme (Regulation 7 of the 1997 Regulations);</li> <li>• exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 18 of the 1997 Regulations);</li> <li>• informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation</li> </ul>

<p>1997 Regulations);</p> <ul style="list-style-type: none"> <li>determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);</li> <li>determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);</li> <li>exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);</li> <li>deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension.</li> </ul>	<p>34 of the 1997 Regulations);</p> <ul style="list-style-type: none"> <li>determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 66 of the 1997 Regulations);</li> <li>determining that any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme will only be accepted with the Employer's permission (Regulation 121 of the 1997 Regulations);</li> <li><b>determining that any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member rejoined the Scheme will only be accepted with the Employer's permission (Regulation 32 of the 1997 Regulations);</b></li> <li>exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulation 38 of the 1997 Regulations);</li> <li>deciding whether to treat education or training as continuous despite a break (Regulation 44 of the 1997 Regulations), for the purpose of determining eligibility for a child's pension;</li> <li><b>communicating with other employers that are scheduled or admitted bodies as appropriate on aspects of pension fund investment management</b></li> </ul>
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## Part 2 – Financial Administration

Current Version (April 2006)	Revised Version (March 2007)
<b>1. Introduction</b>	
No differences	No differences
<b>2. Accounting</b>	
No equivalent paragraph	<b>2.3 All accounting should occur on SAP and any exceptions must be specifically authorised by the Chief Finance Officer.</b>
<b>3. Internal Audit</b>	
<p>Section Headings</p> <p>3.2 – 3.4 Objective, Role, Scope &amp; Reporting</p> <p>3.5 – 3.7 Independence</p> <p>3.8 - 3.12 Responsibility &amp; Authority</p>	<p>Section Headings</p> <p>3.2 – 3.5 Objective, Role, Scope &amp; Reporting</p> <p>3.6 – 3.9 Independence</p> <p>3.10 - 3.15 Responsibility &amp; Authority</p> <p>3.16 – 3.17 Ethical Governance</p>

<p>3.1 Under the Accounts and Audit Regulations <b>1996</b> the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit and Ethical Governance has the delegated authority for providing and maintaining this service.</p>	<p>3.1 Under the Accounts and Audit Regulations <b>2006</b> the Council has a statutory obligation to have an adequate and effective system of internal audit. The Head of Internal Audit &amp; Ethical Governance has the delegated authority for providing and maintaining this service.</p>
<p>3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, <b>recommendations</b>, counsel, and information concerning the activities reviewed. This objective includes promoting effective control at reasonable cost.</p>	<p>3.3 The objective of internal auditing is to assist officers and Members in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, counsel, and information concerning the activities reviewed <b>and risks not mitigated adequately</b>. This objective includes promoting effective control at reasonable cost.</p>
<p><del>3.4 The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors:-</del></p> <ul style="list-style-type: none"> <li><del>• review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;</del></li> <li><del>• review the systems established to ensure compliance with those policies, plans, procedures, laws, regulations and contracts which could have a significant impact on operations and reports, and should determine whether the organisation is in compliance;</del></li> <li><del>• review the means of safeguarding assets and, as appropriate, verify the existence of such assets.</del></li> <li><del>• appraise the economy and efficiency with which resources are employed.</del></li> <li><del>• review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.</del></li> </ul>	<p><b>3.4 The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control operated by the Council and service management.</b></p> <p><b>3.5 Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, in order to review, appraise and report on:-</b></p> <ul style="list-style-type: none"> <li><b>• the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;</b></li> <li><b>• the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and service management and the extent of compliance with legislation and regulations, including reporting requirements of regulatory bodies;</b></li> <li><b>• the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity and risk management strategies exist;</b></li> <li><b>• the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;</b></li> <li><b>• the integrity of processes and systems,</b></li> </ul>

	<p><i>including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;</i></p> <ul style="list-style-type: none"> <li><i>the suitability of the organisation of the units audited for carrying out their functions, to ensure that services are provided in a way which is economical, efficient and effective;</i></li> <li><i>the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;</i></li> <li><i>the operation of the Council's Corporate Governance arrangements.</i></li> </ul>
<p>3.6 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit and Ethical Governance is responsible to the <del>Chief Finance Officer, Chief Executive and Audit &amp; Resources Overview &amp; Scrutiny Committee</del>, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on <del>audit recommendations</del>.</p>	<p>3.7 The organisational status of the internal auditing service permits the accomplishment of its audit responsibilities. The Head of Internal Audit &amp; Ethical Governance is responsible to the <b>Corporate Governance Director and has access to the Chief Executive and Audit Committee</b>, thereby promoting independence and ensuring a broad audit coverage, adequate consideration of audit reports, and appropriate action on <b>unmitigated risks reported</b>.</p>
<p>No equivalent paragraph</p>	<p><b>3.8 The Head of Internal Audit &amp; Ethical Governance shall be able to meet the Chairman of the Audit Committee alone outside of the normal Audit Committee meetings.</b></p>
<p>3.10 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit and Ethical Governance to inform the overall assurance that can be delivered. <del>The</del> primary responsibility for the prevention, detection and investigation of fraud lies with line management.</p>	<p>3.12 Any suspected irregularity involving any asset, or the exercise of any function, of the Council must be reported by the appropriate Chief Officer to the Head of Internal Audit &amp; Ethical Governance to inform the overall assurance that can be delivered <b>and to Head of the Corporate Anti Fraud Team (CAFT) for investigation</b>. Primary responsibility for the prevention, detection and <b>initial</b> investigation of fraud lies with line management.</p>
<p>3.11 The Head of Internal Audit and Ethical Governance and Chief Finance Officer, or authorised representative, shall have authority to:- .....</p>	<p>3.13 The Head of Internal Audit &amp; Ethical Governance and Chief Finance Officer, <b>Head of CAFT</b> or authorised representative, shall have authority to:- .....</p>
<p>3.12 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management <del>and to produce an Annual Statement of Internal Control</del></p>	<p>3.14 The Council's Chief Officers shall have regard to the principles of risk management, and to the Council's risk management policy. It is the responsibility of Internal Audit to review the adequacy and effectiveness of the council's arrangements for risk management.</p> <p><b>3.15 The Head of Internal Audit &amp; Ethical</b></p>



	<p><b>Governance shall report to the Chairman of the Audit Committee all significant concerns that he may have over the adequacy and effectiveness of internal controls and risk management activities within the organisation.</b></p> <p><b><u>Ethical Governance</u></b></p> <p><b>3.16 The Head of Internal Audit &amp; Ethical Governance shall raise the profile and awareness of governance activities throughout the council and set standards for modern, proactive and cost-effective governance in the Council.</b></p> <p><b>3.17 The Head of Internal Audit &amp; Ethical Governance shall provide assurance on the organisation's external governance arrangements.</b></p>
<b>4. Corporate Anti-Fraud Team</b>	
Paragraphs not numbered	Paragraphs numbered from 4.1 to 4.12
No equivalent paragraph	<p><b>4.7 All Council Members and employees are personally responsible for ensuring they (and any subordinates) are aware of the Council's Counter Fraud Framework, procedures and policies, and for alerting either their Head of Service, Deputy Director of Corporate Governance or the CAFT to any suspected breach.</b></p>
<i>The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security &amp; Administration Act 2001 to act as Authorised Officer (<del>Warrant Holder</del>) in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.</i>	<p><b>4.8 The Head of the CAFT is the officer designated by the Secretary of State under the provisions of the Social Security &amp; Administration Act 2001 to act as the Authorised Officer in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.</b></p>
<del><b>The Head of the CAFT is also the Barnet responsible officer for the authorisation of arrest and prosecution of offenders including deciding on any appropriate sanction action available within the law. The officer is responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures &amp; Investigations Act (CPIA) the Police &amp; Criminal Evidence Act (PACE), Human Rights and Regulation of Investigative Powers Act (RIPA) including the authorisation of surveillance powers.</b></del>	<p><b>4.9 The Deputy Director of Corporate Governance and / or the Head of the CAFT are the London Borough of Barnet responsible officers for the authorisation of arrest and prosecution of offenders including deciding on any appropriate sanction action available within the law. Those officers are responsible for ensuring that all investigations are conducted in accordance with the Criminal Procedures &amp; Investigations Act 1996 (CPIA) the Police &amp; Criminal Evidence Act 1984 (PACE), Human Rights Act 2000.</b></p> <p><b>4.10 The Deputy Director of Corporate Governance and/ or the Head of Legal are the designated persons for the authorisation of covert surveillance powers in accordance with</b></p>

	<b>Regulation of Investigative Powers Act 2000 (RIPA).</b>
<p>The Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-</p> <ul style="list-style-type: none"> <li>• enter any Council land or premises;</li> <li>• have access to all records documents correspondence and assets of the Council;</li> <li>• receive such explanations as are necessary concerning any matter under examination, and</li> <li>• require any employee of the Council to produce cash, stores or any other Council property under his or her control</li> <li>• interview any and all individuals in connection with investigations including interviews in accordance with the Police &amp; Criminal Evidence Act (on tape).</li> </ul>	<p><b>4.12 The Deputy Director of Corporate Governance</b>, Head of the CAFT, the Chief Finance Officer, or other authorised representative, shall have authority to:-</p> <ul style="list-style-type: none"> <li>• Enter or visit any land, premises, <b>offices or establishments of the Council; and carry out any necessary searches of the aforementioned.</b></li> <li>• have access to, <b>search, and remove any and all records, documents and correspondence, including electronically held correspondence, documents and records, and property and assets of the Council;</b></li> <li>• receive such explanations as are necessary concerning any matter under examination, <b>and / or fraud investigation;</b></li> <li>• require any employee of the Council to produce and surrender any cash, stores, <b>equipment</b> or any other Council property under his or her control</li> <li>• interview any and all individuals in connection with investigations including interviews in accordance with the Police &amp; Criminal Evidence Act (on tape).</li> </ul>
<b>5. Banking Arrangements</b>	
<p>5.1 The Chief Finance Officer must approve all banking arrangements across the council, and must be satisfied over the safe keeping of all controlled banking stationery.</p>	<p>5.1 The Chief Finance Officer must approve all banking <b>and card acquiring</b> arrangements across the Council, and must be satisfied with the safe keeping of all controlled banking stationery.</p> <p><b>5.2 The Chief Finance Officer will maintain a register of all bank and card acquiring contracts.</b></p>
<p>5.3 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers <del>set out in writing</del> by the Chief Finance Officer.</p>	<p>5.4 Cheques above certain financial limits set by the Chief Finance Officer shall be manually countersigned by those designated officers <b>authorised to do so</b> by the Chief Finance Officer.</p>
<b>6. Security of Assets</b>	
<p>6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority.</p>	<p>6.2 Maximum limits for cash holdings shall be set by the Chief Finance Officer, which may not be exceeded without prior authority. <b>Areas where cash is counted and held must be secure and with access restricted only to authorised staff.</b></p>
<p>6.4 Heads of service are responsible for the proper security and privacy of all information held in computer systems under their control, and for ensuring that these systems are can only be accessed by authorised personnel.</p>	<p>6.4 <b>Directors and</b> Heads of Service are responsible for the proper security and privacy of all information held in computer systems under their control, for ensuring that these systems can only be accessed by authorised personnel <b>and that adequate controls exist to ensure the</b></p>

	<p>separation of duties.</p> <p>6.5 Directors and Heads of Service are responsible for undertaking a risk assessment of all assets considered crucial to the delivery of the service. The risk assessment should cover the loss of the asset caused by malfunction and the possibility of restricted access caused by an emergency crisis and the mitigating actions and contingency plans that will need to be developed to support business continuity.</p>
<p><u>Land &amp; Property</u></p> <p><del>6.5 The Chief Valuer shall maintain an indexed register (terrier) of all properties owned by the Council (except houses and flats provided under the Housing Acts).</del></p> <p><del>6.6 This record will show the purpose for which the property is held, its location, extent and plan reference, and details of interest and rents payable and tenancies granted.</del></p> <p><del>6.7 The Head of Legal shall have secure custody of title deeds.</del></p>	<p><u>Land &amp; Property</u></p> <p>6.6 The Head of Property Services shall maintain an asset register of all properties owned by the Council (except houses and flats provided under the Housing Acts) with those assets valued on a five year cycle.</p> <p>6.7 The asset register will show the service user of the property and link to a database of details of interest and rents payable and tenancies granted.</p> <p>6.8 The Head of Legal shall have secure custody of title deeds and maintain an indexed register of those titles (terrier). The Head of the Information Observatory will maintain a digital map of the extents of the titles.</p>
<p>6.13 Heads of Service are responsible for the safekeeping of stocks and stores held and shall not allow levels held to exceed reasonable levels. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.</p>	<p>6.14 <b>Directors and</b> Heads of Service are responsible for the safekeeping of stocks and stores held, <b>ensuring no deterioration or damage occurs whilst held and</b> not allowing levels held to exceed a reasonable level. All records, returns and accounts shall be held in a form approved by the Chief Finance Officer and returns will be submitted as and when required.</p>
<p>6.16 The condition of stocks shall be checked on a regular basis by the Officer responsible for them.</p>	<p>6.17 The condition of stocks shall be checked on a regular basis by the Officer responsible for them. <b>Decisions regarding stock that has become obsolete should be made against clearly defined criteria and options for the most cost effective disposal of that stock must be identified.</b></p>
<p>6.18 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account</p>	<p>6.19 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Director or Head of Service, with the agreement of the Chief Finance Officer, may write-off deficiencies or bring surpluses into account. <b>Wherever</b></p>

	<p><i>possible all stock considered for writing off should first be offered for sale. A record of all write-offs and disposals must be maintained. Specialist items such as hazardous chemicals must be disposed of in accordance with relevant safety procedures.</i></p> <p>6.20 <i>Stock balances must be valued in accordance with the relevant accounting standards, i.e. where applicable lower of historical cost or net realisable value.</i></p>
<b>7. Imprest Accounts</b>	
No differences between the current and revised versions	
<b>8. Income</b>	
8.5 <i>The Chief Finance Officer may authorise payment by instalments if full payment cannot be obtained immediately.</i>	8.5 <i>The Chief Finance Officer, or officer nominated by the Chief Finance Officer, may authorise payment by instalments if full payment cannot be obtained immediately.</i>
<del>8.9 Internal transfers of official money shall be acknowledged in the records of the service concerned by the signature of the receiving officer.</del>	No equivalent paragraph
<b>9. Insurance</b>	
9.2 <i>Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks. <del>The Chief Finance Officer will at least annually provide Heads of Service with a statement of existing insurances for verification.</del></i>	9.2 <b>Directors and</b> <i>Heads of Service must notify the Chief Finance Officer immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks.</i>
<del>9.5 The Chief Finance Officer will examine all new, or amendments to existing policies as required in respect to contractors, mortgagors or other persons in which the Council has an interest.</del>	No equivalent paragraph
No equivalent paragraphs	<p>9.7 <b>Schools</b> <i>Where funds for insurance are delegated to any school, the Council may require the school to demonstrate that cover relevant to an Council's insurable interests, under a policy arranged by the Governing Body, is at least as good as</i></p>

	<p><i>the relevant minimum cover arranged by the Council if the Council makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets. The Council will have regard to the actual risks, which might reasonably be expected to arise at the school in question in operating this requirement rather than applying an arbitrary minimum level of cover for all schools.</i></p> <p><b>9.8</b> <i>It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance must not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.</i></p> <p><b>9.9</b> <i>The Council is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.</i></p>
<b>10. Investments, Borrowing, Capital Financing &amp; Trust Funds</b>	<b>10. Investments, Borrowing, Capital Financing &amp; Trust Accounts</b>
10.3 All borrowing and, whenever <del>possible</del> all trust funds, <del>shall be</del> in the name of the Council.	10.3 <b>The Chief Finance Officer shall ensure that</b> all borrowing and, whenever <b>applicable</b> trust funds, <b>are registered</b> in the name of the Council.
No equivalent paragraph	<b>10.4 The Chief Finance Officer will set Prudential indicators, as outlined in the Prudential Code for Capital Finance in Local Authorities, for the forthcoming and following two financial years. The Chief Finance Officer will also provide regular monitoring reports to cabinet committee and report any breaches or amendments of the code to Council.</b>
10.4 The Chief Finance Officer shall be the Council's registrar of stocks and bonds <del>and shall maintain records of all monies borrowed and lent.</del>	<b>10.5 The Chief Finance Officer will be the Council's registrar of all stocks and bonds. In addition this officer will maintain a register of all loans and investments made in the name of the Council.</b>

<p><del>10.5 Officers acting as trustees by virtue of their official position shall deposit all securities etc. which relate to the trust with persons authorised by the Chief Finance Officer unless the deed provides otherwise.</del></p>	
<p><del>10.6 All relevant legislation and limits set by the Cabinet Meeting or Cabinet Committee shall be complied with.</del></p>	<p>10.6 The Chief Finance Officer shall ensure that all legislative amendments and changes in treasury or capital limits are approved at a cabinet meeting or by a cabinet committee and where necessary full Council.</p> <p>10.7 The Chief Finance Officer will be responsible for adopting the changes outlined in 10.6 and ensuring compliance with any amended practices or limits.</p>
<p><b>11. Ordering of Supplies, Works and Services</b></p> <p>Section 11 in the revised Financial Regulations incorporates Section 12 "Payment of Accounts" section in the current Financial Regulations. For further detail see below.</p>	
<p><del>11.3 Processes for ordering goods, works and services must be in accordance with arrangements approved by the Chief Finance Officer.</del></p> <p><del>12. PAYMENT OF ACCOUNTS</del></p> <p><del>12.1 Methods of payment (e.g. cheque, BAGS) must be agreed by the Chief Finance Officer.</del></p> <p><del>12.2 The names of officers authorised by Heads of Service to certify invoices must be notified in advance to the Chief Finance Officer. When certifying invoices for payment these officers must first check that:-</del></p> <ul style="list-style-type: none"> <li><del>• the works, goods or services to which the account relates corresponds to those shown on the relevant official order or that one of the exemptions set out in the Contracts Procedure Rules applies;</del></li> <li><del>• the works, goods or services to which the account relates have been received or satisfactorily carried out and have been examined or approved;</del></li> <li><del>• the prices, additions, calculations, discounts, other allowances and VAT are correct, and that the invoice is a proper VAT invoice;</del></li> <li><del>• the expenditure has been properly incurred (official order raised, committee authority given), there is budgetary provision and the</del></li> </ul>	<p>11.3 Any procurement activity must follow the relevant steps prior to raising a purchase order:</p> <p>11.3.1 Supplier Selection : The authorised officer may contact the supplier(s) by phone and verbally request a quotation but the quotation should be provided in writing or by e-mail. There should be clarity about the requirements and what is expected to be achieved by this purchase. Value for money must be established and this is best achieved by obtaining more than one quotation as is indicated in the Contract Procedure Rules in the section of Selecting Contractors.</p> <p>11.3.2 Quote / Tender evaluation : Contract Procedure Rules require that all tenders are considered on the basis of the most economically advantageous tender (MEAT) taking into consideration price including payment terms and payment method, quality, durability and other relevant issues. Following receipt, check that it is arithmetically correct and that the requirements have been fully met. The reasons for accepting the quotation must be recorded and agreed with the cost centre manager, providing an audit trail should any queries be raised in the future. If the vendor doesn't exist on SAP, then a new vendor request must be sent to the Corporate Procurement Team (CPT). In addition, Directors and Heads of Service should</p>

<p><del>expenditure has been correctly coded;</del></p> <ul style="list-style-type: none"> <li><del>the appropriate entries have been made in inventories, stores records or stock books;</del></li> <li><del>the invoice has not previously been passed for payment.</del></li> </ul> <p><del>12.3 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-</del></p> <ul style="list-style-type: none"> <li><del>return an invoice to the supplier and seek a new invoice with a revised date, whenever:-</del> <ul style="list-style-type: none"> <li><del>the invoice is dated prior to receipt of goods, works or services and this is contrary to the agreed payment terms;</del></li> <li><del>the invoice is incorrect;</del></li> </ul> </li> <li><del>when certifying an invoice for payment that was initially disputed, record on the certification form the date on which the invoice was actually validated.</del></li> </ul> <p><del>12.4 Invoices that are not produced in an acceptable format will not be passed for payment. This includes invoices that do not comply with VAT Regulations.</del></p> <p><del>12.5 Heads of Service should explore the possibility of early payment discounts with all suppliers of goods, works and services. This must be done within the context of the overall Procurement Strategy.</del></p> <p><del>12.6 Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.</del></p>	<p><del>explore the possibility of early payment discounts with all suppliers of supplies, works and services. This must be done within the context of the overall Procurement Strategy.</del></p> <p><b>11.3.3 Creation of a purchase Order (PO) :</b> Once the purchase has been agreed, a purchase order must be raised on SAP.</p> <p><b>11.3.4 Payment of an invoice :</b> Authorised officers must ensure that a purchase order has been raised on the SAP system and successfully communicated to the supplier. Invoices in respect to works, supplies and services will be paid by the Central Accounts Team, but only after the authorising officer has first receipted the supply on SAP.</p> <p><b>11.3.5 All invoices must reference a valid purchase order number, otherwise the Central Accounts Payable Team reserves the right to refuse payment of an invoice.</b></p> <p><b>11.3.6 Only invoices presented in an acceptable format will be passed for payment. This includes invoices that do not comply with VAT Regulations.</b></p> <p><b>11.3.7 To enable the council to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-</b></p> <ul style="list-style-type: none"> <li><del>return an invoice to the supplier and seek a new invoice with a revised date, whenever:-</del> <ul style="list-style-type: none"> <li><del>the invoice is dated prior to receipt of supplies, works or services and this is contrary to the agreed payment terms;</del></li> <li><del>the invoice is incorrect;</del></li> <li><del>the invoice does not reference a valid Purchase Order number.</del></li> </ul> </li> </ul> <p><b>11.3.8 when certifying an invoice for payment that was initially disputed, record the date on which the invoice was actually validated.</b></p> <p><b>11.3.9 The Central Accounts Payable Team will perform a three-way match against the purchase order, goods receipt and invoice, prior to making a payment. Invoices that do not pass this criteria will be returned to the</b></p>
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	<p><i>service for amendment.</i></p> <p><b>11.3.10</b> <i>Payments in advance : Directors and Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £100,000 must be notified to the Chief Finance Officer.</i></p>
<p><b>12. Payment of Accounts</b></p> <p>Section removed from revised version with material incorporated into Section 11 – see above.</p>	
<b>13. Salaries, Wages &amp; Pensions</b>	<b>12. Salaries, Pensions &amp; Allowances</b>
<p>13.1 <i>All appointments shall be made in accordance with the <del>terms and conditions of the Council and the approved establishments, grades and rates of pay.</del></i></p>	<p>12.1 <i>All appointments shall be made in accordance with the <b>Council's contractual terms and conditions</b> (i.e. pay, grading, allowances etc).</i></p>
<p>13.2 <i><del>The Head of Human Resources shall calculate and pay all remuneration, pensions, compensation and other emoluments to current and former employees or shall approve and control alternative arrangements for this.</del></i></p>	<p>12.2 <i>The Head of HR Shared Services will ensure that arrangements are made to calculate and pay all remuneration, pensions, compensation and other payments to current and former employees.</i></p>
<p>13.3 <i>School Governing Bodies shall be responsible for assessing teachers' remuneration and <del>the Head of Human Resources</del> shall maintain teachers' salary and pensions.</i></p>	<p>12.3 <i>School Governing Bodies shall be responsible for assessing teachers' remuneration and <b>the Head of HR Shared Services</b> shall maintain teachers' salary and pensions for <b>Schools that purchase the Traded Service</b></i></p>
<p>13.4 <i>Heads of Service must provide to the <del>Head of Human Resources</del>:-</i></p> <ul style="list-style-type: none"> <li><i>the names and specimen signatures of all officers authorised to sign <del>personnel</del> records;</i></li> <li><i>relevant details of appointments, leavers and any other change of circumstances that may affect payment <del>or the nature of duty of any of their staff</del>;</i></li> <li><i><del>details of absences due to sickness, accidents on or off duty, special leave without pay or other paid leave or absence;</del></i></li> <li><i>certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the <del>Head of Human Resources</del>.</i></li> </ul>	<p>12.4 <i>Directors and Heads of Service must provide to the <b>Head of HR Shared Services</b>:-</i></p> <ul style="list-style-type: none"> <li><i>the names and specimen signatures of all officers authorised to sign <b>HR</b> records;</i></li> <li><i>relevant details of appointments, leavers and any other change of circumstances that may affect payment;</i></li> <li><i><b>details of all work related absences due to sickness, accidents on or off duty;</b></i></li> <li><i><b>details of special leave without pay or other paid/unpaid leave or absence;</b></i></li> <li><i><b>when required, overtime and</b> certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the <b>Head of HR Shared Services</b>.</i></li> </ul>



13.5	<del>At regular intervals the Head of Human Resources shall require that each pensioner shall provide a life certificate and statement of any employment which may affect the payment of pension. An undertaking to notify the Head of Human Resources should such employment be taken up shall also be obtained.</del>	12.5	On an annual basis, the <b>Head of HR Shared Services</b> shall require that each pensioner <b>residing overseas</b> provides a life certificate.
13.6	Salaries and wages shall <del>normally</del> be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the <del>Head of Human Resources</del> . All payments shall be made direct to the person concerned unless that person authorises otherwise.	12.6	Salaries and wages will be paid direct to the employee's bank account. Pensions and gratuities shall be at the discretion of the <b>Head of HR Strategy</b> . All payments shall be made direct to the person concerned unless that person authorises otherwise.
13.7	<del>Payment will normally only be made on the normal date except in respect of holidays or the person leaving the Council before that date. The Head of Human Resources has discretion to make an advance in exceptional circumstances.</del>	12.7	Payment will be paid on contractual dates. The <b>Head of HR Shared Services</b> has the discretion to change payment date.
13.8	<del>The Head of Human Resources will periodically circulate a list of all salaried staff for Heads of Service to verify.</del>	12.8	All cost centre managers should use SAP to periodically verify correct payments to staff
14.	<del>TRAVELLING, SUBSISTENCE &amp; FINANCIAL LOSS ALLOWANCE</del>	12.9	All claims for payment of car allowances shall be approved through SAP e-forms or through a paper format approved by the <b>Head of HR Strategy</b> . The names of certifying officers and specimens of their signatures shall be forwarded by <b>Directors and Heads of Service</b> to the <b>Head of HR Shared Services</b> . The certifying officer must be satisfied that all expenses claims are valid and that the allowances should be paid by the Council before authorising the payment.
14.1	<del>All claims for payment of car allowances shall be properly certified and in a format approved by the Chief Finance Officer. The names of certifying officers and specimens of their signatures shall be forwarded to the Chief Finance Officer.</del>	12.10	The <b>Chief Finance Officer</b> shall make payments of allowances to <b>Members of the Council</b> , co-opted members and members of the public who attend other Council bodies who are entitled to make such claims on submission of the approved form.
14.2	<del>The certification of any claim shall mean that the certifying officer is satisfied that the journeys were authorised, expenses were properly and necessarily incurred and that the allowances should be paid by the Council.</del>	12.11	The <b>Director of Corporate Governance</b> is responsible for notifying the <b>Heads of HR</b> of any changes to <b>Members' Allowances</b> .
14.3	<del>The Chief Finance Officer shall make payments of travelling or other allowances to Members of the Council (including co-opted Members), or its Committees or the Executive or its bodies, or members of the public who attend other Council bodies who are entitled to make such claims. All claims shall be made on the approved form.</del>		

<b>14. Travelling, Subsistence and Financial Loss Allowances</b>	
Section removed from revised version with material incorporated into Section 12 – see above.	
<b>15. Amenity &amp; Unofficial Funds</b>	<b>13. Amenity &amp; Unofficial Funds</b>
No differences between the current and revised versions (apart from numbering of paragraphs)	
<b>No equivalent section</b>	<b>14. Risk Management</b>
No equivalent paragraphs	<p><b>14.1</b> <i>Sound governance requires effective and efficient management of risk, covering all forms of risk, not just financial.</i></p> <p><b>14.2</b> <i>The process of identifying risks should demonstrate a direct link to the Corporate Objectives.</i></p> <p><b>14.3</b> <i>Risks are assessed using the 3x3 matrix scoring system which rates each risk as having a high, medium or low likelihood of occurring and a high, medium or low impact on the ability to deliver against the Corporate Objectives.</i></p> <p><b>14.4</b> <i>All risks should be monitored and re-assessed based on the actions and activities that either mitigate the risk or have had an impact on the risk objective that has either increased or decreased the likelihood or impact.</i></p> <p><b>14.5</b> <i>The process of re-assessing the risk is conducted by the “lead officer” who is identified in the risk log, and accepted by the Director or Head of Service.</i></p> <p><b>14.6</b> <i>The approach to risk management within Barnet is that Directors and Heads of Service are responsible for ensuring their service has a robust and efficient method of managing risk.</i></p> <p><b>14.7</b> <i>It is the responsibility of Directors and Heads of Service to ensure that risks are identified in their Key Priority Plans and Service Plans and are reviewed on a regular basis.</i></p> <p><b>14.8</b> <i>Directors &amp; Heads of Services are responsible for taking action to mitigate against the risk or to develop contingencies to be introduced should the risk materialise.</i></p>

## **AGENDA ITEM: 8**

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	<b>Update of the Contract Procedure Rules</b>
Report of	Executive Director for Resources
Summary	This report proposes that the Council adopt the appended revised Contract Procedure Rules. The overall objective of these new rules is to enable services to deliver effectively and efficiently and comply with the updated legislation.

Officer Contributors	Mark Burgess, Head of Corporate Services Katerina Athanasiadou, Procurement Policy Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A: Revised Contract Procedure Rules Appendix B: Comparison of current and revised Contract Procedure Rules (TO FOLLOW)
For decision by	The Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None
Contact for further information: Katerina Athanasiadou – Procurement Policy Manager, 020 8359 7017	

## **1. RECOMMENDATIONS**

- 1.1 That the Contract Procedure Rules attached at Appendix A be recommended to the Special Committee (Constitutional Review) for approval and subsequent recommendation for adoption in place of the existing rules at Council.**
- 1.2 That the Executive Director for Resources be instructed to advise the Special Committee (Constitution Review) of this Committee's decision under 1.1 above.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Adoption of the Contract Procedure Rules in 12 July 2001 within the new Constitution.
- 2.2 Council 9 September 2003, on recommendation of the Special Committee (Constitution Review), 23 July 2003 – approved revised Contract Procedure Rules.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Council's Procurement Strategy sets out the need to update the Contract Procedure Rules to improve the flexibility and efficiency of procurement in Barnet. This supports recommendation 11 of the Byatt Report which recommends that "local authorities review their standing orders to ensure they promote efficient and effective procurement whilst maintaining safeguards of probity and good governance".
- 3.2 The aims of the Procurement Strategy support the delivery of the Corporate Plan by enabling the procurement of best value goods and services. This is in accordance with the Corporate Plan's cross-cutting priority of a 'Better Council for a Better Barnet'. The revised Contract Procedure Rules provide the framework for effective and efficient procurement of works, supplies and services.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Failure to comply with legislation may result in the Authority receiving a fine.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The necessary documents relating to the bidding process were updated to include evaluation of equalities and diversity compliance of potential contractors. The standard documents currently used for tendering are the OJEU – Official Journal of European Union notice to refer specifically to selection criteria "In accordance with Articles 48 to 51 of Directive 2004/18/EC and Regulation 23-26 of the Public Contracts Regulations 2006", Pre Qualification Questionnaire section B3 and Tender section B3.

## 6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 Contract Procedure rules govern the way in which the Council procures its supplies, works and services.

## 7. LEGAL ISSUES

- 7.1 The predominant reason of this report is to comply with the procurement law update.

## 8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including “to maintain an overview of the Council’s constitution in respect of contract procedure rules and financial regulations”.

## 9 BACKGROUND INFORMATION

- 9.1 The need to amend the Contract Procedure Rules arises from major changes to the Consolidated Public Procurement Directive 2004/18/EC and Public Contracts Regulations 2006. Further amendments reflect changes to the Council’s management structure. The key proposals are explained in more detail below:

### 9.2 *Restructure Changes*

Job Role Titles changed in respect of the current organisational structure:

- Strategic Procurement team to Corporate Procurement Team
- Head of Strategic Procurement to Head of Corporate Services

### 9.3 *Change in the EU - European Union Thresholds*

- 9.3.1 To encourage healthy competition between suppliers from EU member states the European public procurement directives for supplies, services and works mandate specific rules and regulations for contracts above particular values, known as thresholds. The actual values are based on an International Monetary Fund rate and the thresholds are transposed into £ sterling every two years. The current values for local and regional authorities are shown below:

	Supplies	Services	Works
Current Threshold	£154,477	£154,477	£3,861,932
Changed Threshold	£144,371	£144,371	£3,611,319

- 9.3.2 The table above details the recommended thresholds for a London Borough to adopt. It is recommended that the EU Thresholds are adopted as the minimum formal tender threshold levels. This is to prevent unnecessary cost and controls which will deliver little benefit to the authority. Alignment of the Authority’s thresholds to the EU thresholds will also simplify the tender process and minimise confusion over two sets of thresholds.

- 9.4 It is also proposed that thresholds for the tendering of works, supplies and services be adjusted in line with EU Thresholds as follows:
- Contracts for **supplies and services** valued at:
    - less than £25,000 require a reasonable means of selection;
    - between £25,000 and £74,999 require minimum two competitive quotes;
    - between £75,000 and £143,999 require minimum three competitive quotes;
    - £144,000 or more must follow an approved tendering process.
  - Contracts for **works** valued at:
    - less than £25,000 require a reasonable means of selection;
    - between £25,000 and £74,999 require minimum two competitive quotes;
    - between £75,000 and £143,999 require minimum three competitive quotes;
    - between £144,000 and £499,999 require minimum five competitive quotes;
    - more than £500,000 must follow an approved tendering process.

9.5 ***Enhanced Gateway Review Process***

The aim of the Gateway Review Process is to ensure that the larger procurements are appropriately structured and will therefore deliver value for money to the Council. The process will apply to tenders for supplies and services valued at £144,000 or more and tenders for works valued at more than £500,000.

- There is an addition at the first checkpoint, that the proposed contract must be cleared subject to consultation with local trade unions prior to Corporate Procurement Team's approval, before it may go out to tender. The aim of this is to ensure trade union's involvement in any procurement exercised.
- The second checkpoint would be six months after the contract award and would assess the contract monitoring arrangements. The aim is to ensure that appropriate structures have been put in place to ensure that Council receives the services for which it is paying. Therefore the Gateway Review Check 2 form has been revised accordingly and the necessary responsibility re-emphasised.

9.6 ***Enhancement and Inclusion of Urgency/Emergency Waivers***

Heads of Service may take decisions on urgent matters as set out in the Leader's Scheme of Delegation providing they report afterwards to the relevant decision making body setting out the reason for the urgency. A waiver of the Contract Procedure Rules may be agreed by the appropriate decision making body if they are satisfied after considering a written report by the appropriate officer that the waiver is justified because:

- the nature of the market for the works to be carried out or the goods or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or

- the contract is for works, goods or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or
  - the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English law); or
  - there are other circumstances which are genuinely exceptional
- Waivers as a rule should only be used in unforeseen or exceptional circumstances. Waivers should not be utilised for reasons of poor planning.

Acceptable circumstances where waivers may occur may include:

1. There is an emergency requirement which was unforeseen.
2. The procurement is for a good or service where competition is impracticable and it is not in the interests of the Council to pursue a competitive tender. An example may include where the Council has purchased IBM Hardware and is required to undertake an IBM proprietary software package to be utilised on the hardware.
3. There are exceptional circumstances where it is genuinely not in the interests of the Council to adhere to the Contract Procedure Rules. Exceptional circumstances may include where a supplier unexpectedly goes out of business or there is a terrorist attack.

All waivers need to be properly documented and an audit trail provided for the circumstances and persons involved, including full explanation and sign off.

## 9.7 ***Consortia Purchasing & Framework Agreements***

Enhanced guidance about the use of Consortia and their link to and inclusion of Framework Agreements.

**“Framework agreement”** is an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged. In the UK we would know this as a “standing offer to treat”.

**“Consortia”** means a contracting authority which:

- (a) acquires goods or services intended for one or more contracting authorities;
- (b) awards public contracts intended for one or more contracting authorities; or
- (c) concludes framework agreements for work, works, supplies, services intended for one or more contracting authorities; otherwise known as **“central purchasing body”**.

Before promoting the procurement of a new or joining a pre-existing framework or consortium arrangement, the Executive Director for Resources must be satisfied that such an approach represents the most economically advantageous solution for a service work, supply or utility provision and with regard to the Relevant EU Rules on the use of such arrangements.

Before procuring or entering into a framework or consortium arrangement, the Executive Director for Resources shall be satisfied that:

- the term of the arrangement shall be or is for a period of no longer than four years duration;
- the terms and conditions of the arrangement do not compromise the Council's contractual requirements;
- the parties to the arrangement are recognised public bodies or providers from the private sector as approved by the Contracting Committee;
- full, open and proper competition in respect of the creation of the framework or consortium arrangement has taken or will take place in accordance with the Relevant EU Rules and/or Relevant Contract Procedure Rules.
- Where the Government Procurement schemes Catalist (formerly known as GCAT, SCAT and LCAT) and DfES are to be used

#### **9.8 *Contract Management & Monitoring***

This section has been updated to emphasise the need of Contract Management and Monitoring with further detailed guidelines provided in the Code of Practice.

During the life of the contract Heads of Service must ensure that systems are in place to manage and monitor contracts in respect of:

- contract performance and key performance indicators;
- compliance with specification and contract;
- Cost; cross check contract payments to work done or supplies or services supplied;
- Ensuring continuous improvement and any Best Value requirements;
- User satisfaction, lessons learned and risk management;
- eliminating unlawful discrimination and promoting equalities;
- all the above in accordance with any instructions given by the Chief Auditor;
- Ensure that a Gateway Review Check 2 is performed 6 months after contract award.

### **10. LIST OF BACKGROUND PAPERS**

10.1 The EU Procurement Directive 2004/18/EC by Cips, Bip Solutions and I&Dea.

10.2 The Public Contract Regulations 2006.



10.3 Papers can be obtained from Katerina Athanasiadou, Procurement Policy Manager.

Legal:JL  
CFO: CM

## Appendix A



## Contract Procedure Rules

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# 1 Introduction

- 1.1 Procurement decisions are among the most important decisions a manager will make because the money involved is public money and the Council is concerned to ensure that high quality supplies, works and services are provided. Efficient use of resources in order to achieve best value is therefore an imperative. The Council's reputation is equally important and should be safeguarded from any imputation of dishonesty or corruption.
- 1.2 For these reasons it is a disciplinary offence to fail to comply with Contract Procedure Rules and the Procurement Code of Practice when letting contracts and Council employees have a duty to report breaches of Contract Procedure Rules to an appropriate senior manager and the Head of Internal Audit and Ethical Governance.
- 1.3 The Contract Procedure Rules provide the framework within which the Council may procure works, supplies and services. The aim of these rules is to:
  - 1.3.1 ensure value for money and propriety in the spending of public money; and
  - 1.3.2 to enable services to deliver effectively and efficiently without compromising the Cabinet's ability to influence strategic decisions.
- 1.4 To ensure the continued effectiveness of the Contract Procedure Rules, the Cabinet Resources Committee may, from time to time, amend the thresholds set out below as deemed appropriate.
- 1.5 Reference should be made to the Procurement Code of Practice for more detailed procurement procedures
- 1.6 The Procurement Code of Practice provides more detail on procurement processes and shall govern Council tendering and contract procedures. The Executive Director of Resources, in consultation with the Chief Finance Officer and the Head of Legal, shall maintain and issue the Procurement Code of Practice. Any procurement activity shall proceed in accordance with the Contract Procedure Rules and Code of Practice.
- 1.7 The Contract Procedure Rules take precedence over the Procurement Code of Practice.

## **2 Application and Interpretation**

- 2.1 The Contract Procedure Rules shall apply to all contracts entered into by or on behalf of the Council. Exceptions to the Contract Procedure Rules can be approved by means prescribed by the Leader's Scheme of Delegation, Constitution Part 3 Responsibility for Functions.
- 2.2 Where the Council is entering into a contract as an agent for another public body or government department, these Contract Procedure Rules apply only in so far as they are consistent with the requirements of the body concerned.
- 2.3 The Council may adopt different Contract Procedure Rules for schools.
- 2.4 Unless the context otherwise requires, terms used in these Contract Procedure Rules shall have the meanings ascribed to them as set out in the Glossary of Terms to be found at Section 11.

## **3 Calculation of Contract Values**

- 3.1 Unless otherwise specifically provided, where a value or an estimated value is given in these Contract Procedure Rules it means the aggregate value payable in pounds sterling exclusive of Value Added Tax over the entire contract period, including any form of option and any renewals of the contract.
- 3.2 Directors or Heads of Service must ensure that a pre-tender estimate of anticipated costs is prepared and recorded in writing. Where EU Public Procurement rules apply, Directors or Heads of Service must also ascertain the value of a contract in accordance with those rules.
- 3.3 Contracts must not be artificially under or over estimated or divided into two or more separate contracts where the effect is to avoid the application of Contract Procedure Rules.

## **4 Responsibilities of Directors/Heads of Service**

- 4.1 Directors and Heads of Service are responsible for all contracts tendered and let by their service areas. Their duties in relation to contract letting and management are:
  - 4.1.1 to ensure compliance with English, U.K. and EU legislation and Council policy;

- 4.1.2 to ensure value for money in all procurement matters;
- 4.1.3 to ensure compliance with the Contract Procedure Rules and the Procurement Code of Practice;
- 4.1.4 to maintain a service scheme of delegation, in accordance with Constitutional Requirements;
- 4.1.5 to ensure that all relevant staff are familiar with the provisions of the Contract Procedure Rules and the Procurement Code of Practice and that they receive adequate training on their operation;
- 4.1.6 to ensure compliance with any guidelines issued in respect of these Contract Procedure Rules;
- 4.1.7 to take immediate action in the event of a breach of the Contract Procedure Rules or the Procurement Code of Practice within their directorate or service area;
- 4.1.8 to ensure that all existing and new contracts anticipated during the forthcoming financial year are clearly itemised in the Budget supporting documentation;
- 4.1.9 to keep proper records, of all contracts, tenders etc. including minutes of tender evaluation panels and other meetings which may be inspected by a member of the Council at any time during office hours;
- 4.1.10 to make appropriate arrangements for the opening of tenders and their secure retention so as to protect the integrity of the tendering process;
- 4.1.11 to submit to the Executive Director for Resources' Corporate Procurement Team tender forms and Gateway Review Forms as required by the Contract Procedure Rules;
- 4.1.12 to ensure original contract documents are forwarded to the Head of Legal for safekeeping;
- 4.1.13 to keep a register of all contracts over £25,000, which may be inspected by a member of the Council at any time during office hours;
- 4.1.14 to ensure effective management and monitoring during the lifetime of all contracts in their areas;
- 4.1.15 to seek and act upon advice from the Head of Legal, the Chief Finance Officer and the Executive Director for Resources where necessary to ensure compliance with these responsibilities;

- 4.1.16 to keep records of waivers of any provision of these Contract Procedure Rules.

## 5 Authorisation & Acceptance Procedures

### Authorisation Principles

**“Authorisation”** is the approval required before quotations or tenders for a good, service or works may be sought.

- 5.1 The aim is to speed up the procurement process by removing unnecessary bureaucracy – in this case, a duplication of the authorisation process.
- 5.2 Any contract, including additions, extensions and variations, which has been included in a directorate or service’s Budget and supporting plans and strategies or any other Committee approved plan is deemed as authorised irrespective of value.
- 5.3 Any contract which has not been Authorised as set out in 5.2 must be Authorised as set out in Table 5-1.

### Acceptance Principles

**“Acceptance”** is the approval of the final terms and conditions for the purchase of supplies, services or works.

- 5.4 The aim is to speed up the process by allowing, where possible, the acceptance of tenders to be delegated to a level of authority lower than that required for Authorisation. This recognises that in most instances, the influencing decision is at the Authorisation stage, not at the point of Acceptance.
- 5.5 Table 5-1 sets out the Authorisation and Acceptance thresholds.

**Table 5-1: Authorisation (where not previously Authorised by the Budget and supporting plans and strategies) and Acceptance Thresholds for Works, Supplies and Services**

Level of authority for Authorisation and Acceptance	Contract Value*				
	Up to £24,999	£25,000 to £74,999	£75,000 to £143,999*	£144,000 to* £499,999	£500,000 and above
Authorisation by: (based on estimated contract value)	Director/Head of Service			Cabinet Member	Cabinet Committee
Acceptance** by: (based on actual contract value)	Director/Head of Service  Where tender/quotation is lowest or where tender/quotation represents value for money and is the best available option for the Council			Director/Head of Service  Where tender is lowest price	Cabinet Member  Where tender is lowest or where tender represents value for money and is the best available option for the Council, and the tender value is no more than 25 percent above the lowest priced tender.
				Cabinet Member  Where tender represents value for money and is the best available option for the Council.	
** Notes on Acceptance:	1. Acceptance of contracts in all cases is subject to: a) budgetary provision existing; b) the usual enquiries as to financial status. 2. Director/Heads of Service and Cabinet Members are required to consult the Chief Finance Officer in respect to value for money considerations. 3. Acceptance thresholds for contract extensions, additions and variations of all values are subject to further conditions as set out in the paragraph 5.6. Where the contract extensions, additions or variations do not meet the conditions in 5.6 and are less than £144,000 in value, the Director/Head of Service may still Authorise and Accept the contract but must report afterwards to the relevant Cabinet Member. If it is over £144,000 in value, Cabinet Committee authority should be sought. 4. Under no circumstances may a contract extension, addition or variation be Authorised more than once without being referred back to the relevant Cabinet Committee for Authorisation.				

\*Please check with CPT for the latest threshold set out by EU Regulations as these figures are subject to change.



## **Acceptance Parameters for Contract Additions, Extensions and Variations**

- 5.6 The Acceptance thresholds for contract additions, extensions and variations are as set out in Table 5-1 and also subject to the following:
  - 5.6.1 In the case of an additional contract, it is negotiated on the basis of, but is distinct from, an earlier contract and the initial contract was based on:
    - 5.6.1.1 a competitive tender or quotation;
    - 5.6.1.2 the initial contract was awarded not more than twelve months before the additional contract;
    - 5.6.1.3 not more than one additional contract may be negotiated on the basis of the initial contract;
    - 5.6.1.4 the value of the additional contract does not exceed the value of the initial contract.
  - 5.6.2 In the case of an extension to a contract, the initial contract was based on:
    - 5.6.2.1 a competitive tender or quotations;
    - 5.6.2.2 the initial contract has not been extended before;
    - 5.6.2.3 and the value of the extension is less than half the cost of the existing contract without the extension.
  - 5.6.3 In the case of a contract variation, and in accordance with the terms and conditions of that contract:
    - 5.6.3.1 the variation is notified in writing to the contractor;
    - 5.6.3.2 any additional expenditure necessarily incurred does not exceed 10% ten percent of the initial contract.

## **Urgent/Emergency Procedures & Waiver of Contract Procedure Rules**

- 5.7 Directors/Heads of Service may take decisions on urgent matters as set out in the Leader's Scheme of Delegation providing they report afterwards to the relevant decision making body setting out the reason for the urgency. A waiver of the Contract Procedure Rules may be agreed by the appropriate decision making body if they are satisfied

after considering a written report by the appropriate officer that the waiver is justified because:

- 5.7.1 the nature of the market for the works to be carried out or the goods or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or
- 5.7.2 the contract is for works, goods or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or
- 5.7.3 the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English law); or
- 5.7.4 there are other circumstances which are genuinely exceptional

## **6 Selecting Contractors**

### **European tender procedures and thresholds**

- 6.1 Tender procedures are governed by EU procurement regulations if the supplies, services or works contract is:
  - 6.1.1 Subject to European procurement regulations (see EU Checklist in the Procurement Code of Practice); and
  - 6.1.2 Greater than the following thresholds set in respect of the: Public Procurement Directive
    - 6.1.2.1 For Public Works - approximately £3.6 million; or €5 million \*
    - 6.1.2.2 For Public Services - approximately £144,000; or €200,000 \*
    - 6.1.2.3 For Public Supply - approximately £144,000; or €200,000 \*

\*Thresholds are valid from 31<sup>st</sup> January 2006. These thresholds will be revised every two years. Please check with CPT for the latest threshold set out by EU Regulation.

- 6.2 Most social care and housing services are likely to be Part B services that are only subject to the rules relating to specifications and to Barnet tender procedures

- 6.3 The Procurement Code of Practice provides more detail on the EU tendering requirements.

### **Barnet tender procedures**

- 6.4 For those contracts not subject to EU procurement regulations, tendering should follow guidance set out in the Procurement Code of Practice.
- 6.5 The Procurement Code of Practice will provide information on circumstances where it will be appropriate to use negotiated procedures. However, it is important that in any such circumstances the intention to negotiate is signalled before tenders or expressions of interest are issued, subject to the circumstances set out in section 9.
- 6.6 Thresholds for the tendering of works, supplies and services not subject to EU statutory requirements are set out in the table below.

**Table 6-1: Barnet tendering and quotation thresholds for works, supplies and services**

	Contract Value*					
	less than £25k	£25k up to £74,999k	£75k up to £143,999k*	£144k up to £499,999k*	£500k and up to £3.6m*	£3.6m* and over
<b>Supplies and Services Contracts</b>	Reasonable means of selection	Request two(2) or more written competitive quotations but must have minimum 2 returned. Less than 2 bids returned then repeat competition	Request three(3) or more written competitive quotations but must have minimum 2 returned. Less than 2 bids returned then repeat competition	Tendering process or other approved route required and Gateway Review Process must be used. May be subject to EU legislation		
<b>Works Contracts</b>	Reasonable means of selection	Request two(2) or more written competitive quotations but must have minimum 2 returned. Less than 2 bids returned then repeat competition	Request three(3) or more written competitive quotations but must have minimum 2 returned. Less than 2 bids returned then repeat competition	Request Five(5) or more written competitive quotations from approved list and Gateway Review Form must be used. Must have minimum 2 returned. Less than 2 bids returned then repeat competition	Approved Tendering Process required and Gateway Review Process must be used	Subject to EU legislation Tendering process required and Gateway Review Process must be used.

\*Please check with CPT for the latest threshold set out by EU Regulations as these figures are subject to change.

## Consortia Purchasing – Collaborative Working

- 6.7 Directors/Heads of Service may authorise the Council entering into Consortia purchasing arrangements not subject to these Contract Procedure Rules provided that the Executive Director for Resources has approved the Consortia and the terms and conditions of any proposed contract are acceptable to the Head of Legal.

## **Consortia Purchasing & Framework Contracts**

- 6.8 Before promoting the procurement of a new or joining a pre-existing framework or consortium arrangement, the Executive Director for Resources must be satisfied that such an approach represents the most economically advantageous solution for a service work, supply or utility provision and with regard to the Relevant EU Rules on the use of such arrangements.

Before procuring or entering into a framework or consortium arrangement, the Executive Director for Resources shall be satisfied that:

- 6.8.1.1 the term of the arrangement shall be or is for a period of no longer than four years duration;
- 6.8.1.2 the terms and conditions of the arrangement do not compromise the Council's contractual requirements;
- 6.8.1.3 the parties to the arrangement are recognised public bodies or providers from the private sector as approved by the Contracting Committee;
- 6.8.1.4 full, open and proper competition in respect of the creation of the framework or consortium arrangement has taken or will take place in accordance with the Relevant EU Rules and/or Relevant Contract Procedure Rules.
- 6.8.1.5 Where the Government Procurement schemes Catalist (formerly known as GCAT, SCAT and LCAT), DfES are to be used

## **Approved Lists**

- 6.9 At least one third of the organisations selected for tendering must be picked randomly.

The process for establishing and maintaining Approved Lists is set out in detail in the Procurement Code of Practice.

## **Single source suppliers**

- 6.10 A contract for the provision of supplies, services or works where there is only one reasonable source of supply does not require competitive tendering but must be approved by the Director/Head of Service and Executive Director for Resources and is still subject to the Authorisation and Acceptance procedures.

## **Gateway Review Process**

- 6.11 The aim of the Gateway Review Process is to ensure that the larger procurements are appropriately structured and will therefore deliver value for money to the Council. The process applies to:
- 6.11.1 tenders for supplies and services valued at £144,000 or more; and
  - 6.11.2 tenders for works valued £500,000 or more.
- 6.12 The Gateway Review Process requires the completion of a General Gateway Review form, both for audit purposes as well as to provide a framework and checklist for the procurement process. It also includes two checkpoints:
- 6.12.1 At the first checkpoint, the proposed contract must be approved by the Executive Director for Resources' Corporate Procurement Team before it may go out to tender and must be subject to consultation with local trade unions. The aim of this is to ensure that procurements are appropriately structured as this preliminary work is critical to the overall success and value for money of the final contract.
  - 6.12.2 Six months after contract award, the Executive Director for Resources' Corporate Procurement Team will verify that a second Gateway Review Check 2 has been carried out by HoS or nominated Contract Officer which assesses the contract management and monitoring arrangements. The aim is to ensure that appropriate structures have been put in place so that the Council receives the services for which it is paying.

## **Financial restrictions on selection procedures**

- 6.13 If the aggregate cost across all Council services in a financial year for either works, supplies or services of a similar type or contracts with a single supplier is expected to exceed £144,000 then an annual or term contract must be established using the appropriate contractor selection procedures detailed in the Procurement Code of Practice unless the relevant Cabinet Member is satisfied that it is inappropriate to use such a procedure and a waiver has been agreed.
- 6.14 The Executive Director for Resources will be responsible for monitoring expenditure by category across the Council to ensure these levels are not exceeded.

## 7 Social Care and Temporary Housing Contracts

- 7.1 These provisions apply only to Social Care and Temporary Housing Contracts. The aim is to enable Directors/Heads of Service to provide their services as efficiently and effectively as possible whilst ensuring that large contracts (greater than £1 million) deliver value for money.
- 7.2 The Authorisation and Acceptance thresholds and tendering requirements for Social Care and Temporary Housing Contracts as set out in the table below.

**Table 7-1: Authorisation and Acceptance thresholds and tendering requirements for Social Care and Temporary Housing contracts**

	Up to £500K	£500K up to £1m	Greater than £1m
<b>Authorisation by:</b>	Pre Authorised through inclusion in Annual Budget or Cabinet Committee	Pre Authorised through inclusion in Annual Budget or Cabinet Committee	Cabinet Committee
<b>Acceptance by:</b>	Director/Head of Service	Director/Head of Service	Delegated Cabinet Member
<b>Tendering requirements</b>	Reasonable means of selection	Five(5) or more written competitive quotations and Gateway Review Form must be followed A minimum 2 quotes must be returned. Less than 2 bids returned then repeat competition	Tendering process required and Gateway Review Process must be followed.

## 8 Receipt and Opening of Tenders

### Non- electronic Tender Process

- 8.1 Contractors must be informed when tenders are invited that their tender will only be considered if:
- 8.1.1 it is contained in a plain inner envelope, securely sealed and self-addressed by the tenderer;
  - 8.1.2 the inner envelope is contained in a plain outer envelope. The outer envelope must be securely sealed, bearing the word "tender" followed by the subject matter of the contract, with closing date and time.

Barnet approved tender envelopes may be obtained from the Executive Director for Resources' Corporate Procurement Team;

8.1.3 the outer envelope should not bear any distinguishing matter indicating the identity of the sender;

8.1.4 the outer envelope is addressed impersonally to:

Executive Director for Resources  
Corporate Procurement Team  
London Borough of Barnet  
Building Four  
North London Business Park  
Oakleigh Road South  
London  
N11 1NP

8.1.5 and, it is delivered by the time stated in the tender invitation.

8.2 Tenders which do not meet the requirements of Contract Procedure Rule 8.1 may only be considered if the other tenders have not yet been opened and:

8.2.1 failure to comply is the Council's fault; or

8.2.2 a tender is late, and it is clear without any contact with the contractor that the tender was sent in such a way that in the normal course of events it would have arrived on time.

8.3 Tenders must be kept safe until the time for their opening by an officer given this duty by the Executive Director of Resources.

8.4 Records of the time and date of receipt of all tenders must be kept by that officer.

8.5 Tenders for a particular contract must be opened at the same time in the presence of two officers appointed by the Executive Director for Resources who have not been involved in the tendering process and who are responsible for properly recording receipt. On opening the tenders, the officers shall:

8.5.1 Number each tender consecutively;

8.5.2 If there are priced bills, schedules of rates or the like, date and photocopy each summary sheet indicating the main contract prices;

8.5.3 Otherwise, date and photocopy each page of the tender that contains prices; and

8.5.4 Complete and sign a schedule or record of tenders received.



- 8.6 The photocopies and schedule or record shall be retained for future inspection.
- 8.7 If a tender is received after the specified time and date then only the outer envelope shall be opened. The inner envelope shall be endorsed with the time and date of receipt , and promptly returned unopened to the tenderer. If there is no suitably addressed inner envelope the tender may be examined but only to the extent necessary to discover the name and address of the tenderer. No details of the tender shall be disclosed and it will be returned promptly to the tenderer.

## **Electronic Tendering & E-Auctions**

- 8.8 At the discretion of the relevant Chief Officer, requests for quotations and invitations to tender may be either issued and/or received by electronic means. In circumstances where the Relevant Chief Officer elects to either issue and/or receive tenders by electronic means the following conditions shall apply:
- 8.8.1 The Corporate Procurement Team will carry out and/or select an accredited tendering vault for eTendering and eAuctions.
- 8.8.2 In the case of eAuctions, its use must be stated in the Contract Notice; and it can only take place after the initial evaluation of tenders

## **9 Post Tender Negotiations**

- 9.1 Where negotiated procedures have not been followed and the Director/Head of Service considers that post tender negotiations would be advantageous to the Council, the Director/Head of Service, in consultation with the Cabinet Member for Policy and Performance, may give authority to proceed. See Procurement Code of Practice for reporting requirements.
- 9.2 Clarification of ambiguous tenders does not constitute post tender negotiations.

## **10 Tender and Contract Details**

### **Tender Contents**

- 10.1 Each tender must contain:

- 10.1.1 an undertaking signed by the tenderer that to the best of their knowledge and belief they have complied with all the relevant provisions of the Health and Safety at Work Act 1974 and regulations made under it;
- 10.1.2 a statement that the tenderer will comply with all current, relevant British Standard Specification or Code of Practice or equivalent European Union or international standards offering guarantees of safety, reliability and fitness for purpose;
- 10.1.3 a statement by the tenderer that they will not try to obtain or receive by whatever means any information which gives or is intended or likely to give the tenderer or another party any unfair advantage over any other tenderer (including the Council's own workforce) in relation to the tendering for and award of any works/services contract;
- 10.1.4 A statement that the Council shall not be liable for expenses incurred in the preparation of tenders; nor shall the Council be bound to accept the lowest or any tenders submitted; nor shall the Council have to give reasons for the rejection of any tender and shall have reserved to them the right to invite fresh tenders should they consider that course desirable.

## **Contract Contents**

- 10.2 Every contract shall contain the following terms:
  - 10.2.1 terms specifying the work, services or supplies in question;
  - 10.2.2 the price or basis of charge (including discounts); and
  - 10.2.3 the time of performance and key performance indicators.
  - 10.2.4 transitional arrangements at the end or earlier termination of the contract .e.g work in progress and costs of transferring ownership of assets, data and records.
  - 10.2.5 the contract management and monitoring plan

## **Conditions applying to all contracts over £25,000 in value or where appropriate to the nature of the contract**

- 10.3 Every contract with a value of £25,000 or more must, unless the Head of Legal and the Chief Finance Officer agree to the contrary, contain clauses to cover the following:
  - 10.3.1 compliance with all legislation;

- 10.3.2 compliance with the Council's insurance requirements;
- 10.3.3 a prohibition on assignment and/or subletting without the written consent of the relevant Director/Head of Service;
- 10.3.4 a provision allowing the Council to cancel the contract and recover any resulting loss from the contractor if the contractor does anything which is contrary to the Prevention of Corruption Acts 1889 to 1916 or incites breach of Section 117 (2) of the Local Government Act 1972;
- 10.3.5 a provision to ensure the Council is protected against the contractor's defective performance by default provisions which are appropriate to the contract;
- 10.3.6 if the contractor is in breach of contract the Council can do any or all of the following
  - 10.3.6.1 determine all or part of the contract or determine the contractor's appointment;
  - 10.3.6.2 itself perform the contract in whole or in part;
  - 10.3.6.3 recover from the contractor any additional cost resulting from the completion or cancellation of the contract.
- 10.3.7 In respect of every contract that is to be performed in stages or over a period of time;
  - 10.3.7.1 the contract shall, where practicable, require the contractor to pay liquidated damages for any default;
  - 10.3.7.2 a sufficient survey (e.g. a bond) shall be taken for due performance unless:
    - the cost of the contract is less than £300,000;
    - following the completion of a risk assessment by the Head of Service, the Chief Finance Officer and the Head of Legal so direct;
    - the contract is with a statutory undertaking.
- 10.3.8 if the contractor is a subsidiary or a member of a group of companies then its parent company or another company in the group whose assets are sufficient shall be required to guarantee performance and indemnify the Council against loss from any default, unless the Chief Finance Officer and the Head of Legal so direct;

- 10.3.9 if the contractor has obtained or received by whatever means any information which gives or is intended or likely to give the contractor any unfair advantage over any other tenderer (including the Council's own workforce) in relation to the tendering for and award of any works/services contract, that the Council shall be entitled to terminate that contract;
- 10.3.10 that the contractor shall be required to make available to the Council or its auditors such documents or access to information or access to the staff/officers of the contractor as is necessary to conduct any audit investigation into the contract;
- 10.3.11 that the contractor shall be required to make available to the Council upon request such information as the Council considers necessary whether in relation to staff or otherwise, to enable the Council to meet its duties in relation to re-tendering the contract.
- 10.3.12 It shall be a condition of the engagement of any person to supervise a Council contract that he or she shall comply in all respects with the requirements of these Contract Procedure Rules.

## **Signing and Sealing of Contracts**

- 10.4 Every contract must be in writing.
- 10.5 Every contract must be in a form approved by the Head of Legal if its cost exceeds £25,000, or where appropriate to the nature of the contract.
- 10.6 The following contracts must be sealed on behalf of the Council:
  - 10.6.1 those whose value exceeds £144,000, unless the Head of Legal directs otherwise; and
  - 10.6.2 those where the Head of Legal so requires.
- 10.7 Contracts not made under seal can be signed by the relevant Director/Head of Service, Chief Executive, Director of Corporate Governance, Head of Legal or any officer authorised by them.
- 10.8 The Head of Legal may require to sign certain contracts.

## **Contract Management and Monitoring**

- 10.9 During the life of the contract Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts in respect of:
  - 10.9.1 contract performance and key performance indicators;

- 10.9.2 compliance with specification and contract;
- 10.9.3 Cost; cross check contract payments to work done or supplies or services supplied;
- 10.9.4 Ensuring continuous improvement and any Best Value requirements;
- 10.9.5 User satisfaction, lessons learned and risk management;
- 10.9.6 eliminating unlawful discrimination and promoting equalities
- 10.9.7 all the above in accordance with any instructions given by the Head of Internal Audit and Ethical Governance.
- 10.9.8 Ensure that a Gateway Review Check 2 is performed 6 months after contract award

## **Contract Payments**

- 10.10 This Procedure Rule applies to contracts which provide for payments to be made in instalments against a certificate indicating partial, staged or final performance against a specification (typically, these are building or engineering contracts using the standard forms). In SAP, this is delivered through Framework Orders (Invoicing Plans) and or Works Orders set to partial rather than periodic payment for building/phased works implementations.
- 10.11 Directors/Heads of Service shall ensure that all amounts due and payments made under such contracts, are recorded against the loaded contracts held in SAP.
- 10.12 Such payments shall be made on provision of a certificate signed by the relevant Director/Head of Service. All payments to contractors on account of contracts shall be made in accordance with the contract and the relevant Director/Head of Service shall provide the Chief Finance Officer with:
  - 10.12.1 details of the total amount of the contract;
  - 10.12.2 the estimated value of work to date and of materials on site;
  - 10.12.3 the amount deducted by way of retention, VAT, liquidated and ascertained damages in respect of unsatisfactory work; and
  - 10.12.4 the amounts previously paid and the amount now due for payment as adjusted for taxation purposes; and
  - 10.12.5 Any sums to be paid after a defects liability period.

## 11 Glossary of Terms

**“Acceptance”** is the approval of the final terms and conditions for the purchase of supplies, services or works.

**“Authorisation”** is the approval required before quotations or tenders for supplies, services or works may be sought.

**“Budget and supporting plans and strategies”** (Budget) is the annually agreed budget and supporting plans and strategies for each Service Area.

**“Director/Head of Service”** as listed in Article 12 of the Constitution.

**“EU”** means European Union.

**“CPT”** means Corporate Procurement Team

**“SAP”** the Council’s on-line system for processing purchase orders & invoices

**“Reasonable means of selection”** – an unbiased selection process based on the relative merits of the quotation provided and taking account of previous purchasing practices for supplies, services or works of a similar type.

**“Quotation”** – this is a priced bid for the provision of a service, supply or works.

**“Tendering”** – this is a formal process for obtaining priced bids for works, supplies or services and which must be followed for procurements above the thresholds set out in Table 6-1. Further details are available in the Procurement Code of Practice.

**“eTendering”** - An electronic tendering solution that facilitates the complete tendering process from the advertising of the requirement through to the placing of the contract. This includes the exchange of all relevant documents in electronic format.

**“eAuction”** is a reverse auction; a repetitive electronic process for the presentation of prices to be revised downwards or of new improved values of quantifiable elements of tenders

**“Single Source of Supply”** contract for which the requirement is so specialised that there is only one supplier.

**“Supply Contracts”** relate to the delivery of products. They include purchase, lease, rental or hire purchase, with or without the option to buy.

**“Services Contracts”** are contracts under which the purchaser engages a contractor (service provider) to provide services.

**“Works Contracts”** are contracts for the carrying out of civil engineering or building works or under which such facilities are provided to meet specific user requirements.

**“Social Care”** refers to:

- Fostering arrangements and the provision of care and support to individuals at home or in settings in partnership with the NHS, voluntary sector organisations and carers;
- The provision of care, support and education to meet the special educational needs of individuals;
- Block contracts securing future capacity for the provision of Social Care (as defined in above).

**“Temporary Housing”** refers to:

- The provision of temporary accommodation to meet the statutory requirements of the Housing Act of 1996 as amended by the Homelessness Act of 2002;
- Block contracts securing future capacity for the provision of Temporary Accommodation (as defined above).

**“Emergency”** where immediate action is needed to protect life or property or to maintain a critical service. Decisions that were not anticipated within the budget or PMP(KPP) but nevertheless relate to everyday business, not major changes/decisions outside the approved budget and 11 statutory plans.

Example: school heating system fails during mid-winter term, or a school roof collapses

**“Urgency”** (not emergency) where urgent action is required but might be delayed by following normal procedures. Decisions that were not anticipated within the budget or PMP(KPP) but nevertheless relate to everyday business, not major changes/decisions outside the approved budget and 11 statutory plans.

Example: school heating system fails at the beginning of the autumn term

**“Framework agreement”** is an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in

particular with regard to price and, where appropriate, the quantity envisaged. In the UK we would know this as a “standing offer to treat”.

“ **Consortia**” means a contracting authority which:

- (a) acquires goods of services intended for one or more contracting authorities;
  - (b) awards public contracts intended for one or more contracting authorities; or
  - (c) concludes framework agreements for work, works, supplies, services intended for one or more contracting authorities;
- otherwise known as “**central purchasing body**”.



## **AGENDA ITEM: 9**

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	External Audit report on Data Quality
Report of	Deputy Director for Resources and Chief Finance Officer
Summary	To inform the Committee of the key findings of the external audit data quality review and report on the external auditor's action plan.

Officer Contributors	Clive Medlam, Deputy Director for Resources and Chief Finance Officer Shahin Farjami, Business Improvement Manager
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix 1 – Robson Rhodes Data Quality Audit Report 2005-2006 Appendix 2 – Action Plan Update
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Shahin Farjami, Business Improvement Manager, 020 8359 7019 / Isabelle Apcher, Performance Officer, 020 8359 7853

## **1. RECOMMENDATIONS**

- 1.1 That the committee note the recommendations of the external auditor's report and action plan.**
- 1.2 That the Committee consider whether they have any views on the external auditor's recommendations and action plan.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Corporate Plan Technical Appendix was agreed at Council on 27 June 2006.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The setting, monitoring and revision of corporate priorities and policy considerations is supported by decisions based on corporate data. Good quality data is essential to ensure effective decision making. One of the objectives of the 'Better Council for a Better Barnet' priority is to lead and enable change, improvement and value for money. Performance management is one of the main ways of ensuring this and robust data quality is a pre-requisite of that.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Poor data quality opinions from the external auditors may ultimately impact on the council's reputation and rating under various inspectorates.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The auditor's report relates to all key data and specifically considers data in relation to services that support the vulnerable. Poor data quality in such services may lead to decisions that have a negative impact on the most vulnerable in our community. In addition, robust data quality also supports the council in prioritising resources to those people who may be disproportionately affected in the way services are delivered.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 None

## **7. LEGAL ISSUES**

- 7.1 None

## **8. CONSTITUTIONAL POWERS**

- 8.1 The terms of reference for Audit Committee includes consideration of the external auditor's annual letter, relevant reports, and report to those charged with governance.

## 9 BACKGROUND INFORMATION

- 9.1 The introduction of the 2005 Audit Commission Code of Audit Practice ('the 2005 Code') led to a revised approach to the audit of performance data in the form of a data quality review. This review was undertaken by our External auditors, Robson Rhodes and their report is attached as appendix 1.
- 9.2 Of the 12 indicators selected for detailed spot-checking from the set of 19 CPA indicators (see page 43 of the appendix), three were Best Value Performance Indicators (BVPIs) and the remaining nine were non-BVPIs drawn from other service-specific assessment frameworks. Indicators from libraries, housing and transport were selected for audit in Barnet. One indicator was reserved due to a lack of audit trail (service users who have moved on in a planned way from temporary accommodation) and two indicators required amendment before they were passed due to a material misstatement in the figures reported by the Council.
- 9.3 As part of their overall conclusion on data quality the auditors also revisited two areas in which significant concerns had been identified in the past, specifically adult social services, and human resources & payroll.
- 9.4 For adult social services, performance indicators had been reserved at audit for a number of years. In this area the auditors placed reliance on the work of internal audit, who increased their level of assurance from 'no assurance' in January 2006 to 'satisfactory' in September 2006.
- 9.5 As regards the human resource and payroll functions the auditors are of the view that the Council has made a sustained effort to address data quality issues within this area and that overall the arrangements in this area have now been brought to an adequate standard, although there remains the risk of incomplete information in respect of some schools. Given the Council's efforts to address the problems identified in these areas and the progress made, the residual outstanding issues have been judged not to have a material impact on the overall conclusion on data quality.
- 9.6 The Council achieved a score of **2 out of 4** for its overall management arrangements in 2006, which reflects an assessment that the Council is 'performing adequately' in accordance with the Audit Commission's scoring framework. In the context of the timing of this work and the fact that the Council's arrangements for 2005/06 were assessed against criteria published in 2006/07 our auditors are of the opinion that the Council's performance is more than satisfactory and gives no reason for concern at this time.

- 9.7 The Council was assessed as performing adequately in all areas but one, and performing well in 'data use'. We have committed to writing and implementing a Corporate Data Quality report by September 2007.

<b>Area</b>	<b>Score</b>
Leadership and Governance	2
Policy	1
Systems and Processes	2
People and Skills	2
Data Use	3
<b>Overall Score</b>	<b>2</b>

- 9.8 The audit report concluded the following:

"It is our view that if the Council continues improving and addresses the areas we have identified, looking forward to next years judgement it should be well placed to begin to see the benefits in the scores awarded.

Assuming no decline in overall management arrangements for data quality and that the Audit Commission follows a consistent approach, the Council will have fewer indicators selected for detailed spot-checking in future years."

- 9.9 The external auditors have made a number of recommendations. These recommendations are being tackled through a planned programme of work and are reflected in the 2007/08 Value for Money and Community Choice Key Priority Plan. An update on progress against the action plan is set out in appendix 2.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None

Legal: JEL  
CFO: CM

# Appendix 1

## London Borough of Barnet

Data Quality Audit 2005-06

November 2006

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# 1 Executive Summary

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## Introduction

- 1.1 Public services need reliable, accurate and timely information with which to manage services, inform users and account for performance. Service providers make many, often complex, decisions about their priorities and the use of resources. Service users and members of the public more widely, need accessible information to make informed decisions. Regulators and government departments need information to satisfy their responsibilities for making judgements about performance and governance.
- 1.2 Much time and money is spent on the activities and systems involved in collecting and analysing the data which underlies performance information, yet there remains a prevailing lack of confidence in much of this data. As increasing reliance is placed on this information in performance management and assessment regimes, the need for reliable data has become more critical.
- 1.3 Good quality data is the essential ingredient for reliable performance and financial information to support decision-making. The data used to report on performance must be fit for purpose and represent an organisation's activity in an accurate and timely manner. At the same time there must be a balance between the use and importance of the information, and the cost of collecting the required data to the necessary level of accuracy.
- 1.4 The Audit Commission's data quality review process is designed to assess arrangements put in place by the Council to address these issues. The 2005-6 review took place in three stages. Firstly, we undertook a review of overall corporate management arrangements for securing data quality. Secondly, we undertook completeness checks on data submitted for the 19 indicators (see Appendix C) selected by the commission, and thirdly we undertook detailed spot checks on a sample of 12 of these 19 indicators.
- 1.5 In order to reach our overall conclusion on data quality we also revisited two areas in which significant concerns over data quality have been identified in the past, specifically adult social services, and human resources & payroll.
- 1.6 We commenced our fieldwork in accordance with the Audit Commission's timetable in June 2006 with a view to reporting our audit findings for all three stages to the Audit Commission on 16 October 2006.

## Results

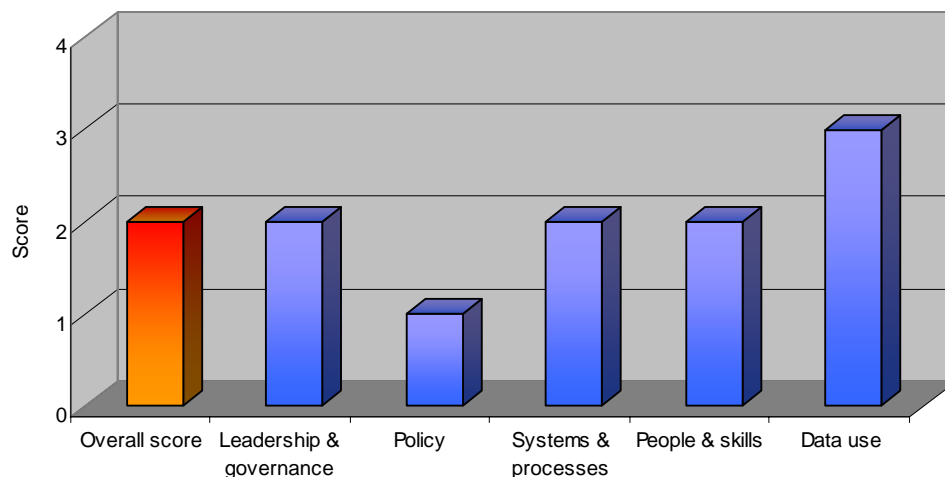
### Stage 1 – Overall Management Arrangements

- 1.7 The review of overall management arrangements for securing data quality covers the following five themes:
  - Governance and leadership;
  - Policies;
  - Systems and processes;
  - People and skills; and

- Data Use.

- 1.8 Each of these themes is comprised of a number of Key Lines of Enquiry (KLOE), which are scored on a 1-4 basis, 1 equating to inadequate performance, 2 representing adequate performance, 3 good performance and 4 innovative practice. The Council achieved a score of **2 out of 4** for its overall management arrangements in 2006, which reflects an assessment that the Council is 'performing adequately' in accordance with the Audit Commission's scoring framework. In the context of the timing of this work and the fact that the Council's arrangements for 2005/06 were assessed against criteria published in 2006/07 we take the view that the Council's performance is more than satisfactory and gives no reason for concern at this time.
- 1.9 This stage of the data quality review also impacts upon our conclusions on value for money under the revised audit code for use of resources. Based on our stage 1 conclusion, we recorded a 'pass' against the audit code data quality criterion on 29 September 2006 (see section two for further information).
- 1.10 Individual KLOE results are shown in figure 1 below;

Figure 1: Individual Scores



- 1.11 At the time of reporting, national results for stage 1 have not been released and we are therefore unable to benchmark Barnet's scores against those of comparable authorities. This information will be provided as soon as it becomes available. The Council was assessed as performing adequately in all areas but one, and performing well in 'data use'. Specific weaknesses, discussed in more detail below, prevented the Council from achieving a 2 in the area of 'policy'.

### Stages 2 and 3 – Completeness and spot checks

- 1.12 No significant issues were identified at stage 2, with all information recorded on the Audit Commission's electronic data capture (EDC) system appearing reasonable and complete subject to further detailed spot-checking at stage 3.
- 1.13 Of the 12 indicators selected for detailed spot-checking from the set of 19 CPA indicators, three were Best Value Performance Indicators and the remaining nine were non-BVPIs drawn from other service-specific assessment frameworks. Indicators from libraries, housing and transport were selected for audit in Barnet. Results are summarised below;



- One indicator was reserved due to a lack of audit trail (service users who have moved on in a planned way from temporary accommodation);
- Two indicators required amendment due to a material misstatement in the figures reported by the Council, although both indicators were passed once amended (BV215 – rectification of streetlight faults and H17 – private sector unfit properties made fit).

### Service-specific data quality issues

- 1.14 In order to reach our overall conclusion on data quality we revisited two areas in which significant concerns over data quality have been identified in the past. Firstly, the Council has made a sustained effort to address data quality issues within its human resource and payroll functions. Overall, we are of the view that arrangements in this area have now been brought to an adequate standard, although there remains the risk of incomplete information in respect of some schools. Secondly, adult social services performance indicators have been reserved at audit for a number of years. In this area we were able to place reliance on the work of internal audit, who increased their level of assurance from 'no assurance' in January 2006 to 'satisfactory' in September 2006.
- 1.15 Given the Council's efforts to address the problems identified in these areas and the progress made, the residual outstanding issues have been judged not to have a material impact on our overall conclusion on data quality.

### The Way Forward

- 1.16 We have identified a number of development opportunities in this report to assist the Council with its improvement agenda. It is our view that if the Council continues improving and addresses the areas we have identified, looking forward to next years judgement it should be well placed to begin to see the benefits in the scores awarded.
- 1.17 Assuming no decline in overall management arrangements for data quality and that the Audit Commission follows a consistent approach, the Council will have fewer indicators selected for detailed spot-checking in future years.
- 1.18 Where our recommendations are intended to assist the Council in achieving a Level 4 score for future years it is important that the Council considers the costs and benefits of implementing procedures to meet the Level 4 criteria, balancing the needs of users against the Council's desire for an overall score on Data Quality.

### Future changes to the Data Quality review methodology

#### Stage 1 – Overall Management Arrangements

- 1.19 The Audit Commission is currently developing its 'Standards for Better Data Quality'. This document will identify the practical characteristics of a Council that is performing well (i.e. at level 3) in respect of its overall management arrangements for data quality. Future stage 1 assessments may change in line with this work as the commission's thinking develops. Furthermore, there may be changes arising from feedback on work undertaken in 2006.

1 Executive Summary

- 1.20 We will keep the Council informed of any changes to the criteria for future years as we become aware of them. However the Council should note that some of these changes may lead to changes in the focus of recommendations made in the action plan set out in Appendix A.

**Stages 2 and 3 – Completeness and spot checks**

- 1.21 We do not expect significant changes to the definitions of individual performance indicators in 2006/07, however in some specific cases there appears to be an argument for amending the detailed audit approach followed.
- 1.22 However, the 19 PIs selected for audit in 2006 are part of a larger subset of indicators used for service block assessments for Culture, Environment and Housing. It is reasonable, therefore, to anticipate some changes to this set in forthcoming years. We will keep the Council informed of any developments in this area as we become aware of them.

**Acknowledgements**

- 1.23 We would like to take this opportunity to thank the corporate performance office, performance leads within service departments, internal audit and all other officers involved in our review for their help and support during the course of our work.

RSM Robson Rhodes LLP

November 2006

## 2 Approach and Context

### Background

- 2.1 The introduction of the 2005 Audit Commission Code of Audit Practice ('the 2005 Code') has led to a revised approach to the audit of performance data. There is no specific provision within the 2005 Code for the audit of best value performance indicators, as was previously the case.
- 2.2 However, data quality does appear as one of a number of criteria within the overall code judgement on value for money; *'The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members'*.
- 2.3 This is consistent with one of the five strategic themes of the Audit Commission; *'To stimulate significant improvement in the quality of data and the use of information by decision makers'*.
- 2.4 Therefore the Audit Commission have mandated that a three-stage piece of work be undertaken to meet these requirements.

Stage	Covers	Required for
<b>Stage 1</b>	<b>Management arrangements</b> Review of overall management arrangements to secure data quality	Code VFM conclusion
<b>Stage 2</b>	<b>Completeness check</b> Arithmetic check (variance, plausibility and range) of calculations for Best Value Performance Indicators ('BVPIs')	CPA
<b>Stage 3</b>	<b>Data quality spot checks</b> In-depth review of a sample of PIs (from a list of specified BVPIs and non-BVPIs)	CPA

- 2.5 Each of these three stages has been considered in turn.

### Stage 1 – Overall Management Arrangements to secure data quality

- 2.6 The objective of this stage of the review is to determine whether appropriate management arrangements for data quality are in place at a corporate level, and whether these are being applied in practice. The focus at this stage is on data that is published by the authority or used at top management or member level for decision-making. Individual or departmental systems for producing specific performance indicators are not assessed in detail at this stage, except where there is reason to believe that there are material issues of sufficient magnitude to affect the auditor's overall conclusion. This new approach is a

significant departure from the work auditors have previously undertaken on Best Value Performance Indicators.

- 2.7 Specifically the Stage 1 audit covers the following five themes with a number of key lines of enquiry within each:

Theme	Key lines of enquiry
Governance and Leadership	<ul style="list-style-type: none"> <li>Responsibility for data quality is clearly defined;</li> <li>The Council has clear data quality objectives; and</li> <li>The Council has effective arrangements for monitoring and review of data quality.</li> </ul>
Policies	<ul style="list-style-type: none"> <li>A policy for data quality is in place, supported by a current set of operational procedures and guidance; and</li> <li>Policies and procedures are followed by staff and applied consistently throughout the organisation.</li> </ul>
Systems and Processes	<ul style="list-style-type: none"> <li>There are appropriate systems in place for the collection, recording, analysis and reporting of the data used to report on performance, and staff are supported in their use of these systems;</li> <li>The Council has appropriate controls in place to ensure that information systems secure the quality of data used to report on performance;</li> <li>Security arrangements for performance information systems are robust, and business continuity plans are in place; and</li> <li>An effective management framework for data sharing is in place.</li> </ul>
People and Skills	<ul style="list-style-type: none"> <li>The Council has communicated clearly the responsibilities of staff, where applicable, for achieving data quality; and</li> <li>The Council has arrangements in place to ensure that staff with data quality responsibility have the necessary skills.</li> </ul>
Data Use	<ul style="list-style-type: none"> <li>The Council has put in place arrangements that are focused on ensuring that data supporting performance information is also used to manage and improve the delivery of services; and</li> <li>The Council has effective controls for data reporting.</li> </ul>

- 2.8 As discussed above, the outcome of the Stage 1 review feeds into our value for money conclusion, but it also acts as a risk assessment in choosing the number and type of indicators for the Stage 3 data quality spot checks.

### Scoring

- 2.9 The overall management arrangements to secure data quality score are based on combining auditors' scores for each of the areas covered. The score will be on the following scale:

**4** = Well above minimum requirements and equates to those councils which are performing strongly. *A level 4 would be achieved where a council can demonstrate that arrangements are*

*innovative and beyond what might have been traditionally considered to be best practice for any given area.*

**3** = Consistently above minimum requirement, equating to those council's who are considered to be performing well. *A level 3 would be achieved where appropriate arrangements were in place and could be demonstrated to have been operating effectively and fully embedded within the culture of the council.*

**2** = At only minimum requirements which equates to adequate performance. *A level 2 would be achieved where appropriate arrangements were considered to be in place but could not yet be demonstrated to be embedded in the culture of the council and operating effectively.*

**1** = Below minimum requirements and equates to inadequate performance.

- 2.10 Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance levels 2, 3 and 4 against which we were required to assess the Council's performance.
- 2.11 Unlike the Use of Resources judgements, a 'best fit' approach is to be used in determining the scores. For example, to score a 'level 3' for a particular theme, the Council would not need to achieve all of the level 2 and level 3 descriptors, however, audit judgement is used to determine the most appropriate score for the Council based on performance against all the descriptors within each theme.

### Stage 2 – Completeness check

- 2.12 The objective of this stage of the review is for the auditor to check the arithmetic completeness and acceptability of data that support the 19 PIs listed in Appendix C, which have been specified by the Audit Commission for detailed review at stage 3 (spot checks). In all cases these PIs will relate to the financial year ending 31 March 2006.
- 2.13 As part of this review Council's were required to submit all BVPI data to the Audit Commission, via the EDC extranet site, by 14 July 2006. Furthermore, Council's were required to provide data to auditors on non-BVPIs, who in turn submitted this data onto the EDC extranet.
- 2.14 As well as providing the Audit Commission with explanations for changes in performance, the Stage 2 audit results inform the risk assessment for choosing which indicators (both BVPI and non-BVPI) are selected for the Stage 3 audit.

### Stage 3 – Data Quality spot checks

- 2.15 Using the outcomes of the Stage 1 audit of overall management arrangements to secure data quality, auditors determined the number of PIs for work at Stage 3 using the ranges in the table overleaf;

Stage 1 results		Range of PIs to be reviewed at Stage 3	
Assessment	Risk	Single Tier and Counties	Districts
1 – inadequate	High	10 to 12	3 to 4
2 – adequate	Medium	8 to 10	2 to 3
3 – performing well			
4 – performing strongly	Low	6 to 8	1 to 2

2.16 The outcomes of the Stage 2 audit were used to determine which indicators from Appendix C were chosen for audit.

2.17 The objectives of testing a particular PI are to determine whether it has been fairly stated in accordance with the Audit Commission's criteria:

- that the source data has been assessed against the six data quality dimensions (completeness, accuracy, reliability, validity, relevance and timeliness) as applicable - further details of these dimensions are provided in Appendix D;
- that the source data is correctly represented in the PI;
- that the correct definition has been used; and
- that the correct calculation method has been used.

2.18 We are required to form this conclusion and report our findings to the Audit Commission, via the EDC extranet.

### Timing

2.19 We undertook our fieldwork for all three stages between June and September 2006 and submitted our results to the Audit Commission by the revised deadline of 16 October 2006. Unlike the Use of Resources judgements there is no Audit Commission-led quality review process, therefore the results submitted on 16 October 2006 are not subject to national Audit Commission quality assurance.

### Scope and nature of this report

2.20 This report summarises the results of our work in reaching a conclusion on the Data Quality audit. It is not intended to cover every issue that has come to our attention, but rather provide an overview of the key issues identified during the course of our review.

2.21 This is the final version of our report subject to the Council providing management responses to our recommendations, shown in appendix A.

### 3 Stage 1 results - overall management arrangements

3.1 The purpose of and context for this part of the review are set out in section 2 above. The table below gives the scores which the Council achieved in the audit of the corporate management arrangements to secure data quality. Detailed findings from this part of the review are provided in appendix B of this document.

Reference:	Theme	2005-06 Judgement
1.	<b>Governance and Leadership</b> – overall score	2
1.1	Responsibility for data quality is clearly defined	2
1.2	The body has clear data quality objectives	2
1.3	The body has effective arrangements for monitoring and review of data quality	2
2	<b>Policies</b> – overall score	1
2.1	A policy for data quality is in place, supported operational procedures and guidance	1
2.2	Policies and procedures are followed by staff and applied consistently	1
3	<b>Systems and Processes</b> – overall score	2
3.1	There are appropriate systems in place and staff are supported in their use	2
3.2	Information systems have controls to secure the quality of data used to report on performance	2
3.3	Security arrangements and business continuity plans are in place	2
3.4	An effective management framework for data sharing is in place	2
4	<b>People and Skills</b> – overall score	2
4.1	The body has communicated clearly the responsibilities of staff for achieving data quality	2
4.2	Staff with responsibility for data quality have the necessary skills	2
5	<b>Data Use</b> – overall score	3
5.1	Performance information is used to manage and improve services	3
5.2	The body has effective controls in place for data reporting	2
	<b>Combined Score for Overall Management Arrangements</b>	<b>2</b>

3.2 We set out below the main achievements and key barriers for the Council in being awarded the next level for each of the themes given above. Full details of all of our findings are included within Appendix B.

#### Key Findings:

3.3 The Council achieved a level 2 for the arrangements in place to secure good quality data, and have therefore been judged to be 'performing adequately'.

3.4 The following key strengths were identified by our work;

- The Council has made a clear commitment to data quality and there are a number of areas in which significant improvements have been driven by an overall focus at senior management level. The Council has a track record of taking robust action where problems with data quality have been identified.
- Corporate systems for the collection, recording, analysis and reporting of performance data are generally effective with some specific weaknesses, and the Council has been proactive in making improvements in key areas. Security and business continuity arrangements are in place for business-critical performance information systems.
- Feedback from Council staff at an operational level is positive, with clear recognition of the corporate focus on data quality and several examples of improvement work at departmental level. Staff generally feel well supported in their interaction with corporate performance management processes, and some training has been made available to them.
- A particular strength for the Council is its use of performance information to manage and improve the delivery of services through a variety of innovative review and challenge mechanisms. Performance information is regularly used to identify deviations from planned performance, and there is evidence that management action is taken to address the service delivery issues identified.

3.5 The following key areas for improvement were identified by our work

- Despite a strong commitment to improving data quality, the Council appears to lack a clear strategic framework for future progress in this area, and would benefit from regular, formal monitoring of the quality of its key performance information.
- Furthermore, corporate requirements and expectations in relation to data quality are not clearly and formally set out. A particular weakness is that some key performance indicators, including a number linked to strategic objectives within the corporate plan, are not formally defined and audit trails for them are not transparent.
- Some corporate performance management processes are not formally defined or covered by procedure notes, such as the quarterly KPI data collection process. A quarter of the indicators covered by detailed spot-checks at stage 3 were found to be unfairly stated, indicating that corporate systems, whilst generally adequate, still have weaknesses in some areas.
- The Council only meets basic criteria in relation to its management framework for data sharing. Whilst most key partnerships are covered by data sharing protocols, the Council has not been able to show that it applies formal quality requirements to data shared with external agencies, or that it has a clear view of where and how it shares data internally and externally.
- Responsibility for data quality is not consistently formalised within appropriate job descriptions and performance appraisals.

**The Way Forward**

3.6 We have raised a number of recommendations in the action plan in Appendix A.

3.7 To achieve a score of 'level three' and assuming that there are no major changes to the key lines of audit enquiry, there are a number of steps that the Council can take to address weaknesses identified within our work. These are set out within the action plan, along with a number of further actions that can be taken to move towards a score of a 'level 4' in some areas. However, the Council would need to consider the relative costs and benefits of achieving those standards required to meet Level 4 criteria.



## 4 Stage 2 results: completeness checks

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- 4.1 The objective of this stage of the work is for the auditor to review the arithmetic completeness of data and acceptable values that support the 19 PIs listed in Appendix C, which have been specified by the Audit Commission for detailed review at stage 3 (spot checks).
- 4.2 Audited bodies are required to have submitted data for all BVPIs which are applicable to them, not just the specified BVPIs in Appendix C, onto EDC by 14 July.
- 4.3 Once audited bodies have submitted data onto EDC, the Audit Commission's PI team in London will carry out the following arithmetic checks on all of the BVPIs for which an authority is required to collect data:
- a variance analysis against:
    - previous years' data held on EDC (where available);
    - the authority's peer group;
  - plausibility checks on the submitted data; and
  - a range analysis.
- 4.4 For any of the nine specified BVPIs from Appendix C for which an authority is required to collect data, auditors will be required to:
- obtain brief explanations from the authority for any issues arising from the arithmetic checks which have been undertaken by the Audit Commission's PI team in London (these will be highlighted to auditors on the EDC system); and
  - record their findings onto EDC.
- 4.5 As the Audit Commission does not have the mandate to require authorities to enter non-BVPI data onto EDC themselves, the audit approach for specified non-BVPIs is different from that used for specified BVPIs.
- 4.6 For any of the ten specified non-BVPIs from Appendix C for which an authority is required to collect data, auditors will be required to:
- collect the data items from authorities;
  - obtain brief explanations from the authority for any issues arising from the arithmetic checks undertaken by the auditors; and
  - record their findings onto EDC.
- 4.7 We completed our work and submitted our findings to the Audit Commission in advance of the revised deadline of 16 October 2006. No significant issues were identified at this stage.

## 5 Stage 3 audit: Detailed spot checks

- 5.1 This detailed review of PIs is the third element of a three-stage approach to the review of data quality developed by the Audit Commission.
- 5.2 Using the outcomes of the Stage 1 audit of overall management arrangements to secure data quality, auditors should determine the number of PIs for work at Stage 3 using the ranges in the table below;

Table: Impact of stage 1 reviews

Initial assessment of management arrangements from Stage 1		Range of PIs to be reviewed at Stage 3	
Assessment	Risk	Single Tier and Counties	Districts
1 – inadequate	High	10 to 12	3 to 4
2 – adequate	Medium	8 to 10	2 to 3
3 – performing well			
4 – performing strongly	Low	6 to 8	1 to 2

- 5.3 Our assessment of Stage 1 demonstrated that the Council scored a level 2, representing medium risk for the Stage 3 audit. However, in agreement with the Council, we started our stage 3 testing before the completion of the stage 1 review and with an assumption of high risk. This approach allowed the maximum possible time for audit work to be completed and was of benefit to the Council, and flexibility in this area is noted and appreciated.
- 5.4 The outcomes of the Stage 2 audit were used to determine which indicators from Appendix C were chosen for audit. In particular variances were used to identify indicators for audit. Our findings from prior year audits of performance data was also used in the risk assessment for the Stage 3 audit.
- 5.5 12 indicators were chosen for detailed spot check. These are shown in the table overleaf with a summary of our findings at audit.

Table: Outcome of stage 3 detailed spot-checks

Service area	Code	Description	Comments	Outcome
Environment	BV165	Percentage of pedestrian crossings with facilities for disabled users	Passed	Fairly stated
Environment	BV215 (a&b)	Rectification of street lighting faults	Amendment required to both parts A & B due to material misstatement	Unfairly stated - amended
Culture	C12a	Stock turn - book issues/books available for loan (IPF)	Passed	Fairly stated
Culture	C12b	Stock level books available for issue per 1,000 population (IPF)	Passed	Fairly stated
Culture	C13	Cost per library visit (IPF)	Passed	Fairly stated
Culture	C14a	Assessment of users 16 and over of their library service (PLSS7)	Passed	Fairly stated
Housing	BV183b	Average length of stay in hostel accommodation	Passed	Fairly stated
Housing	H(X)	Service users who have moved on in a planned way from temporary living arrangements (KPI2)	Reserved - insufficient documentation to support indicator	Unfairly stated - reserved
Housing	H16	Repeat homelessness (HIP HSSA)	Passed	Fairly stated
Housing	H17	Private sector unfit properties made fit (HIP HSSA)	Amendment required due to material misstatement	Unfairly stated - amended
Housing	H18	Percentage of total private sector homes vacant for more than six months (HIP HSSA)	Passed	Fairly stated
Housing	H21	Percentage of planned to responsive repairs (HIP BPSA) DMS only	Passed	Fairly stated

5.6 Our detailed spot check work found that 3 of the 12 indicators selected for audit were not fairly stated in accordance with the Audit Commission criteria for data quality. The impact of these misstated indicators, as outcomes of corporate performance management processes, has been considered as part of our overall stage 1 conclusion on corporate management arrangements for data quality.

5.7 Two indicators were found to be materially misstated, but were amended and signed off;

- **BV215 - Rectification of street-lighting faults** – this is a new indicator, reported for the first time in 2005/6. During the initial system analysis stage of testing it was ascertained that the PI was calculated on the basis of faults created during the time period, rather than the correct method as per the guidance of faults completed during the period. It was agreed that the Council would amend

the calculation in order to satisfy audit requirements. This was carried out, although data provided by the Council and the Council's contractors had to be cleansed on several occasions subsequently. On the basis of cleansed data and an amended calculation method we are pleased to be able to record that this indicator is fairly stated in accordance with the definition and audit commission guidance – see recommendation 19.

- **H17 - Private sector unfit properties made fit** – Initial testing revealed a number of problems with the data provided to audit. We agreed a data cleansing approach with the service, and on this basis were able to complete testing satisfactorily.

5.8 One indicator was found to be materially misstated and reserved on the basis of an incomplete audit trail;

- **Service users who have moved on in a planned way from temporary living arrangements (KPI2)** - During the initial meeting with the Council, it was established that information had not been collected from all third-party service providers and the outturn submitted was therefore incomplete. Discussions held with the service established that in some cases third-party suppliers had not maintained adequate records of the movements of service users during the year, and the Council was therefore unable to provide complete and accurate data to audit – see recommendation 18.

## Appendix A: Action Plan

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**See Appendix 2 for the action plan agreed with Robson Rhodes**

## Appendix B – Detailed findings from stage 1 review of management arrangements

1. **Governance and Leadership** – has the body put in place arrangements at a senior level to secure the quality of data used to manage and report on performance?

Key line of enquiry	KLOE Score
1.1 Responsibility for data quality is clearly defined	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self assessment Interviews Corporate plan MCS communications materials First Stat lead officer list First Stat presentations Scrutiny schedule and	<ul style="list-style-type: none"> <li>Overall responsibility for data quality is assigned to the Council's Chief Executive, who has a specific focus on improving corporate governance, with data quality seen as an implicit aspect of this.</li> <li>Operational responsibility for data quality is also seen as implicit within the roles of divisional directors and heads of service, however it is not clear that this responsibility is consistently set out in the relevant job descriptions and appraisal documents.</li> <li>The Council have identified a member lead for data quality, however there is no evidence that this extends to strategic leadership of data quality issues.</li> </ul>	<ul style="list-style-type: none"> <li>An individual at top management level has overall strategic responsibility for data quality.</li> <li>The corporate commitment to data quality is communicated clearly, reinforcing the message that all staff</li> </ul>	<ul style="list-style-type: none"> <li>Accountability for data quality throughout the organisation should be clearly and formally defined and made a part of the corporate performance appraisal system.</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>papers</p> <p>Audit committee schedule and papers</p> <p>CPO email re: LPSA monitor</p> <p>Workshop findings</p>	<ul style="list-style-type: none"> <li>The Council's corporate plan for 2005-9 includes a general objective to secure "external audit recognition of positive direction of travel in data reliability".</li> <li>There are also a number of examples of the Council communicating to all staff a clear commitment to data quality, including work to support the Modernising Core Systems programme (MCS), and the Council's approach to developing data collection frameworks for Local Public Service Agreements.</li> <li>Our workshop with departmental performance leads found that staff are conscious of a focus on data quality from top management, however there is insufficient evidence that it is seen as being "part of the day job" across the Council.</li> <li>Ownership of and accountability for data quality is set out at an operational level. Each department has a "first stat" performance lead responsible for championing performance issues within that area and for supporting the process of reporting local and national performance indicators. The data quality aspect of these roles is set out in the sample of job descriptions provided.</li> <li>Furthermore, each national and local performance indicator has an assigned owner set out in service plans and the Council's corporate plan.</li> <li>Workshop attendees were also able to give several examples of service-based administrative staff having responsibility for data quality, including specific targets, built into their appraisal objectives at the discretion of local management, however there is no evidence to show that this is consistently implemented in all appropriate areas as part of the corporate</li> </ul>	<p>have a responsibility for data quality.</p> <ul style="list-style-type: none"> <li>Issues relating to data quality are considered by, or reported to those charged with governance.</li> </ul>	

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	<p>performance appraisal system.</p> <ul style="list-style-type: none"> <li>No evidence has been presented to suggest that Members have received specific training on data quality.</li> <li>There is evidence to show that issues relating to data quality are considered at a number of different forums. Examples include the Council's First-Stat process, and the audit committee, both of which have featured robust challenge of data quality issues.</li> </ul>		

Key line of enquiry	KLOE Score
1.2 The body has clear data quality objectives	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Self-assessment</p> <p>Interviews</p> <p>Corporate plan</p> <p>HR Data cleanse strategy</p> <p>CAFT operation windmill</p> <p>HR file cleanse strategy</p>	<ul style="list-style-type: none"> <li>The Council does not have a formal data quality strategy in place, restricting its score to a level 2 in this area. However, senior officers within the Council have been able to articulate informal data quality objectives. Specifically, the Council aims to ensure that the corporate plan is underpinned by accurate and meaningful data in order to provide a robust baseline and a valid means of assessing progress. As discussed above, the Council also have a clear secondary objective of achieving recognition of improved data quality from external audit.</li> <li>There are a number of examples of where the Council has made specific</li> </ul>	<ul style="list-style-type: none"> <li>Objectives for data quality management are developing, but are not yet formalised in a strategy or plan.</li> <li>The organisation has begun to focus on data quality, but this work has so far been driven</li> </ul>	<ul style="list-style-type: none"> <li>Develop a formal strategy for data quality covering all departments and functions, and approved by senior management and members.</li> <li>Develop an associated delivery plan with clearly</li> </ul>



Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>MCS data cleanse strategy</p> <p>RSM Valuations report</p> <p>RSM HR &amp; Payroll report</p> <p>CPO briefing note on performance management framework</p>	<p>improvements in this area. These include the following;</p> <ul style="list-style-type: none"> <li>➤ Significant efforts to improve the quality of human resources and payroll data linked to the Modernising Core Systems programme;</li> <li>➤ An overhaul and data cleanse of systems for undertaking and logging fixed asset valuations prompted by adverse findings during external audit; and</li> <li>➤ Improvements to data quality and systems within the adult social services team linked to the implementation of new casework management software.</li> </ul> <ul style="list-style-type: none"> <li>• Findings from our data quality workshop also indicated that improved management arrangements for data quality are being put in place at service level</li> <li>• These and a variety of other initiatives provide clear evidence that the Council is focusing on data quality, however the various initiatives are not clearly tied together by an overall strategic approach, with an associated delivery plan, and monitoring tends to be infrequent and ad-hoc</li> <li>• As set out in KLOE 1.1 above, the Council has communicated a commitment to data quality through a number of different channels. A commitment to improving the quality of data is made in the corporate plan and in relation to a number of corporate initiatives. The corporate performance team has also organised training for staff with key responsibilities for collation of national performance indicators</li> <li>• However, there is no evidence to suggest that a review has been undertaken concerning staff awareness of data quality issues.</li> </ul>	<p>departmentally rather than corporately.</p> <ul style="list-style-type: none"> <li>• The organisation is working to improve data quality, but there are no defined milestones, targets or consistent monitoring.</li> <li>• The organisation communicates its commitment to data quality to staff at all levels</li> </ul>	<p>identified actions, responsibilities and timescales to support improvement. This should be reflected in the corporate plan.</p>

Key line of enquiry	KLOE Score
1.3 The body has effective arrangements for monitoring and reviewing data quality	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Self-assessment</p> <p>Interviews</p> <p>First Stat performance monitors</p> <p>Corporate Performance Office challenge emails</p> <p>Audit committee minutes and papers</p> <p>Internal and external audit plans</p> <p>RSM HR and Payroll follow-up</p> <p>RSM Valuations follow-up</p> <p>Scrutiny schedule and papers</p> <p>Sample Mini-SIC for</p>	<ul style="list-style-type: none"> <li>Ad-hoc reviews of data quality within key corporate systems and processes take place through the work of internal and external audit. Reports arising from this work are submitted for top management attention and there is a track record of action based on them. There has been a particular focus on data quality where weaknesses have been identified within the best value performance indicator set. At service-level there are also a number of examples of data quality monitoring frameworks being put in place, for example within adult social services and human resources. These arrangements are sufficient to meet a level 2 in this area.</li> <li>As evidence here the Council gave several examples of completed statements of internal control for services (mini-SICs). Whilst these do include an assessment of arrangements for performance management, it is not clear that they provide a formal framework for monitoring data quality.</li> <li>In order to achieve a level 3 the Council would need to demonstrate that there is a formal framework for monitoring and reporting on data quality within the corporate KPI set (i.e. indicators that feature in the corporate plan), ideally integrated directly into data capture and reporting mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and review of data quality has been undertaken, although this has primarily been on an ad-hoc basis.</li> <li>Reports are produced as a result of these reviews which are submitted for top management attention.</li> <li>The organisation can demonstrate that it has taken action to address the results of internal and external data quality reviews.</li> <li>There is limited evidence to show that the organisation has begun to consider data quality as</li> </ul>	<ul style="list-style-type: none"> <li>Develop a formal programme of data quality monitoring and review, which is proportionate to risk and reported to those charged with governance. This should include reporting on the accuracy of data supporting key performance indicators.</li> <li>Embed data quality within corporate risk management arrangements, with regular assessments of the risks associated with unreliable and inaccurate information</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Education and Environmental Health	<ul style="list-style-type: none"> <li>The Council has not provided any evidence to show that the risks associated with poor data quality have been considered as a part of corporate risk management arrangements.</li> <li>Again, whilst the mini-SIC process includes an assessment of arrangements for performance management, this does not demonstrably extend to the quality or integrity of data or consider the implications of these arrangements not being in place.</li> <li>Barnet has a strong track record in addressing problems with data quality where these are highlighted by internal or external audit reports.</li> <li>Conversations with key Council staff indicate that key performance data, for example information reported in the Best Value Performance Plan, is subject to approval by members and senior managers before publication although no specific evidence was provided in respect of this.</li> <li>The Council has not provided any evidence of the publication of good practice in relation to data quality.</li> </ul>	part of its corporate risk management arrangements.	

## 2. Policies – has the organisation defined its expectations and requirements in relation to data quality?

Key line of enquiry	KLOE Score
2.1 A policy for data quality is in place, supported by a current set of operational procedures and guidance	1

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Self-assessment</p> <p>Interviews</p> <p>MCS process maps</p> <p>CPO briefing note on corporate performance management framework</p> <p>Sample of Key Performance Plans and corporate guidance</p> <p>First stat performance tables</p>	<ul style="list-style-type: none"> <li>The Council have deliberately followed an approach of "devolved responsibility", where department and service staff take responsibility for putting appropriate arrangements in place to secure the quality and accuracy of performance data passed up to a corporate level. This is borne out by the findings from our workshop, at which several examples of service improvements were provided.</li> <li>At an operational level, there are arrangements covering the collection and use of data for business planning and corporate challenge. For example, the Council requires all services to complete "Key Performance Plans" including relevant performance information - guidance has been made available to managers for this.</li> <li>There are also clear arrangements covering the Council's use of data in the first-stat process and well-developed policies to support BVPI collation and reporting.</li> <li>Whilst these are not data quality policies as such, they do govern the way in which data is used within the organisation. Overall, however, there is an opportunity to set out clearer corporate expectations in relation to data quality in general.</li> </ul>	<ul style="list-style-type: none"> <li>The Council does not have a data quality policy, or set of policies at an operational level.</li> <li>There are a number of procedures and guidance notes in place, but these do not yet cover all aspects of data collection, recording, analysis and reporting, and are not in place in all business areas.</li> </ul>	<ul style="list-style-type: none"> <li>Develop an operational data quality policy which, as a minimum, sets out corporate expectations in relation to the collection, recording, analysis and reporting of local performance information (especially data included within the corporate plan).</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	<ul style="list-style-type: none"> <li>Specifically, a significant weakness is that local key performance indicators, including many corporate plan indicators, are not formally defined and audit trails for them are not transparent. The Council therefore risks placing reliance on or publishing poor quality information, with no clear mechanism for identifying and correcting this.</li> <li>Procedure notes for core systems were developed in conjunction with the Council's MCS programme. These are subject to annual review by internal audit. However, it was noted that the corporate process for collecting KPI data through the first-stat data table process is not currently covered by procedure notes.</li> </ul>		

Key line of enquiry	KLOE Score
2.2 Policies and procedures are followed by staff and applied consistently throughout the organisation	1

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment Interviews Workshop findings MCS process maps	<ul style="list-style-type: none"> <li>In the absence of a standalone policy on data quality, the Council cannot exceed a score of 1 in this KLOE.</li> <li>The Council's performance management and planning processes are the subject of considerable corporate focus and compliance is mandated by top management.</li> <li>The Council have also provided evidence of training and some more ad-</li> </ul>	<ul style="list-style-type: none"> <li>Some specific training has taken place in relation to national performance indicators.</li> <li>There is a high level of awareness around</li> </ul>	<ul style="list-style-type: none"> <li>Linked to the comments above, the Council should develop an operational policy broadly covering the use of performance data.</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>CPO briefing note on corporate performance management framework</p> <p>Sample of Key Performance Plans and corporate guidance</p> <p>First stat performance tables</p>	<p>hoc support in relation to performance management and data quality, including corporate performance office briefings, workshops on BVPI data quality and guidance notes circulated to appropriate managers.</p> <ul style="list-style-type: none"> <li>No evidence has been provided to show that the Council makes use of data quality champions.</li> <li>The corporate performance office provided a number of examples of internal communications around updates to policies and procedures, typically addressing changes to national assessment frameworks such as CPA and the best value performance indicators.</li> </ul>	<p>processes for collating and reporting national performance indicators, but a general lack of policy, operational procedures and guidance covering performance information in a broader sense.</p>	<p>This should be communicated to all relevant staff and followed up as appropriate to ensure compliance.</p>

### 3. Systems and processes – are there effective systems and processes in place to secure the quality of data?

Key line of enquiry	KLOE Score
3.1 There are appropriate systems in place for the collection, recording, analysis and reporting of the data used to monitor performance, and staff are supported in their use of these systems	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Self-assessment</p> <p>Interviews</p> <p>Workshop findings</p>	<ul style="list-style-type: none"> <li>The Council operates two parallel systems for collecting, recording, analysing and reporting key performance data.</li> <li>Firstly, the corporate performance office collects quarterly KPI data tables from service-based performance leads. This process has some basic</li> </ul>	<ul style="list-style-type: none"> <li>There are some minor weaknesses in the systems for data collection, recording,</li> </ul>	<ul style="list-style-type: none"> <li>Improvements already implemented for 2006/7 with regard to corporate systems for collecting</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>First stat monitors, presentations</p> <p>BVPI audit reports 2004/5 and 2005/6</p> <p>Performance and financial management cycle</p> <p>Electronic BVPI data collection sheet</p> <p>KPP guidance and sample of plans</p> <p>Corporate plan</p>	<p>controls built into it, but the Council itself has recognised considerable scope for improvement and has implemented a number of changes with effect from 2006/7.</p> <ul style="list-style-type: none"> <li>Secondly, the annual corporate process for collating and reporting Best Value Performance Indicators is considerably more rigid and formalised, with a good level of control built in. However, there have been some well-documented historical failings within this system, mostly as a result of poor data quality at service level.</li> <li>Overall both systems are effective with specific minor weaknesses and a score of 2 is the best fit in this area.</li> <li>No evidence was seen to suggest that the Council undertakes regular reviews of outputs from these systems.</li> <li>Within both systems there is a clear expectation that data is submitted "right first time", however it is also clear that this does not always happen. The quarterly CPO data collection process for 2005/6 saw retrospective amendments to data, occasional use of "draft" or unconfirmed data and conflicts between different versions of tables. Local performance indicators are also not clearly defined other than by the wording in the corporate plan.</li> <li>The audit of 2005/6 CPA indicators is resulted in a number of amendments and one reservation.</li> <li>Discussion at our workshop indicates that performance leads generally feel well supported in their roles. As well as general administration around the corporate data collection processes, the corporate performance office provide a good level of ad-hoc support, including workshops and briefings</li> </ul>	<p>analysis and reporting of performance information, but action is being taken to address these.</p> <ul style="list-style-type: none"> <li>The organisation recognises the importance of these systems operating on a "right first time" principle. Some work is needed to achieve this.</li> <li>Adequate support is provided for all staff using the organisations systems and processes. User guides and helpdesk services are provided. There are some specific weaknesses around the use of local performance information as discussed above.</li> <li>Arrangements for collecting, recording, compiling and reporting data are integrated into</li> </ul>	<p>periodic KPI data are likely to help the Council achieve a level 3 in this area.</p> <p>To achieve level 4;</p> <ul style="list-style-type: none"> <li>Undertake regular reviews of performance reporting to ensure that outputs are timely, accurate, clear and in a format convenient to users.</li> <li>Ensure that staff are consulted in relation to any future developments to performance management systems.</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	<p>as appropriate.</p> <ul style="list-style-type: none"> <li>• A helpdesk and competency centre is available for all core corporate systems.</li> <li>• No reviews, either internal or external, have been undertaken of the quarterly KPI collection process.</li> <li>• Systems for collecting and reporting Best Value Performance Indicators are subject to annual external audit, and historically this has triggered more detailed reviews of specific areas of weakness. Although significant problems have been identified at service level, the Council has a good track record of addressing problems where they are identified.</li> <li>• There is evidence to suggest that arrangements for collecting, recording, compiling and reporting performance data are interdependent with the Council's business planning processes at a service, departmental and corporate level, as well as subsequent monitoring of the delivery of plans.</li> </ul>	the wider business planning and management processes of the organisation, and support staff in their day-to-day work.	

Key line of enquiry	KLOE Score
3.2 The body has appropriate controls in place to ensure that information systems secure the quality of data used to report on performance	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment	<ul style="list-style-type: none"> <li>• The process followed by the corporate performance office to collect quarterly KPI data did not feature an adequate level of control during</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate controls are in place for both manual and</li> </ul>	<ul style="list-style-type: none"> <li>• Improvements already implemented for 2006/7</li> </ul>



Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Interviews</p> <p>First stat monitors</p> <p>BVPI data collection spreadsheet</p> <p>BVPI audit reports</p>	<p>2005/6. Some basic controls were in place;</p> <ul style="list-style-type: none"> <li>➤ Data is compiled and checked at a departmental level by First Stat performance leads; and</li> <li>➤ The Corporate Performance Office check the completeness and validity of information reported.</li> </ul> <ul style="list-style-type: none"> <li>• However the system had some key weaknesses; <ul style="list-style-type: none"> <li>➤ Local performance indicators do not have formal definitions or audit trails;</li> <li>➤ Numerators and denominators are not collected corporately, limiting the ability of the CPO to ensure accuracy of calculations; and</li> <li>➤ There are examples of conflicts and inconsistency between different versions of data tables.</li> </ul> </li> <li>• However, the corporate performance team have been proactive in identifying and addressing these weaknesses, and have put an improved approach in place with effect from April 2006, including the following key developments; <ul style="list-style-type: none"> <li>➤ use of a shared, password-protected spreadsheet with direct access for services; and</li> <li>➤ lock-down for previous periods preventing unauthorised amendment or adjustment of old data.</li> </ul> </li> <li>• In the light of these improvements a score of two is appropriate in this area.</li> <li>• Controls for the collection, recording, analysis and reporting of BVPI data are well developed. The Council uses an electronic method for data</li> </ul>	<p>computerised systems.</p> <p>Controls over the collection of quarterly KPI data have been improved for 2006/7.</p> <ul style="list-style-type: none"> <li>• The organisation can demonstrate that it is proactive in strengthening performance information systems controls rather than merely reacting to issues when detected.</li> <li>• Data is subject to departmental checks and management review before being reported to top management.</li> </ul>	<p>will take the Council some way towards a three in this area.</p> <p>However there remains further scope for development of controls to minimise the potential for human error or manipulation and to prevent erroneous data entry, missing data and unauthorised data changes.</p>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	<p>collection. The spreadsheet template used includes key information such as the numerator and denominator for performance figures, location of audit trail information, sign-off by collection officer and service manager and analytical review of reported figures.</p> <ul style="list-style-type: none"> <li>• The quarterly data collection process has been subject to proactive internal review by the corporate performance office. Improvements have been implemented over successive years as discussed above.</li> <li>• BVPI data collection arrangements have also been improved year-on-year, partly in line with audit recommendations but the Council has also been proactive in implementing a paperless data collection process and developing key system controls.</li> <li>• First stat lead officers are responsible for obtaining approval from heads of service for quarterly KPI data.</li> <li>• Workshop findings also indicate that quarterly data is generally subject to checks at a departmental level before corporate reporting.</li> <li>• BVPIs are signed off by collection officers, relevant head of service and director.</li> </ul>		

Key line of enquiry	KLOE Score
3.3 Security arrangements for performance information systems are robust, and business continuity plans are in place	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment Interviews RSM review of MCS First stat monitors and data tables BVPI return templates Emergency planning and business continuity documents	<ul style="list-style-type: none"> <li>Quarterly data tables were secure under 2005/6 arrangements as access was restricted to the corporate performance office. The revised system implemented with effect from 2006/7 is open and shared, but password protected.</li> <li>Both quarterly KPI and BVPI data is collected via named performance leads for each area, reducing the scope for unauthorised manipulation of data.</li> <li>The Council has not provided any evidence to show that it regularly tests systems for security.</li> <li>The Council has developed comprehensive procedure notes for its core systems, linked the the MCS initiative, and processes for collating and reporting Best Value Performance Indicators are documented.</li> <li>It is understood that the quarterly KPI collection process has not been formally documented. Overall, however, most "business critical" performance systems are likely to be supported by appropriate procedure notes.</li> <li>As evidence here, the Council has provided a number of documents relating to an ongoing corporate review of emergency and business continuity planning. No evidence has been provided of a specific business</li> </ul>	<ul style="list-style-type: none"> <li>Security arrangements, including access control, are in place for the organisation's business-critical performance information systems.</li> <li>There are procedure notes / manuals in place for the organisation's business critical performance information systems (with the key exception of the first-stat data collection process).</li> <li>A business continuity plan is in place to provide protection for records and performance data which are vital to the continued</li> </ul>	<ul style="list-style-type: none"> <li>The Council should provide evidence of regular testing of performance information systems to ensure that processes are secure.</li> <li>The Council should identify all business-critical performance information systems and develop procedure notes / manuals for the preparation of the relevant data. These should be reviewed and updated as appropriate.</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	continuity plan covering the relevant functions of the corporate performance office, although performance data is subject to standard IT backup and restore procedures.	effective functioning of the organisation.	

Key line of enquiry	KLOE Score
3.4 An effective management framework for data sharing is in place	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment Interviews Workshop findings Barnet information sharing protocol (C&YP) Barnet homes PI table Young people & community safety BVR 2005	<ul style="list-style-type: none"> <li>The Council has provided evidence of data-sharing protocols in place to support its most significant partnerships, including the LSP and other key partners such as the metropolitan police and Barnet Homes. Further examples were provided of information-sharing frameworks for community safety and children and young people. The Council has also developed detailed guidance on implementing high-quality governance arrangements within partnerships.</li> <li>Arrangements for ensuring compliance with legal, compliance and confidentiality standards are assessed through the Council's Statement of Internal Control (SIC) and mini-SIC process. The Council also has dedicated officers in the areas of Freedom of Information and Data Quality.</li> <li>However, the Council was unable to evidence that it had made an attempt</li> </ul>	<ul style="list-style-type: none"> <li>Significant instances of internal and external data sharing have been identified, however it is not clear that formal protocols for data sharing are in place in all cases</li> <li>There is a framework in place for identifying and complying with all relevant legal, compliance and confidentiality standards</li> </ul>	<ul style="list-style-type: none"> <li>Develop a formal set of quality requirements to be applied to all data used by the organisation which is shared externally, or which is provided by a third party organisation. These quality requirements could be in the form of a draft data-sharing protocol, contract or service-level agreement.</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	<p>to identify all instances of internal and external data-sharing, and therefore it is not clear that information-sharing arrangements within all partnerships are subject to the same level of rigour. Overall, level 2 represents the best fit in this area.</p> <ul style="list-style-type: none"> <li>Feedback from our workshop suggested that, in the absence of any corporate overview of all partnerships, departments and service areas understand a responsibility to implement high-quality governance arrangements that are appropriate in the context of each partnership. Given this, an overall score of 2 is the best fit in this area.</li> </ul>		<ul style="list-style-type: none"> <li>Develop protocols for sharing key data internally</li> </ul>

#### 4. People and skills – does the organisation have the resources in place to secure data quality?

Key line of enquiry	KLOE Score
4.1 The body has communicated clearly the responsibilities of staff, where applicable, for achieving data quality	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Self-assessment</p> <p>Interviews</p> <p>Workshop findings</p>	<ul style="list-style-type: none"> <li>Feedback from our workshop with departmental performance leads was positive. In general, staff are clear on their responsibilities in relation to data quality, and are conscious of an increasing focus in this area from the chief executive and senior management team. As discussed in KLOE 1.1 above, roles and responsibilities are clearly set out in that all performance</li> </ul>	<ul style="list-style-type: none"> <li>Roles and responsibilities below the strategic level in relation to data quality are clearly defined, although this is not clearly and</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that responsibility for data quality (for example ownership of performance indicators</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Sample of job descriptions and appraisal documents	<p>indicators have named owners with service and corporate plans, and each department has a "first stat" performance lead. Overall responsibility is seen as resting with heads of service and departmental directors, although this is implicit rather than clearly set out within job descriptions and appraisals.</p> <ul style="list-style-type: none"> <li>Staff also gave a number of examples of responsibilities being formalised within job descriptions, including the setting of quantified data quality targets for operational staff. It appears that the extent to which this is formalised depends upon management within each area, and there are no overall corporate arrangements to mandate application of this in all areas.</li> <li>The Council did not provide any evidence of an attempt to assess data quality skills gaps, however a score of 2 is the overall best fit for arrangements in this area.</li> </ul>	<p>consistently reflected in job descriptions and personal appraisals.</p> <ul style="list-style-type: none"> <li>Staff are clear about their responsibilities in relation to data quality.</li> <li>The organisation can demonstrate that it has an effective internal network of data quality champions that have successfully driven improvement throughout the organisation.</li> </ul>	<p>or responsibility for key systems) is reflected in job descriptions and that data quality targets are set in personal appraisals wherever appropriate.</p>

Key line of enquiry	KLOE Score
4.2 The organization has arrangements in place to ensure that staff with data quality responsibility have the necessary skills	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment	<ul style="list-style-type: none"> <li>The Council have provided evidence of a range of formal and information training opportunities for staff with key responsibilities for preparation and</li> </ul>	<ul style="list-style-type: none"> <li>Staff with specific responsibility for data</li> </ul>	<ul style="list-style-type: none"> <li>Review the current level of provision of data</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>Interviews</p> <p>RSM workshop notes</p> <p>CPO training presentations</p> <p>HR data cleanse project</p> <p>ASS training materials</p> <p>Workshop findings</p>	<p>use of data, including the following;</p> <ul style="list-style-type: none"> <li>➤ RSM Robson Rhodes delivered a workshop on data quality training in relation to BVPIs. Service managers attended this with departmental performance leads;</li> <li>➤ The Corporate Performance Office undertake periodic briefings, workshops and presentations and are also able to offer ad-hoc support on request; and</li> <li>➤ The Modernising Core Systems initiative included a number of targeted training courses linked to a competency support centre.</li> </ul> <ul style="list-style-type: none"> <li>• In this way, staff have received some data quality training. However, in order to achieve level 3 in this area the Council would have to demonstrate an ongoing programme of data quality training specifically targeted at owners of KPIs and BVPIs.</li> <li>• In the absence of a standalone data quality training programme, the Council is unable to provide evidence in this area.</li> <li>• There are a number of examples of training being used to improve the quality of data at service level. In some cases the Council has adopted this proactively, and in others training has been instigated in response to the findings of internal or external reviews. Examples include the following; <ul style="list-style-type: none"> <li>➤ Weaknesses identified within the Council's HR and Payroll function led to a number of actions, including procedural training for HR officers and service managers;</li> <li>➤ Adult Social Services indicators were reserved at audit, leading to implementation of a new casework system and full-team training for operational staff; and</li> </ul> </li> </ul>	<p>quality have received data quality training.</p> <ul style="list-style-type: none"> <li>• Weaknesses identified through internal and external reviews of data quality are adequately addressed through training or briefing sessions.</li> </ul>	<p>quality training to assess its adequacy in the light of the findings of this review.</p>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
	<ul style="list-style-type: none"> <li>➤ Libraries staff have attended external training courses run by the Institute of Public Finance.</li> <li>• Departmental performance leads provided a number of further examples during our data quality workshop. This suggests that, where appropriate, training is used to address identified weaknesses in data quality.</li> <li>• The Corporate Performance Office provided examples of internal communication of updates to national policy and procedures in relation to BVPIs.</li> </ul>		

#### 5. Data use – are there effective arrangements and controls in place for the use of data by the organisation?

Key line of enquiry	KLOE Score
5.1 The body has put in place arrangements that are focused on ensuring that data supporting the performance information is also used to manage and improve the delivery of services	3

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment Interviews Firststat presentations and actions Performance	<ul style="list-style-type: none"> <li>• There are a number of corporate mechanisms for the review and challenge of performance information. These include; <ul style="list-style-type: none"> <li>➤ First Stat: this brings together senior officers to focus on crosscutting issues with a particular focus on performance indicators and targets linked to Council priorities. Cost information is also challenged through this forum;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reported data is fed back to those who generate it to reinforce understanding of the way it is used.</li> <li>• Data used for reporting to those charged with</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrate that performance information is actively and routinely used to support planning and allocation of resources .</li> </ul>



Source of evidence	Findings	Conclusions	Improvements needed to move to next level
<p>management plans</p> <p>Corporate plan</p> <p>CPO briefing note on corporate performance management framework</p> <p>Workshop findings</p>	<ul style="list-style-type: none"> <li>➤ Finance and Performance Review: chaired by the chief executive, these meetings focus on individual services and involve close challenge of financial, performance and risk information. The rolling programme of F&amp;PR meetings ensures that each service is covered at least once a year, with ad-hoc meetings convened when necessary;</li> <li>➤ Directors Group: divisional directors consider service performance information every two months; and</li> <li>➤ Overview and Scrutiny Committee: led by elected members, this committee also reviews performance data.</li> <li>• The First Stat process in particular has achieved external recognition as innovative practice, and there are several examples of specific service improvements brought about through this medium. Conversations with key officers suggest that performance data is a factor in allocation resources, however more evidence would be required to support a score of 4 in this area.</li> <li>• The sample of performance reports reviewed tend to include basic year-end projections for key performance indicators, as well as some discussion around likely quartiles for CPA indicators.</li> <li>• The corporate KPI set includes key measures of customer satisfaction and the Council undertakes regular local satisfaction surveys, which inform Council priorities. However, there may be further scope for use of data on customer uptake of key services and complaints from the public.</li> </ul>	<p>governance is also used for day-to-day management of the organisation's business.</p> <ul style="list-style-type: none"> <li>• Performance information is regularly used to identify deviations from planned performance.</li> <li>• Reports are prepared on an exception basis so that areas where action are needed are clearly identified.</li> <li>• Members have available to them high-level information with which they can assess delivery of services in relation to agreed plans.</li> <li>• There is evidence that management action is taken to address service delivery issues identified by data returns and performance information</li> </ul>	

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
		reports. <ul style="list-style-type: none"> <li>Data is used not only to measure the volume of activity delivered, but also to assess the quality of the service provided.</li> </ul>	

Key line of enquiry	KLOE Score
5.2 The body has effective controls in place for data reporting	2

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
Self-assessment Interviews First stat presentations and actions Performance management plans Corporate plan CPO briefing note on	<ul style="list-style-type: none"> <li>The Council has a number of well-documented historical problems in relation to data quality, although in general it has a good track record of addressing these. The audit of 2005/6 CPA indicators is ongoing, although preliminary findings suggest that some specific problems remain.</li> <li>All Best Value Performance Indicators are provided to audit with comprehensive audit trails, although local indicators, as discussed in KLOE 3.1 above, are not defined or auditable at a corporate level.</li> <li>A variety of controls are in place to ensure data accuracy as described throughout this document.</li> <li>There is evidence to show that key performance information, for example</li> </ul>	<ul style="list-style-type: none"> <li>There is evidence that controls are exercised over data to verify its accuracy.</li> <li>Reported data is generally submitted on a timely basis.</li> <li>There is evidence that members and senior officers follow-up on</li> </ul>	<ul style="list-style-type: none"> <li>Address weaknesses in relation to corporate systems for collecting and reporting local performance information, specifically the development of audit trails for non-statutory performance indicators.</li> </ul>

Source of evidence	Findings	Conclusions	Improvements needed to move to next level
corporate performance management framework  Workshop findings	<p>the Council's best value performance plan (included as a technical appendix within the Corporate Plan) is subject to senior scrutiny and approval before publication.</p> <ul style="list-style-type: none"> <li>• In general, it appears that reported information is reported on a timely basis, although quarterly data is sometimes late, necessitating the use of draft or pre-approval data in corporate reports. Where this is the case, there is no evidence to show that management investigations are undertaken. Best Value Performance Indicators are generally submitted to audit within agreed timescales.</li> <li>• There is evidence to show that where data quality problems are identified with reported information, action is taken to address this and senior managers are proactive in driving improvements. Key examples of this include; <ul style="list-style-type: none"> <li>➤ Data cleansing of the HR and Payroll function;</li> <li>➤ Improvements in asset valuation records and processes; and</li> <li>➤ Extra resources made available for improvements to adult social services systems.</li> </ul> </li> </ul>	<p>action taken to address identified problems and to ensure that the action has been implemented effectively.</p>	

## Appendix C – List of specified PIs for audit

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### Best Value Performance Indicators

#### Environment

- Planning speed (BV109).
- Speed in fixing street lights (BV215).
- Percentage of pedestrian crossings with facilities for disabled people (BV165).
- Bus patronage (BV102).
- Recycling performance (BV82a).
- Composting performance (BV82b).

#### Housing

(applicable for both DMS and LSVT unless otherwise stated)

- Proportion of non decent homes (BV184a). DMS only.
- Average time in temporary accommodation: time in B&B (BV183a).
- Average time in temporary accommodation: hostels (BV183b).

### Non-BVPIs

#### Culture

- Assessment of users 16 and over of their library service (PLSS7).
- Stock turn – book issues per 1,000 population/books per 1,000 population (IPF).
- Stock level per 1,000 population (IPF).
- Cost per library visit (IPF).

#### Housing

(applicable for both DMS and LSVT unless otherwise stated)

- Average re-let times (HIP BPSA). DMS only.
- Percentage of planned to responsive repairs (HIP BPSA). DMS only.
- Service users who have moved on in a planned way from temporary living arrangements (KPI2).
- Percentage of total private sector homes vacant for more than six months (HIP HSSA).
- Repeat homelessness (HIP HSSA).
- Private sector unfit properties made fit (HIP HSSA).

## Appendix D – Dimensions of good quality data

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There are six dimensions of good quality data that is fit for purpose. These dimensions can be used by public bodies and their partners to assess the quality of their data and address potential weaknesses.

Dimension	
Accuracy	Data should be sufficiently accurate to present a fair picture of performance and enable informed decision-making at all appropriate levels. The need for accuracy must be balanced with the costs and effort of collection. A prerequisite is that definitions for data should be specific and unambiguous. The data must be at an appropriate level of detail to influence related management decisions, and must be within a reasonable margin of error.
Validity	Data should represent clearly and appropriately the intended result. Where proxy data is used, bodies must consider how well this data measures the intended result.
Reliability	Data should reflect stable and consistent data collection processes and analysis methods across collection points and over time, whether using manual or computer based systems or a combination. Managers and stakeholders should be confident that progress toward performance targets reflects real changes rather than variations in data collection methods.
Timeliness	Data must be available for the intended use within a reasonable time period. Data must be available frequently enough to influence the appropriate level of management decisions: for example, it may be appropriate to accept a small degree of inaccuracy where timeliness is important.
Relevance	The data reported should comprise the specific items of interest only. Sometimes definitions for data need to be modified to reflect changing circumstances in services and practices, to ensure that only relevant data of value to users is collected, analysed and used.
Completeness	All the relevant data should be recorded. Monitoring missing or invalid fields in a database can provide an indication of data quality and can also point to problems in the recoding of certain data items.

## Appendix 2: Action Plan

This Action Plan includes agreed management responses detailing all the areas for improvement highlighted by the External Auditors. The key actions were agreed with Robson Rhodes on 1 March 2007. The key areas for improvement in order to achieve Level 3 in our next data quality audit are:

- Data quality strategy
- Data Quality Policy
- Formal definition of corporate performance indicators
- Risk based inclusion of numerators and denominators on indicators
- Embedding Data Quality competency requirements
- Training
- The service specific actions detailed in Ref. 18 and 19 below

This action plan includes recommendations intended to assist the Council in achieving sufficient improvements to demonstrate compliance with the requirements of the next level within the Data Quality Overall Management Arrangements framework. Also the plan includes recommendations around those criteria considered as Level 4 within the framework. Where recommendations have been made relating to achieving Level 4 the Council should consider the costs and benefits of implementing procedures. Our priority system grades the most significant recommendations as priority 1.

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
KLOE 1.1: Governance and Leadership					

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
1	Accountability for data quality throughout the organisation should be clearly and formally defined and embedded within the corporate performance appraisal system (level 3)	3	Annual pre-audit checks on BVPIs and other key indicators are undertaken.	Resources Directorate	June 2007
			The council has committed to a Corporate Data Quality policy being written, agreed and promoted	All Non-Executive Directors	Sept 2007
			The policy will include corporate requirement for relevant officers to be appraised in accordance with Data Quality requirements.	All Non-Executive Directors	Sept 2007
KLOE 1.2: The body has clear data quality objectives					
2	Develop a formal strategy for data quality that covers all departments and functions, and is approved by senior management and members (level 3)	2	Corporate Data Quality policy to be cleared by Council Directors Group, Council Executive Group (includes all key partners) and Cabinet	Resources	Sept 2007
3	Develop an associated delivery plan with clearly identified actions, responsibilities and timescales to support improvement. This should be reflected in the corporate plan (level 3)	2	Enhanced Performance Management framework has been agreed by Council Directors Group and is the tool to challenge and support outturn as well as Data Quality.  Performance Management framework is summarised in the Corporate Plan	Resources Directorate	April 2007

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
KLOE 1.3: Arrangements for monitoring and securing data quality					
4	Develop a formal programme of data quality monitoring and review, which is proportionate to risk and reported to those charged with governance. This should include reporting on the accuracy of data supporting key performance indicators (level 3)	2	Areas selected for pre-audit checking by the Resources Directorate are chosen based on potential risk and impact. Key indicators are checked for completeness and accuracy including BVPIs and key indicators that contribute to external opinions/star ratings.	Resources Directorate	June 2007
			All Corporate Plan indicators are reported quarterly and feed into the corporate performance management framework.	Resources Directorate	Ongoing
			Services are responsible for regular monitoring of performance and data quality at senior management levels.	Non-Executive Directors	Ongoing
5	Ensure that corporate risk management arrangements, are used to make an assessment of the risks associated with unreliable and inaccurate performance information, and, linked to the outcome of this review, set out the actions to be taken by the Council in mitigation (levels 2)	3	Risk implications will be highlighted in the Data Quality Policy.	Resources Directorate	Sept 2007
			Data quality is to be incorporated into the corporate risk management arrangements.		Ongoing
KLOE 2.1: Policy for data quality					



Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
6	Develop an operational data quality policy which, as a minimum, sets out corporate standards in relation to the collection, recording, analysis and reporting of local performance information. Specifically, this should include the formal definition of all non-statutory key performance indicators, including the recording of calculation methods and location of audit trails (level 2)	1	Corporate Data Quality policy	Resources Directorate	Sept 2007
			Corporate Data Quality policy will set out standards for the collection, recording, analysis and reporting of local performance information, to be included in local/service specific operational data quality plans.	All Non-Executive Directors	April 2008
KLOE 2.2: Policies and procedures are followed by staff and applied consistently throughout the Council					
7	Linked to the recommendations under 2.1 above, the Council should ensure that this policy is effectively communicated to all relevant staff and followed up as appropriate to ensure compliance (level 2)	1	All relevant staff will be made aware of the policy.	Resources Directorate	Nov 2007
			Internal Audit Service have scheduled a review of service compliance with data quality requirements, where they will consider consistency across the council.	Resources Directorate	This has been scheduled as a quarter 3 project for 2007/08
KLOE 3.1: Performance systems					
8	Undertake regular reviews of performance reporting to ensure that outputs are timely, accurate, clear and in a format convenient to users (level 4)	Optional (level 4)	Corporate Plan Performance Indicators are reported and reviewed quarterly.	Resources Directorate	Ongoing
			We are reviewing the presentation of performance data and MI packs to be included in the 2007-08	Resources Directorate	Ongoing

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
			Corporate Performance Management framework.		
9	Ensure that staff are consulted in relation to any future developments to performance management systems (level 4)	Optional (level 4)	Relevant staff are consulted and agree any changes to Corporate Performance Management systems.  Eg, Council Director's Group, Budget and Policy Group and Cabinet Member for Policy and Performance have agreed the enhanced Performance Management framework.	Resources Directorate	Ongoing
<b>KLOE 3.2: Performance system controls</b>					
10	Improvements already implemented for 2006/7 will take the Council some way towards a three in this area. However there remains further scope for development of controls in data collection processes to minimise the potential for human error or manipulation and to prevent erroneous data entry, missing data and unauthorised data changes. Specifically;	3	Services required to enter data by agreed deadlines. Monitors are locked down one month after deadline so that data can not be changed retrospectively.	Resources Directorate	Ongoing
	<ul style="list-style-type: none"> <li>➤ corporate collection of numerators and denominators for local PIs, to facilitate arithmetic and consistency checking</li> <li>➤ development of process notes and detailed guidance for system users</li> <li>➤ clear definition of local indicators, including</li> </ul>		'Data Quality At a Glance' guidance notes for collection and reporting of performance data to be agreed and enforced with all performance leads.	Resources Directorate	March/April 2007
			Numerators and denominators are currently included in the audit sheet for the collection of	Resources Directorate	June 2007

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
	assessment of audit trails  (level 3)		BVPs. For 2006/7 data collection this will also include key indicators that contribute to external opinions/star ratings.		
			The key principles to follow will be in the Corporate Data Quality policy which will set out standards for the collection, recording, analysis and reporting of local performance information, to be included in local/service specific operational data quality plans.	Resources Directorate	Sept 2007
<b>KLOE 3.3: Performance system security and business continuity plans</b>					
11	The Council should provide evidence of regular testing of performance information systems to ensure that processes are secure (level 3)	3	<p>The monitors for the collection of performance indicators are kept on a separate drive and password protected. Each service can view data for all services but only enter data for their own service.</p> <p>Monitors are locked down one month after the deadline so that data can not be changed retrospectively by services.</p> <p>A back-up of the monitors is carried out regularly and kept in a separate drive not accessible to services.</p>	Resources Directorate	Implemented
12	The Council should identify all business-critical	2	Business critical performance information is	Resources	Ongoing

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
	performance information systems and develop procedure notes / manuals for the preparation of the relevant data. These should be reviewed and updated as appropriate. The audit commission KLOE descriptors stipulate that this should take place annually to achieve level 3 (level 2 and 3)		<p>detailed in the Corporate Plan and Key Priority Plans.</p> <p>Annual BVPI audit sheets are now electronic and ensure consistent best practice on data submission.</p> <p>Guidance notes for collection and reporting of performance data to be written and circulated to performance leads. These will be reviewed and updated annually.</p>	Directorate and Service Performance Leads	
<b>KLOE 3.4: Data sharing</b>					
13	Develop a formal set of quality requirements to be applied to all data used by the organisation which is shared externally, or which is provided by a third party organisation (level 3)	2	The corporate data quality policy and guidance will be promoted with key external partners and stakeholders. This will clarify shared ownership and accountability for data quality.	Resources Directorate	Sept 2007
14	<p>Develop protocols for sharing key data internally. An incomplete list of potential considerations includes;</p> <ul style="list-style-type: none"> <li>➤ Confidentiality and legality</li> <li>➤ Freedom of information and data protection implications</li> <li>➤ Assessment of data quality for the information shared</li> </ul>	3	Data sharing protocols will be included in the Corporate Data Quality Policy.	Resources Directorate	Sept 2007

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
	(level 3)				
<b>KLOE 4.1: Communication of data quality responsibilities</b>					
15	Ensure that responsibility for data quality (for example ownership of performance indicators or responsibility for key systems) is consistently reflected in job descriptions and that data quality targets are set in personal appraisals wherever appropriate (level 3)	2	The Corporate Data Quality Policy will set out the corporate requirement for relevant officers to be appraised in accordance with Data Quality requirements. This will also be fed into the local/service specific operational data quality plans.	Resources Directorate	Sept 2007
<b>KLOE 4.2: Data Quality training</b>					
16	Review the current level of provision of data quality training to assess its adequacy in the light of the findings of this review (level 2)	2	Data quality workshops to be set up in March on lessons learnt and preparation for this year's audit.  These workshops will form the baseline to determine the level of ongoing data quality training requirements.	Resources Directorate	March 2007
<b>KLOE 5.1: Use of data</b>					
17	Ensure that the Council is in a position to clearly demonstrate the ways in which performance information is actively and routinely used to support planning and allocation of resources (level 4)	Optional (level 4)	Performance data is routinely used to support planning and allocation of resources and the corporate model for this process is transparent. Service arrangements for effective use of data to	Resources Directorate	March 2008

Ref	Recommendation	Priority:	Management Response	Responsibility	Timescale
			forward plan will be tested and reported on.		
KPI2 – Service users who have moved on in a planned way from temporary living arrangements					
18	Ensure that all third-party suppliers are aware of and comply with the requirement to maintain appropriate records throughout the year in accordance with audit commission guidance. Where possible, ensure that this requirement is built into any contracts and / or service-level agreements that are in place.	1	All providers have been reminded of their responsibilities. A detailed audit of 2006/7 returns will take place in quarter one 2007/8. The requirement is explicit within all current contracts.	Assistant Director Health Partnership Adults	June 2007
BV215 – rectification of street lighting defects					
19	In conjunction with the Council's street lighting contractor, ensure that formal data quality checks are undertaken on third-party data, and that both the Council and the contractor use consistent calculation methods for this indicator in accordance with audit commission guidance	2	Agreed. The Contractor has installed a new contract management system. This includes a performance management reporting module. Calculation methods are as required by BV215a&b.  The street lighting division has agreed to perform periodic data quality checks to ensure data entered onto the system is timely and accurate. The Environment and Transport Performance and Development team will ensure checks are performed as agreed and will carry out an annual data quality audit prior to submission of year end BVPI returns to ensure robustness of PI including data quality checks.	Director of Environment and Transport	Ongoing

**AGENDA ITEM: 10**

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	<b>External Audit Report on Grants Submission Process</b>
Report of	Deputy Director for Resources & Chief Finance Officer
Summary	To consider the report from the external auditor on matters arising from the certification of the Council's grant claims.

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Officer Contributors	Jonathan Bunt, Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Grants Report (February 2007)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Jonathan Bunt, Head of Strategic Finance on 020 8359 7249

## **1. RECOMMENDATIONS**

- 1.1 That the matters raised by the external auditor relating to the grants submission and certification process be noted.**
- 1.2 That the officer response to the matters raised by the external auditors be noted.**
- 1.3 That the Committee consider whether there are any areas on which they require additional information or action.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 5 December 2006 (External Audit Report on Grants Submission Process)

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Corporate Plan includes an objective for a 'strong and supportive governance framework' within 'A Better Council for a Better Barnet'.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Failure to have a robust process for the collation and submission of grant claims can place the receipt of external funding, which the Council is entitled to and has budgeted for, at risk.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 It is essential that the Council meets all requirements in securing grants so as to secure funding for services which benefit the whole community.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 The grants submission process is the final stage in the process for receiving external funds from third parties. As noted above, where there are weaknesses in the systems for monitoring and claiming these monies, these funds are potentially at risk.
- 6.2 There are no specific staffing, ICT or property implications.

## **7. LEGAL ISSUES**

- 7.1 None.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to consider specific reports as agreed with the external auditor".



## 9. BACKGROUND INFORMATION

- 9.1 The Council receives substantial funds from external bodies that are used to support the delivery of its services. As part of the process of receiving these funds, the Council is required to submit periodic returns to the grant paying bodies which detail how the Council has utilised the monies received.
- 9.2 Under Audit Commission guidance, to provide assurance to the grant paying bodies, the Council's external auditor, RSM Robson Rhodes LLP, reviews and certifies all claims in excess of £50,000 after verifying that all the expenditure incurred by the Council qualifies under the terms of the grant.
- 9.3 In 2005/06 there were 20 claims certified that valued over £165 million.

	Financial Year 2003-04	Financial Year 2004-05	Financial Year 2005-06
<b>Number of claims certified</b>	42	23	<b>20</b>
<b>Value of claims certified</b>	£251,699,000	£156,236,669	<b>£165,235,976</b>

- 9.4 There were seven claims that were submitted late to the auditor in 2005/06 (seven in 2004/05) and there were five claims that were qualified (five in 2004/05). All of the claims that were qualified were due to either historic system issues (which the auditors have commented as potentially not cost effective to remedy) or a technicality in the certification instructions issued to auditors by the Audit Commission. The majority of the qualifications were largely out of the control of the Council and there was an improvement in the number of claims amended (8 claims in 2005/06 compared to 13 in 2004/05). Four of the amendments would be considered to be 'trifling' errors if they were to be viewed in an accounts and audit context.
- 9.5 All claims bar four (Housing Benefits, Housing Subsidy, Staff related inherited liabilities, Sure Start Local Programmes) were certified within the certification deadline. The Housing Subsidy claim was only delayed due to its relationship with Housing Benefits.
- 9.6 The table below summarises performance in 2005-06 against best practice targets:

Performance Target	Best Practice Target	Performance in 2003-4	Performance in 2004-05	Performance in 2005-06
<b>Claims submitted on time</b>	100%	40%	70%	<b>65%</b>
<b>Claims amended</b>	0%	45%	57%	<b>44%</b>
<b>Claims qualified</b>	0%	19%	22%	<b>25%</b>
<b>Net (over) under spend</b>	£000	£10,000	£8,000	<b>-£10,000</b>
<b>Certified within deadline</b>	100%	100%	100%	<b>80%</b>

- 9.7 Although the percentage for claims submitted late and those that were qualified have moved negatively against performance targets it should be noted that this has been due to the decrease in claims requiring certification, whilst the actual numbers are the same as 2004-05.

- 9.8 It should be noted that 2005-06 was a transition year with a changeover from LAFIS to SAP as part of the Modernising Core Systems (MCS) program. Improvements are expected in 2006-07, which will be the first full year of SAP, as a result of the improved controls and processes implemented.
- 9.9 The grant fee for 2005-06 was approximately £95,000, an increase in fees payable of £10,000. In the cases of the most significant increase in fees these claims were subject to delay as a result of information not being ready for the auditor and a number of amendments and other potential areas of qualification.
- 9.10 The Audit Commission have proposed to further reduce the burden on local authorities by increasing the de minimus and threshold limits which determine the level and scope of work required of auditors. They will no longer be required to perform any certification work on claims and returns under £100,000.
- 9.11 Appendix A is the report of the external auditor and incorporates the actions agreed by officers to the issues raised.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: MM  
CFO: JB

## APPENDIX A

### London Borough of Barnet

#### Grants Report

February 2007

## Contents

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# 1 Executive Summary

## Scope

- 1.1 RSM Robson Rhodes as the Council's auditors and acting as agents of the Audit Commission are required to certify the claims and returns submitted by the Council. This certification typically takes place some 6 - 9 months after the claim period and represents a final but important part of the process. This report summarises our overall assessment of the Council's management arrangements in respect of the final part of this process, however, does not cover grant bidding and administration arrangements.

## Background

- 1.2 The Council received 20 grants requiring certification from Government Departments and other bodies in 2005 -06, representing income for the Council in excess of £165 million; this is highlighted below with a comparison to the 2003 -04 and 2004 -05 financial years:

Table One: Number and value of certified claims

	Financial Year 2003 -04	Financial Year 2004 -05	Financial Year 2005 -06
<b>Number of claims certified</b>	42	23	20
<b>Value of claims certified</b>	251,699,000	156,236,669	165,235,976

## Overall conclusion

- 1.3 There have been some improvements in the quality of claims and returns submitted for certification, despite a change of accounting system part way through the 2005/06 financial year. However, there is scope for the Council to improve further in this area, particularly in respect of timely submission of claims and returns. More details have been included in section three and recommendations raised to help the Council achieve this in Appendix A.
- 1.4 We would note that we only presented our 2004/05 claims report to the Audit Committee December 2006 and the Council has had relatively little time to address some of the issues raised in that report. The action plan at the end of this report takes on board all the outstanding recommendations as appropriate. Overall its worth noting that there has been an improvement in quality and a major reduction in audit fees since we first certified grants at Barnet in 2002/03.
- 1.5 There were seven claims that were submitted late to the auditor in 2005/06 (seven in 2004/05). There were five claims that were qualified in 2005/06 (five in 2004/05). All of these claims were qualified due to

- either historic system issues or a technicality in the certification instructions issued to auditors by the Audit Commission.
- 1.6 Details of which claims were qualified and the reasons for them are noted in Section Three and Appendix B.
- 1.7 It should be noted that the majority these qualifications are largely out of the control of the Council. Also, it has to be considered in the context that certification requirements now only apply to the larger and more complex claims where the risk of error is higher.
- 1.8 Amendments were noted for eight claims in 2005/06 (13 in 2004/05). A list of the values of amendments has been included in Appendix C, where it is noted that the amendments for four of these eight claims, would be considered to be 'trifling' errors in an accounts audit context. The financial impact of the housing subsidy base data return ('HOU02') and housing revenue account subsidy ('HOU01') cannot be quantified once certified, but the Department for Communities and Local Government would calculate the financial impact on the Council.
- 1.9 There were more significant amendments arising from the National non-domestic rates claim ('LA01') as a result of a miscalculation of the losses on collection, and the Teachers Pensions Return ('PEN05'). There were a number of amendments on the PEN05 return, the most significant of which was payment of arrears being included on the return, which was not permitted by the Audit Commission certification instruction.
- 1.10 Overall the grant fee for 2005/06 was approximately £95,000, with a further two claims and returns to be billed. This represents an increase in fees payable of £10,000 based on comparative information for last year. The most significant increases have been in Housing and Council Tax Benefits subsidy ('BEN01'), Housing Subsidy Base Data Return ('HOU02') and Teachers Pensions returns ('PEN05'). In all cases the certification of these claims were subject to delay as a result of information not being ready for the auditor and a number of amendments and other potential areas of qualification, which required more manager and appointed auditor time to resolve. These discussions resulted in delays to the certification of the Housing Benefits and Housing Subsidy claim but resolution of these issues meant that there was no financial impact on the certified claims.
- 1.11 The table below summarises performance in 2005-06 against best practice targets:

Table Two: Performance against best practice targets

Performance Target	Best Practice Target	Performance in 2003-04	Performance in 2004-05	Performance in 2005-06
<b>Claims sub on time</b>	100%	40%	70%	<b>65%</b>
<b>Claims amended (Note 1)</b>	0%	45%	57%	<b>44%</b>
<b>Claims qualified (Note 1)</b>	0%	19%	22%	<b>25%</b>
<b>Net (over) under spend</b>	£000	£10,000	£8,000	<b>£-10,000</b>
<b>Certified within Audit Commission deadline</b>	100%	100%	100%	<b>80%</b>

Performance Target	Best Practice Target	Performance in 2003-04	Performance in 2004-05	Performance in 2005-06
(Note 2)				

**Note 1:** Figures for claims amended and qualified exclude the two claims to be completed.

**Note 2:** Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

1.12 The overall performance shown in table two identifies that the Council still has some work to do in respect of back end grant procedures and that further work is required to achieve the best practice seen in some higher performing councils in this area. We do however, recognise that some of these targets may be very challenging to achieve. To help the Council achieve this we have raised a number of recommendations in Appendix A.

1.13 The challenges presented by the above performance are likely to be further complicated by the impact of the following in the short term:

- Staffing changes within the accounts department which have had an impact on the number of claims and returns;
- Due to the Council achieving a '3 star' rating in the latest corporate assessment the amount of claims and returns that are required to be certified may fall for 2006-07; and
- Audit Commission changes in the de minimus and threshold limits for grant claims and returns as further explained in section four below.

## Acknowledgements

1.14 We would like to take this opportunity to thank the Chief Finance Officer and his team for their help and support during the course of the certification process.

RSM Robson Rhodes LLP

February 2007

## 2 Approach and context

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### Introduction

- 2.1 In carrying out work in relation to government grant claims and other returns, RSM Robson Rhodes as the Council's Appointed Auditor are acting as agents of the Audit Commission, on behalf of the grant paying body.
- 2.2 The work that we are required to undertake in respect of each claim is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussions with the grant paying body. Each Certification Instruction details a programme of work which we are required to follow, this programme of work is split into two areas, firstly an overall risk assessment of the control environment in place for the particular claim or return in question and then a series of specific detailed tests.
- 2.3 Following the introduction of the Audit Commissions think piece entitled 'Reducing the Burden' the risk assessment of the overall control environment (referred to above) is clearly linked with the resulting volume of specific detailed tests, which we are required to perform on all claims and returns with eligible expenditure over £100,000.
- 2.4 We are no longer required (nor are we able to) perform any certification work on claims and returns under £50,000 and are required to perform only minimal procedures on those between £50,000 and £100,000.
- 2.5 For those claims and returns where a risk assessment is required we consider (amongst others) the following factors:
- The size and complexity of the claim and the relevance of each test to transactions at the Council;
  - The history of the claim at the Council and whether there had been any significant issues or concerns;
  - The quality of working papers produced by the Council to support entries on the claim; and
  - The extent to which Internal Audit has been used to verify entries in the claim and the extent to which we are able to rely on that work.
- 2.6 Where little or no reliance can be placed on the control environment then we would undertake detailed testing on each grant claim. For grant claims where reliance can be placed on the control environment then less detailed testing can be undertaken. This level of testing would be consistent with testing undertaken on claims between £50,000 and £100,000, and is very much a 'light touch' approach.
- 2.7 There are clearly fee implications for the Council under 'Reducing the Burden' as smaller fees would be expected on those claims and returns where we are satisfied that the Council can demonstrate a strong control environment.



- 2.8 'Reducing the burden' has not yet had an impact on fees in 2005-06, due to the control weaknesses noted elsewhere in this report. We would have expected a reduction in fees as a result of 'Reducing the burden', especially as central government departments are less inclined to issue a certification requirement on some smaller claims and returns, which has resulted in a smaller number of claims and returns being certified.

## Roles and Responsibilities

- 2.9 The following table briefly details the roles and responsibilities of the parties involved in the certification of claims and returns:

Table three: Summary of respective roles and responsibilities

Party	Roles & Responsibilities
Audit Commission	Issue instructions for audit verification and sets deadlines for submission and certification.
Appointed Auditor	Certify claims submitted in accordance with Audit Commission Instructions and within certification deadlines.
Council	Submit claims for certification to the Appointed Auditors within Audit Commission submission deadlines.

## Scope

- 2.10 The scope of this report covers our assessment of the Council's arrangements for the submission of grant claims for audit purposes. It has not covered the overall arrangements put in place by the Council to:
- Ensure that it makes a claim for every area of eligible expenditure;
  - Maximise grant income received;
  - Commit resources to manage the grant income cash-flow in an effective manner; and
  - Performance manage both internal staff and third parties charged with these responsibilities.

## 3 Summary of findings

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### Grants history at the Council

- 3.1 The value and volume of claims at the Council is historically large reflecting the range of grant receiving services provided by the Council. The most significant claims are:
- Housing & Council Tax Benefits Scheme;
  - Housing subsidy claims and returns; and
  - National Non-domestic Rates.
- 3.2 Based on our previous certification work and Audit Commission notifications we were able to accurately identify the grant claims and returns requiring certification in 2005–06. We identified a total of 20 grant claims and returns to be certified.

### Internal Audit

- 3.3 Historically, the Annual Audit Plan issued by Internal Audit has not specifically covered the grant scheme process. As a result, we planned to place no direct reliance on the work of Internal Audit.
- 3.4 Any arrangements between Internal Audit and ourselves with regards to certification work going forward would need to be built into our 2006-07 Grants Plan and we will revisit this after the completion of the 2005 -06 certification process.

### Performance in 2005-06

- 3.5 Overall, the Council's arrangements for the timely and accurate submission of grant claims leaves some room for improvement, however, considering that the Council changed financial systems part way through the 2005/06 financial year, the Council's performance against key best practice targets has not significantly deteriorated, and in some areas, has improved. The table overleaf summarises performance against best practice targets:

Table four: Comparison of performance in 2005-06 with previous years

Performance Target	Best Practice Target	Performance in 2003-04	Performance in 2004-05	Performance in 2005-06
<b>Claims sub on time</b>	100%	40%	70%	<b>65%</b>
<b>Claims amended (Note 1)</b>	0%	45%	57%	<b>44%</b>
<b>Claims qualified (Note 1)</b>	0%	19%	22%	<b>25%</b>
<b>Net (over) under spend</b>	£000	£10,000	£8,000	<b>£-10,000</b>
<b>Certified within Audit Commission deadline (Note 2)</b>	100%	100%	100%	<b>80%</b>

**Note 1:** Figures for claims amended and qualified exclude the two claims to be completed.

**Note 2:** Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

3.6 Managing the grant claims and returns process presents a significant challenge for all large authorities due to the volume and diversity of both the claims themselves and also the officers involved in the administration of the process. It is therefore relatively difficult for any authorities to meet all the best practice targets in this area.

3.7 The Council has shown improvement in a number of areas. The areas where further improvement should be made are in the accuracy and timeliness of claims being submitted for certification.

3.8 Taking each target in turn:

- **Claims submitted on time:** The Council has scope for improvement in submitting grant claims and returns on time to the auditors, as 65% of all claims and returns were submitted to the auditor on time. There is a risk of late certification should grant claims and returns not be submitted on time to the auditor. Late certification can lead to the grant paying body withholding or withdrawing funding. An analysis of which claims and returns were submitted on time is given in Appendix B to this report;
- **Claims amended:** Grant claims and returns are amended as and when errors or omissions are found during the course of the certification process. Although some minor human errors are inevitable whilst compiling claims and returns, and that the Council has improved its performance in this area, we would expect to have to amend less than 44% of claims and returns. However, we do accept that a number of these amendments were minor in value, however there were significant amendments arising from the National non-domestic rates claim ('LA01') as a result of a miscalculation of the losses on collection, and the Teachers Pensions Return ('PEN05'). There were a number of amendments on the PEN05 return, the most significant of which was payment of arrears being included on the return, which was not permitted by the Audit Commission certification

instruction. An analysis of the other claims and returns that were amended is given in Appendix C to this report;

- **Claims qualified:** We note that we qualified five grant claims and returns in 2005-06. We are required to qualify whenever we feel that based on the certification work which we have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is actually correct. Government departments are entitled to either withhold or withdraw payment to the Council of any monies which they feel, based on our qualification letters, are not adequately supported. Firstly, the Teachers Pay grant claim ('EDU29') was qualified as a result of a historic weakness in the ability of the Council to check externally provided payroll data. This claim has been qualified every year that we have been auditors of the Council for this same reason, as external payroll providers do not provide corroborative data for fear of breaching the Data Protection Act 1998. Secondly, the housing subsidy base data return ('HOU02') was qualified for three reasons. These were a lack of information on HRA premiums, which was subsequently provided and verified, differences noted in testing of classification of dwelling archetypes and a historic qualification issue as a result of the certification instruction definition of long term leases, whereas the Council has a continual rolling six monthly lease for HRA properties rented from Transport for London. Thirdly, the National Non-Domestic Rates Return ('LA01') was qualified as a result of Audit Commission direction, which meant that all LA01 returns were qualified. Finally, the Teachers Pensions return ('PEN05') was qualified due to a weakness in the control to check contributions from part time and supply teachers; Housing Benefits (BEN01) was qualified in some relatively minor respects related rent officer referrals and extended payments.
- **Total of net fee over-runs:** Even with the introduction of the Audit Commission's 'Reducing the Burden' think piece, grant certification remains a significant element of the Council's non-code Audit and Inspection fee. Overall the grant fee for 2005/06 was approximately £95,000, with a further two claims and returns to be billed. This represents an increase in fees payable of £10,000 based on comparative information for last year. The most significant increases have been in Housing and Council Tax Benefits subsidy ('BEN01'), Housing Subsidy Base Data Return ('HOU02') and Teachers Pensions returns ('PEN05'). In all cases the certification of these claims were subject to delay as a result of information not being ready for the auditor and a vast number of amendments and potential qualification issue, which required more manager and appointed auditor time to resolve. Appendix D to this report shows details of fees for grants and returns certified for 2005/06 and the equivalent grants billed in 2004/05.
- **Certified within the Audit Commission's deadline:** As the Council's auditors we are required to certify all claims and returns within 12 weeks of receipt of both the claim and a full set of supporting working papers. We are also required to report to the Audit Commission the reasons behind any claims and returns being certified past the statutory deadlines. It should be noted that it is the Council's responsibility to ensure that all statutory deadlines are met. This year we were able to certify all schemes bar four, being Housing Benefits ("BEN01") and Housing Subsidy (HOU1)(the latter only being delayed because of its direct relationship with the former) Staff related inherited liabilities ('PEN04') Sure Start Local Programmes ('EYC08') within the certification deadline

3.9 To summarise, the most significant issues arising from our review are:

- Improvements made in respect of the timely submission of claims and returns;
- A reduction in the number of claims being amended and qualified. It was noted that qualifications have largely arisen as a result of technicalities of the certification instruction, or through historic system weaknesses, which appear not to be cost effective to remedy; and
- Significant over runs have been noted on a small number of claims and returns as well as two claims and returns, still to be finalised.

3.10 Recommendations have been made in Appendix A, to help the Council to improve the accuracy of grant claims and returns submitted for certification.

### Wider implications and the way forward

3.11 Amendments made to claims and returns can lead to repayment of funds to grant paying bodies, and perhaps reduced entitlement to grant funding in future years. Therefore, we would recommend that the Council take steps to reduce the number of amended claims in future years.

3.12 This report has only covered the 'back-end' arrangements in respect of grant claims but weaknesses in this part of the process are often indicative of structural weaknesses from the beginning of the grant claims process. Although there are a limited number and value of grant claim funding eligible for district councils the following are areas where the Council may consider looking at:

- Claims are made for every area of eligible expenditure (subject of course to compliance with Council priorities and duties);
- Resources are committed to manage the grant income and cash-flow in an effective manner; and
- Suitable performance management arrangements are in place for both internal staff and third parties, charged with these responsibilities. We would stress that it is the Council's responsibility to ensure that third parties charged with management of grant funding comply with the conditions of the grant.

3.13 In section four we have provided details of the Audit Commission's proposed arrangements, which should lead to a reduced amount of grants and returns being certified, and a reduced fee paid for certifying grant claims and returns.

### Modernising Core Systems

3.14 We noted that the go-live date of the SAP system is part way through the 2005-06 financial year, and therefore the risks around ensuring the complete and accurate transfer of all relevant data are increased. However we have completed the audit of the 2005 -06 Statement of Accounts, and issued an unqualified opinion on these accounts. Our work to date on the 2005 -06 grant claims and return certification process does not suggest that there are major concerns arising out of the change of system on this process.

## Staff Changes

- 3.15 Firstly, we have been informed that Ade Olagbaju is to be the lead audit contact for grant claims and returns in 2006/07. We are pleased to note that the Council has implemented our recommendation in the 2004/05 grants report to appoint a grants co-ordinator. The grants co-ordinator has been in contact with the audit manager for grants to obtain copies of auditor certification instructions and we hope that a successful partnership can be made with the grants co-ordinator to improve performance against best practice targets.
- 3.16 Secondly, we noted that in 2005-06 there has been changes in the finance contacts for a variety of grant claims and returns. This does increase the risk of error and delay in the certification process due to there being different people involved in the preparation of the claims and returns and the certification of those claims and returns. This is an unavoidable consequence of the re-organisation that the Council has undertaken. However, we would note that the period after the 2005 -06 certification process would be an appropriate opportunity for training to be provided to officers with responsibility for certifying grant claims and returns.

## 4 Changes to grant certification arrangements in 2006-07

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- 4.1 The Audit Commission have proposed to further reduce the burden on local authorities by increasing the de minimus and threshold limits which determine the level and scope of work that auditors are required to do when certifying grant claims and returns.
- 4.2 We are no longer required (nor are we able to) perform any certification work on claims and returns under £100,000 and are required to perform only minimal procedures on those between £100,000 and £500,000.
- 4.3 For those claims and returns where a risk assessment is required we consider (amongst others) the following factors:
- The size and complexity of the claim and the relevance of each test to transactions at the Council;
  - The history of the claim at the Council and whether there had been any significant issues or concerns;
  - The quality of working papers produced by the Council to support entries on the claim; and
  - The extent to which Internal Audit has been used to verify entries in the claim and the extent to which we are able to rely on that work.
- 4.4 Where little or no reliance can be placed on the control environment then we would undertake detailed testing on each grant claim. For grant claims where reliance can be placed on the control environment then less detailed testing can be undertaken. This level of testing would be consistent with testing undertaken on claims between £100,000 and £500,000, and is very much a 'light touch' approach.
- 4.5 Assuming that there this limited change to the amount of work that we need to do on individual grant claims and returns and no significant changes in eligible expenditure, then we would expect 14 claims and returns to have eligible expenditure of over £500,000 in 2006-07.
- 4.6 Limited testing would be required on the following claims, which we could complete as an office-based exercise, as all the information could be faxed or e-mailed over to us.
- HC09 – AIDS Support
  - HOU11 – Discretionary Housing Payments
  - LA13 – London Recycling Fund
  - PEN05 – Teachers' Pensions Return (Woodhouse only)
  - SOC08 - Improving Information Management Capital Grant

- 4.7 The two claims (being EDU29 and SOC13) where we completed limited testing in 2005/06, would both fall below the de minimus limit in 2006/07, and therefore no certification procedures would be undertaken on either of these claims.
- 4.8 Due to the Council achieving a '3 star' rating in the latest corporate assessment the amount of claims and returns that are required to be certified may fall for 2006-07. This has not been taken into account in the analysis above, but could result in a significant reduction in the number of claims and returns that are subject to auditor certification.
- 4.9 Therefore we would expect reduced fees for grants and returns in 2006-07 as a result of these revised arrangements.
- 4.10 Finally, it is likely that the certification deadline for the LA01 claim will be aligned with the accounts signing deadline of 30 September 2007. The DWP have already given notification that the deadline for the 2006-07 BEN01 will be 30 November 2007.



## Appendix A – Action Plan

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
Arrangements for managing and administering grant schemes					
1	All working papers should be reconciled back to the claim or return, prior to the claim or return being signed by the Chief Finance Officer.	1	Agreed. To be reinforced at officer training sessions.	Lead officer for each claim	Immediate
2	Arithmetic checks should be undertaken on the claim or return to ensure that transposition or other calculation errors are identified prior to certification.	2	Agreed. To be reinforced at officer training sessions.	Lead officer for each claim	Immediate
3	We recommend that a more senior officer, who is independent of the preparation process, review claims and returns. This review should be documented.	2	Agreed. Forms part of the grants co-ordinator role.	Finance Manager – Closing & Compliance	Immediate
4	A regular review should be undertaken of the claim or return against the grant terms and conditions to ensure that the Council is complying with these terms and conditions.	2	Agreed. To be reinforced at officer training sessions.	Lead officer for each claim	Immediate

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
5	<p>We recommend (as we did in the prior year) that the Council carries out or commissions a review to ensure that:</p> <ul style="list-style-type: none"> <li>• Claims are made for every area of eligible expenditure (subject of course to compliance with Council priorities and duties);</li> <li>• Resources are committed to manage the grant income and cash-flow in an effective manner; and</li> <li>• Suitable performance management arrangements are in place for both internal staff and third parties, charged with these responsibilities. We would stress that it is the Council's responsibility to ensure that third parties charged with management of grant funding comply with the conditions of the grant.</li> </ul>	2	<p>The responsibility for identifying suitable grants to apply for sits with Directors and service managers.</p> <p>Directors and service managers are required to inform the Chief Finance Officer of the timing of major items of income and expenditure.</p> <p>Agreements are in place with some third parties for the requisite supporting and management information. Areas where this does not occur need to be identified and the best practice arrangements extended.</p>	Finance Manager – Closing & Compliance	April 2007
6	As there are officers now responsible for grant claims and returns without prior experience and training in the preparation of claims and returns for audit, the Council should provide training on the certification process.	2	Agreed. Training to be programmed prior to the next round of grant claims.	Finance Manager – Closing & Compliance	April 2007

## Appendix B - Claims and returns submitted on time

CI ref.	Claim	Claim received on time
		Yes - No
BEN01	Housing Benefit & Council Tax Benefit Subsidy	No
CFB06	Pooling of Housing Capital Receipts	No
EDU29	Teachers Pay Grants	Yes
EDU33	Education Special Grants	Yes
EYC02	General Sure Start	No
EYC06	Children's Fund	Yes
EYC08	Sure Start local programmes	No
HC08	Mental Health grant	Yes
HC09	AIDS Support grant	Yes
HOU01	Housing Revenue Account Subsidy	Yes
HOU02	Housing Subsidy Base Data Return	Yes
HOU11	Discretionary housing payments	No
HOU21	Disabled Facilities grant	Yes
LA01	National non-domestic rates return	No
LA13	London Recycling Fund	Yes
PEN04	Staff related inherited liabilities	Yes
PEN05	Teachers Pension return (x3)	Yes
SOC08	Improving Information Management Capital Grant	No
SOC13	Teenage Pregnancy Grant	Yes
SOC31	Quality Protects grant	Yes

## Appendix C – Claims and returns certified during 2005-06

<b><u>Grant Claim</u></b>	<b><u>Grant Title</u></b>	<b><u>Value of claim</u></b>	<b><u>Amended</u></b>	<b><u>Value of Amendment (£) (Note 1)</u></b>	<b><u>Qualified</u></b>
BEN01	Housing Benefit & Council Tax Benefit Subsidy	152,229,423	✓	-2,691	✓
CFB06	Pooling of Housing Capital Receipts	6,258,328	✓	-14,329	
EDU29	Teachers Pay Grants	84,436		N/a	✓
EDU33	Education Special Grants	5,437,180		N/a	
EYC02	General Sure Start	2,481,238		N/a	
EYC06	Children's Fund	665,587		N/a	
EYC08	Sure Start local programmes	676,191		Note 2	
HC08	Mental Health grant	845,569		N/a	
HC09	AIDS Support grant	272,900		N/a	
HOU01	Housing Revenue Account Subsidy	-8,491,999	✓	Note 3	
HOU02	Housing Subsidy Base Data Return	N/a	✓	Note 3	✓
HOU11	Discretionary housing payments	226,087		N/a	
HOU21	Disabled Facilities grant	666,000	✓	Note 4	
LA01	National non-domestic rates return	79,252,458	✓	717,461	✓
LA13	London Recycling Fund	381,942		N/a	
PEN04	Staff related inherited liabilities	1,087,019		Note 2	
PEN05	Teachers Pension return (x3)	17,767,111	✓	-382,410 Note 5	✓
SOC08	Improving Information Management Capital	451,415		N/a	
SOC13	Teenage Pregnancy Grant	90,243		N/a	
SOC31	Quality Protects grant	727,765	✓	-334	

Notes to this table have been documented overleaf.

Note 1 – A positive number relates to an increase in the amount receivable/decrease in the amount payable. A negative number relates to a decrease in the amount receivable/increase in the amount payable.

Note 2 – The certification of these grants and returns have yet to be completed.

Note 3 - The financial impact of amendments to these two claims are not obvious to the auditor. The amendments to the HOU01 may have a financial impact as the amount of subsidy repayable may require adjustment. The HOU02 return amendments will have an impact on the housing revenue account subsidy payable in 2007/08.

Note 4 – Amendments were required to the claim form, but these did not have a financial impact.

Note 5 – One of the three claims was amended. This was the main claim.

## Appendix D – Fee analysis against previous years

Billed	CI ref.	Claim	Total fee (Current Year)	Total fee (Prior Year)	Variance (Fav/Adv)
<b>Sept 2006</b>	CFB06	Pooling of Capital Housing Receipts	3,480	4,255	745
	EDU29	Teachers Pay Grants	810	7,329	6,519
	EYC06	Children's Fund	3,330	5,060	1,730
	HOU11	Discretionary Housing Payments	1,440	1,783	343
	PEN05	Teachers' Pensions Returns (x3)	7,440	4,198	-3,242
	SOC13	Teenage Pregnancy Grant	810	1,524	714
<b>Oct 2006</b>	EDU33	Education Special Grants	1,860	1,210	-650
	EYC02	General Sure Start Grant	3,660	5,578	1,918
	HOU02	Housing Subsidy Base Data Return	12,540	5,520	-7,020
	LA01	NNDR3 return	11,160	12,679	1,519
<b>Dec 2006</b>	BEN01	Housing and Council tax benefits	25,800	18,285	-7,515
	HC08	Mental Health Grant	3,540	1,380	-2,160
	HC09	AIDS Support grant	1,920	3,795	1,875
	HOU01	Housing Revenue Account Subsidy	5,340	3,105	-2,235
	HOU02	Housing Subsidy Base Data Return (Note 1)	270	0	-270
	HOU21	Disabled Facilities Grants	5,490	4,428	-1,062
	LA13	London Recycling Fund	3,060	1,610	-1,450
	SOC08	Improving Information Management grant	1,410	1,438	28
	SOC31	Quality Protects	1,260	1,380	120
<b>Total – see Notes 2 and 3</b>			<b>94,620</b>	<b>84,557</b>	<b>-10,063</b>

Note 1 - The DCLG required us to undertake some additional work on the HOU02 claim to clear one of the qualification points, raised in our certification work in October.

Note 2 – No fee has been charged for two claims in 2006, as certification work is yet to be completed.

Note 3 – The total fee for grants in 2004/05 was £109,250. The difference is due to the Sure Start local projects (£11,558) and Staff related inherited liabilities (£3,450) not being included on the prior year fee analysis as the current year certification is not yet complete and schemes discontinued in 2005/06.

## AGENDA ITEM: 11

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Meeting	Audit Committee
Date	20 March 2007
Subject	<b>2006/7 Internal Audit Annual Plan</b>
Report of	Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to consider the Internal Audit annual plan for 2007/8.

Officer Contributors	Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: 2007/8 Internal Audit Draft Annual Plan
For decision by	Audit Committee
Function of	Council
Reason for urgency/ exemption from call-in (if appropriate)	Not applicable
Contact for further information	Michael Bradley, Head of Internal Audit and Ethical Governance, Tel No 0208 359 7151



## **1. RECOMMENDATIONS**

- 1.1 That the Audit Committee approve the Draft 2007/8 Internal Audit Annual Plan.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 None.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Council is 'committed to managing the Council efficiently, getting the best value for money and investing in services that matter most to our residents.' (Corporate Plan).
- 3.2 Each audit project has been mapped to the corporate priority it supports.
- 3.3 The cross-cutting priority of a 'Better Council for a Better Barnet' sets out how the council will continuously improve the way it works to deliver its priorities and become an excellent organisation. A key element of this is the need for a 'strong and supporting governance framework'. Delivery of this plan will contribute to this aim.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The purpose of this report is to seek approval for the annual Internal Audit plan for 2007/8. This plan should focus audit resources on the highest risk areas facing the organisation.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The Audit Plan will support the council in meeting its corporate priorities and promoting community choice. The work scheduled in quarter 3 to examine data quality will assist the council in planning service improvements to disabled residents. This work will also support the council in meeting its public duty to promote disability equality.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 None directly as a result of this report but addressing the risks identified by internal audit reports may require additional resources.

## **7. LEGAL ISSUES**

- 7.1 None.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "Satisfying the Council that the internal auditor carries out sufficient systematic reviews of the internal control arrangements, both operational (relating to effectiveness, efficiency and economy) and financial".

## **9. BACKGROUND INFORMATION**

### 2007/8 Draft Annual Audit plan

- 9.1 Attached as an Appendix A to this report is a draft annual audit plan for 2007/8 prepared by the Head of Audit and Ethical Governance after a detailed risk assessment of the Council's systems and consultation with key stakeholders. The audit plan for 2007/8 is presented to the Committee for comment and approval.
- 9.2 The Committee should be satisfied that it can make an appropriate assessment of the internal control environment based on the programme of work outlined in Appendix A.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: JEL

CFO: CM

## **Appendix A**

London Borough of Barnet

Internal Audit Service

Draft Audit Plan 2007 - 2008

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## **Internal Audit Services 2007-2008 Audit Plan**

### Introduction

#### **Background**

The Council has a statutory duty to maintain an adequate and effective internal audit function. The Internal Audit unit provides this function.

Our primary objective is to offer the Council (via the Audit Committee) and Chief Executive an independent and objective appraisal of whether objectives are being met efficiently, effectively and economically. We also provide advice and guidance to management on risk and control issues within individual systems. We aim to achieve this through a planned programme of work based on an annual assessment of the major risks facing the authority.

#### **External Audit**

The council's External Auditors, Robson Rhodes, verify the accuracy of the Council's annual financial statements and review the systems in place to support their production. In order to work towards a managed audit approach, we meet regularly with the external auditors to ensure that we plan our work effectively, minimise any duplication of work and ensure that we satisfy the statutory audit requirements.

#### **Internal Audit Performance Standards**

Although there are no national performance indicators for Internal Audit, we are continuing our efforts to improve our service to managers. We have a suite of local performance indicators which are approved and monitored by the Audit Committee.

#### **Internal Audit Resources**

The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account the available resources within the section. We will be working jointly with our audit partners to deliver the annual plan.

#### **Follow-up audits**

All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. The timing of each follow up review is agreed with the client for the original audit. We report to the Audit Committee summary findings of all internal audit work as well as levels of implementation of agreed actions and the impact that this has on our risk assessment of that area.

## **Assurance Levels**

All internal audit projects result in a statement of assurance of either 'satisfactory', 'limited' or 'no' assurance. These conclusions are based on the number of 'priority 1' risks identified in the report - this indicates that, in the auditor's opinion, there is significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity will not be prevented or detected.

## **Deferrals**

Occasionally it is necessary to defer (or sometimes delete) audits which have been included in the agreed plan. To ensure that audit resources are maximised we have introduced a short 'substitute list' of audits to be included when audits are 'dropped' from this plan.

## The 2007-2008 Internal Audit plan

*Key denoting the Corporate Priorities:*

*BFCYP = A Bright Future for Children and Young People*

*SV = Supporting the Vulnerable*

*CGS = Clean, Green and Safe*

*SS = A Successful Suburb*

*SH = Strong and Healthy*

### COMMUNITIES

#### Children's' Service

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Primary Schools Capital Investment Programme (PSCIP)	Project work to provide advice and guidance to the PSCIP Project on risk management and control aspects. To include a follow-up of work carried out in 2006-7.	DoCS	Ongoing	BFCYP, SH
Human Resources Traded Service	Terms of reference agreed but no request for input.	DoCS	Ongoing	BFCYP
ICS (Integrated Children's Service)	Ongoing work to provide assurance that control processes are being designed and implemented to mitigate risks in key areas of the project implementation.	DoCS	Ongoing	

Children's Act Complaints	Full audit to review the arrangements in place to comply with the specific requirements in the Children's Act in this area.	DoCS	2	BFCYP
Child Protection	Systems audit deferred from 2006-7. A systems to ensure that the needs of children are met through effective review, case planning and monitoring of improved outcomes.	DoCS	2	BFCYP
Development and Consultancy	Follow-up of 2006-7 audit work	DoCS	1	BFCYP
Asset Management (School Buildings)	Follow-up of 2006-7 audit work	DoCS	3	BFCYP
Catering Services	Follow-up of 2006-7 audit work	DoCS	3	BFCYP, SH
SEN Budget and Contract	Follow-up of 2006-7 audit work	DoCS	3	BFCYP, STV
Stock Procurement (Libraries)	Follow-up of 2006-7 audit work	DoCS	3	BFCYP
Management Information Arrangements in Youth and Early Years	Follow-up of 2006-7 audit work	DoCS	3	BFCYP



Looked after Children and Fostering	Follow up of 2006-7 audit work	DoCS	4	BFCYP, STV
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## Adult Social Services

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Review of Adult Social Services Assessment & Income, Welfare Rights, Protection of Property and Receivership, Income and Debt Management	Project – Internal Audit will provide input to this project and be represented on the Project Board.	Director of Adult Social Services	1	STV
Electronic Single Assessment Process	Project – Internal Audit will provide input into the on-going development of the Electronic Single Assessment Process. To include a follow-up of work carried out in 2006-7.	Director of Adult Social Services	Ongoing	STV

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Procurement	Project – Internal Audit will provide input (focusing on risk and control) into the development of this area to ensure that the objectives and outcomes as envisaged by the Core Remodelling Programme will be delivered efficiently, effectively and economically.	Director of Adult Social Services	1	STV
Contract Management	As above	Director of Adult Social Services	1	STV
Commissioning	As above	Director of Adult Social Services	1	STV
Financial Management	As above	Director of Adult Social Services	1	STV
Brokerage	As above	Director of Adult Social Services	1	STV
Business Continuity	Project – Internal Audit will contribute to the developing processes for ensuring that there are adequate business continuity arrangements within the service to respond to emergencies such as the potential of a Flu Pandemic.	Director of Adult Social Services	1	STV
Individual Budgets	Project – Internal Audit will contribute to the developing processes for ensuring that there are adequate business processes to enable vulnerable people to manage their own care arrangements through individual budgets, thereby enabling independence and greater choice for e.g. homecare, day-care, meals on wheels, employment of personal assistants.	Director of Adult Social Services	1	STV

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Respite Care	Key Control – A review of the Respite Care Credit Scheme (RCCS) to ensure that effective processes are in place which enables service users or their carers, to arrange their own respite care directly with the residential or nursing home of their choice.	Director of Adult Social Services	3	STV
Data Quality (BVPI)	<p>A review of the performance indicators for the service including the following:</p> <ul style="list-style-type: none"> <li>• Number of direct payments for adults (PAF C51)</li> <li>• Number of direct payments for carers of adults</li> </ul> <p>and the two indicators for Children's Services i.e. disabled children and 16 – 18 year olds in receipt of direct payments to ensure that:</p> <ul style="list-style-type: none"> <li>• there is adequate management trail and supporting information</li> <li>• the out-turn information is consistent with other source documents (e.g. such as central government returns – RAP and HH1)</li> <li>• correct definitions have been used and the indicators have been calculated correctly.</li> </ul> <p>This will be undertaken annually.</p>	Director of Adult Social Services	3	STV
Learning Disabilities	Follow-up of the review undertaken during 2006-7.	Director of Adult Social Services	1	STV

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Direct Payments	Follow-up of the review undertaken during 2005-6 and project work in 2006-7.	Director of Adult Social Services	3	STV
Community Care Grants Systems (Received)	Follow-up of the review undertaken during 2005-6.	Director of Adult Social Services	3	STV
Integrated Community Equipment Service (ICES)	Follow-up of the work on the Red Cross contract undertaken by Internal Audit during a secondment in 2006-7.	Director of Adult Social Services	4	STV
Information Management/ SWIFT	Follow-up of the review undertaken during 2005-6.	Director of Adult Social Services	4	STV
Strategic Planning and Health Partnership	Follow-up of the review undertaken during 2006-7.	Director of Adult Social Services	4	STV
Community Care Income	Follow-up of the review undertaken during 2006-7.	Director of Adult Social Services	4	STV
Supporting People	Follow-up review following January 2007 external inspection.	Director of Adult Social Services	4	STV

## Local Partnerships and Policy

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Partnership Arrangements	Follow-up of the review undertaken during 2006-7.	EDC	3	All

## ENVIRONMENT AND REGENERATION

### Environment and Transport

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Allotments	Provide advice and guidance for setting up the Trust on as and when basis..	DET	Ongoing	CGS
Transport	Project deferred from 2006-7.	DET	1	SS
Public Transportation and Traffic Management	System review deferred from 2006-7. Full review of the process to deliver Mayor's Transportation strategy through Local Implementation Plan (LIP)	DET	1	SS
Final Accounts	A full systems review of the post SAP process to ensure efficient and effective business processes to make accurate and timely final payments.	DET	2	ALL
Administration of Term Contracts	A full systems review of the new contracts, which have changed from ICE to NEC form, to examine its effectiveness deliver the service and to ensure monitoring process have sound controls.	DET	3	ALL
Street Cleansing	A full systems review of the refocused signature service of the Council.	DET	4	CGS
Parking Control	A systems review on the process to ensure quality of the issued PCNs that reduces successful challenge and thus enabling the	DET	4	ALL

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
	Council to maximise income, including a follow-up of 2006/7 key control review.			
Green Spaces and Grounds Maintenance	Follow-up of the 2006-7 systems review.	DET	1	CGS
Income for Works and Services	Follow-up of 2005-6 systems review.	DET	1	All
Recycling	Follow-up of 2005-6 systems review.	DET	1	CGS
Winter Maintenance	Follow-up of 2006-7 systems review.	DET	1	CGS
Refuse Commercial – Trade Waste	Follow-up of 2006-7 systems review.	DET	2	CGS
Traffic Management Act (TMA) 2004	Follow-up of 2006-7 systems review.	DET	4	CGS SS
Waste Management	Follow-up of 2006-7 systems review.	DET	4	CGS

## Planning and Environmental Protection

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Barnet Bond	A project to provide advice and guidance on risk and control issues as and when requested by management.	DEandR	Ongoing	All
Local Land Charges	A review of business processes to ensure a quality service with appropriate controls for notifying all affected parties (including Council departments) any conditions attached to the relevant properties and to maximise Council income.	DPEP	1	All
Hendon Cemetery and Crematorium	A targeted short review of the process to ensure that there is certainty of cremated remains at Hendon Crematorium.	DPEP	1	CGS
Licences	A review of enforcement and income collection.	DPEP	2	STV
Works in Default	Follow-up of review completed in 2006-7.	DPEP	2	STV
Building Control	Follow-up review of work completed in 2006-7.	DPEP	4	CGB



## Housing

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Housing Needs and Resources	A project to provide advice and guidance on SAFFRON upgrade.	Head of Housing	Ongoing	SV
Homelessness	A systems review to examine control environment for awarding homeless priority and follow-up recommendations to address weaknesses identified during allocations enquiry.	Head of Housing	1	SV
Housing Revenue Account	A full audit deferred from the 2006-7 plan.	Head of Housing	1	SV
Housing Strategy and Performance	Full systems audit of the strategy and business planning to ensure delivery of the most current Housing Strategy, deferred from 2006-7.	Head of Housing	2	SV
Temporary Accommodation	A systems review of the control environment on procurement and contract monitoring of providers of temporary accommodation.	Head of Housing	2	SV
Housing Benefits	Follow-up of review completed in 2006-7.	Head of Housing	3	SV
Private Sector Leasing	Follow-up of review and responsive work completed in 2006-7.	Head of Housing	4	SV

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Decent Homes Investment Programme	Follow-up of review completed in 2006-7.	Head of Housing	4	SV
Home Ownership	Follow-up of review completed in 2006-7.	Head of Housing	4	SV
Rent Deposit Schemes	Follow-up of review completed in 2006-7.	Head of Housing	4	SV

## **Strategic Development**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Principle Development Agreement	Follow up of the work carried out in 2006-7	Head of Strategic Development	3	All

## CORPORATE GOVERNANCE DIRECTORATE

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Corporate Governance	Follow-up of the work carried out in 2006-7	DCG	Tbc	All

## Deputy Director of Corporate Governance

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Graffiti	This full review was deferred from 2006-7 as the service was transferred from Environmental services.	DDCG	1	CGS
Anti Crime Agenda (including Crime Data)	A full systems review of the arrangements for identifying and delivering the anti-crime agenda. Included in the scope will be roles and responsibilities, performance management and management information arrangements.	DDCG	2	CGS
Street Enforcement	2005-6 systems review conducted when the function was in Environmental services. Follow up deferred to Q1 2007-8	DDCG	1	CGS

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Business Continuity	Follow-up of the review completed in 2006-7.	DDCG	4	All
Emergency Planning	Follow-up of the review completed in 2006-7.	DDCG	4	All
Money Laundering	Follow-up of the review completed in 2006-7.	DDCG	4	All
Municipal Elections	Follow up of the review completed in 2006-7	DDCG	4	All

### **Head of Internal Audit and Ethical Governance**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Computer Misuse and the Law	Follow-up of 2006-7 KC review	HIAandEG	4	All

## COMMUNICATIONS and CONSULTATION DIRECTORATE

### Consultation

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Consultation	Follow-up of 2006-7 review.	C&CD	4	All

## RESOURCES

The Internal Audit plan for the Directorate of Resources will take an innovative approach. The mini-Statement of Internal Control (mini-SIC) and associated risk management and internal control arrangements are well developed in this Directorate and should provide adequate assurance on the achievement of objectives. As a result we will conduct a full review of these arrangements and plan for a significant reduction in the volume of audit projects. (This approach can of course be modified in-year if there prove to be unanticipated gaps in assurance.)

We have identified from the existing mini-SIC, risk registers and our own risk assessments a small number of high risk audit projects to be conducted as well. These are detailed below.

We consider that this approach in conjunction with the revised 'end to end' approach to key financial system audits will most effectively target audit resources.

### RESOURCES: STRATEGIC SERVICES

#### Strategic Finance

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Budgetary Control	Follow-up of the review completed during 2006-7.	HSF	4	All

## Strategic HR

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
HR Strategy and Operations	A full audit was deferred from the 2006-7 plan. It is likely that audit involvement will focus on contributing to the project to recentralise HR services; to include the proposed HR and Payroll merger.	HHRS	1	All
Recruitment (including Safer Recruitment)	A follow-up of two pieces of work completed in 2006-7.	HHRS	3	All
Attendance Management	A follow-up of work completed in 2006-7.	HHRS	4	All

## Strategic IT

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Electronic Document	Project – Internal Audit will provide input to ensure that the objectives of the project are delivered effectively. To include a	HSIT	Ongoing	STV

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Record Management System	follow-up of work carried out in 2006-7.			
Modernising Ways of working	Review security arrangement against deliverables identified under mobility and remote access, including security, access, data security effective support regime, software licensing etc.	HSIT	2	All
Working with Partners	Review framework with partners such as PCT, NHS and DWP to mitigate technical risks, including issues around connecting and linking to partner systems. The scope for this review will be formally agreed at the end of quarter 2.	HSIT	3	All

### **Property and Valuations Service**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Accommodation Strategy	Review deferred from 2006-7. A systems review to ensure effective arrangements for the delivery of the accommodation strategy.	DoR	1	All

### **Business Improvement**



<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Data Quality (KLOEs)	Internal Audit will advise on the risk/ control aspects during the planned formulation of corporate policy on data quality. Sample testing will be undertaken in services to evidence that policies and procedures are followed by staff and applied consistently throughout the Council	BIM	3	All
Community Strategy	Follow-up of 2006-7 systems audit	CPM	4	All
Golden Thread	Follow-up of 2006-7 systems audit	CPM/ BIM	4	All
Performance and Policy Cycle	Follow-up of 2006-7 systems audit	CE	4	All

## RESOURCES: SHARED SERVICES

### Shared Service Centre

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Shared Service Centre	Follow up of review conducted in 2006-7 including review of Service Desk	HSSC	4	All
Modernising Core Systems Phase 2	Follow-up of Management Letter 2: Review Post Project Closure	HSSC	1	All

### Infrastructure and IS Operations

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Infrastructure	System review deferred from 2006-7. Full systems review of externalised arrangements to ensure effective delivery of service on completion of the project.	HlandISO	1	All
Service and Patch Management	Follow-up of 2006-7 systems audit	HlandISO	2	All

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
IT Assets Management and Disposals	Follow-up of 2006-7 systems audit	HlandISO	3	All
Physical and Environmental Security	Follow-up of 2005-6 systems audit.	HlandISO	4	All

## Revenues

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Cashiers Systems	A full systems review, including arrangements for security as Cash Office is due to be relocated.	HSSC/ CRO	2	All
Cash Security Collection	A full systems review to ensure effective cash collection service.	HSSC/ CRO	3	All
Pericles: Council Tax and Housing Benefit 06/07	Follow-up of the 2006-07 project work	HSSC/ CRO	3	All

## Finance Support Services

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Milly Apthorp	Annual audit of accounts.	HCS	2	SV
School Balances: Scheme for Financing	Follow-up of the 2006-7 probity audit	HFSS	3	BFCYP

## Corporate Services

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Central Contract Monitoring	Follow-up of 2006-7 systems audit	HCS	3	All
Risk Management	Follow-up of 2006-7 systems audit	HCS	4	All

## Shared HR Services

Audit Title	Scope/Audit History/Comments	Client	Quarter	Contribution to the Corporate Priorities
Recruitment Phase I	Review deferred from 2006-7	HRSS	1	All

## RESOURCES: ORGANISATIONAL DEVELOPMENT and CUSTOMER SERVICES

### Information Observatory

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
IS Follow-up Review	Ongoing project to address past audit findings and risks following the Resources restructure	HISS/HI&ITops	Ongoing	All
Shared Information and Business Intelligence	Follow-up of 2006-7 systems audit	HODCS	4	All

### Customer Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Customer Care	Follow-up of 2006-7 systems audit	A/D,OD&CC	3	All
Web Content Management	Follow-up of 2006-7 systems audit	A/D,OD&CC	3	All

## **KEY SYSTEMS AUDITS**

### **Purpose**

The council's external auditors minimise the work they do by placing reliance on the work of internal audit on certain key systems. These key systems, as agreed with the external auditors and the Chief Finance Officer, are listed below. Our approach to auditing key systems has been discussed and agreed with the external auditor and the Chief Finance Officer with regard to timing, scope and participants.

### **Approach and Regularity**

With the introduction of SAP which integrated many of the previous stand alone financial and non financial systems, it is now necessary to review the key 'end to end' processes/systems. These end to end 'full systems' reviews, which will include review of key controls, will be undertaken at least once every three years to satisfy the duty placed on the external auditors by International Auditing Standards. Each full systems review will be subject to a follow-up within 12 months and where significant improvement has not been confirmed further review may be necessary before the scheduled cycle.

### **Protocol**

The extent of internal audit review will affect the depth of external audit work necessary and hence impact upon the budget for audit fees managed and controlled by the Chief Finance Officer. To enable effective control over the audit fees the Chief Finance Officer will be the main client for all key systems audits identified below, unless stated otherwise, and will therefore participate in scoping and timing of each audit. The Chief Finance Officer will decide on the involvement of officers from other services for scoping and will specify service areas for testing. Where necessary the main client will organise responses for management actions to speed up concluding each audit. The Chief Finance Officer will also be the main client for any follow-up review, unless stated otherwise.

### **Reporting**

All audit reports will be issued to the main client and copies circulated to all those officers identified by the main client.

We have agreed that these key systems should be subject to regular review and have therefore put together a programme, which will ensure that each system is regularly audited. The following table summarises our plans.

<b>Key Systems</b>	<b>Main Client</b>	<b>2007/8</b>	<b>2008/9</b>	<b>2009/10</b>	<b>2010/11</b>
Sales, Invoicing, Income and Debt Management	CFO	Full Review	Follow-up	None	Full Review
Procurement, Contracts and Accounts Payable	CFO	Follow-up	Full Review	Follow-up	None
Stock Management and Control	CFO	Full Review	Follow-up	None	Full Review
LG Pension Administration and Pension Fund	CFO	Follow-up	Full Review	Follow-up	None
Fixed Assets (Capital Expenditure and Property Asset Management)	CFO	Follow-up	None	Full Review	Follow-up
Cash Collection, Banking, Reconciliation and Treasury Management	CFO	Full Review *	Follow-up	None	Full Review
Recruitment, HR and Payroll	HoSS	Full Review	Follow-up	None	Full Review
Council tax (Income and Expenditure)	HoSS	Follow-up	None	Full Review	Follow-up
NNDR	HoSS	Follow-up	None	Full Review	Follow-up
Housing Benefits	HoH	Follow-up	None	Full Review	Follow-up

\*(some additional focus required on changes to control team function as well as follow up of any remaining issues from the 'Financial systems and General Ledger' audit which will mostly have been negated by SAP.)



## **GRANTS AUDITS**

### **Purpose**

For certain grants the council's accountable officer, usually the Chief Finance Officer, as identified by the conditions attached to the grant, is required to confirm to the government that he or she has received an audit opinion from the council's Chief Auditor (i.e. for LBB the Head of Audit and Ethical Governance). The opinion should provide reasonable assurance that the relevant return, usually a statement or report on grant usage and/or outcome, meets the conditions attached to the grant agreement. The grants audits, as agreed with the Head of Finance Support Service, are listed below. Our protocol to the grants audits has been discussed and agreed with the Head of Finance Support Service with regard to timing, scope and participants.

### **Protocol**

The relevant Head of service and the council's accountable officer will notify the Head of Audit and Ethical Governance when a grant audit is required at the time a grant application has been approved giving all relevant details to enable proper planning and scheduling of the audit. The extent of internal audit examination will depend on the auditing guidelines and conditions attached to the relevant grant. The accountable officer and/or Head of Finance Support Service will appoint an officer to liaise with the Head of Audit and Ethical Governance to coordinate timing and access to required files and documents to ensure completion of audits efficiently and on time. The coordinator will ensure that the Head of Audit and Ethical Governance is given sufficient time, usually at least four weeks, to undertake and finalise a grant audit. Additional time may be necessary depending on the volume of grants audits required. Each grant audit must be finalised by the date set by the accountable officer, Head of Finance Support or the coordinator and agreed by Head of Audit and Ethical Governance, which will usually be two weeks prior to the deadline set for the return in the grant conditions. Where permissible the accountable officer will provide the Head of Audit and Ethical Governance appropriate sums to meet the cost of the grant audit.

### **Reporting**

All audit certificates will be issued to the accountable officer at the conclusion of each grant audit. We have listed below all grants notified to us that will require auditing.

<b>Grants</b>	<b>Accountable Officer</b>	<b>Coordinator</b>	<b>Grant Period</b>	<b>2007/8 Audit Date (Certification Deadline)</b>	<b>2008/9 Audit Date (Certification Deadline)</b>
Safer Stronger Communities <ul style="list-style-type: none"> <li>• ASB Coordinator and Drug Partnership Support</li> <li>• Building Safer Communities</li> </ul>	CFO	Finance Manager Closing and Compliance	1 April 2006 to 31 March 2008	May 2007  (1 July 2007)	May 2008  (1 July 2008)
Local Area Agreement <ul style="list-style-type: none"> <li>• Children and Young People</li> <li>• Safer and Stronger Communities</li> <li>• Healthier Communities and Older People</li> <li>• Economic Development</li> </ul>	CFO	Finance Manager Forward Planning and Technical	1 April 2007 to 31 March 2010	October 2007 Mid- period review  (none)	May 2008 and October 2008  (1 July 2007)

## AGENDA ITEM: 12

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	<b>Annual Workplan of the Corporate Anti Fraud Team 2007</b>
Report of	Acting Head of Corporate Anti Fraud Team and Deputy Director of Corporate Governance
Summary	The Committee is asked to note the Annual Workplan of the Corporate Anti Fraud Team 2007-08

Officer Contributors	Clair Green, Acting Head of Corporate Anti Fraud Team Dorne Kanareck, Deputy Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Corporate Anti Fraud Team Annual Report 2007-08
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Clair Green 0208 359 7168 Dorne Kanareck 0208 359 7988

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the contents of the CAFT Annual Workplan for 2007-08**
- 1.2. That the Committee consider whether there are any areas on which they require additional information or action.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Corporate Anti Fraud Team (CAFT) was launched on 7 May 2004 (delegated powers report, ref: BT/2004-05 -2 March 2004)
- 2.2 On 4 April 2006, the Audit Committee included in the work programme for 2006/7, that an annual workplan of the Corporate Anti-Fraud Team be produced to this meeting.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Corporate Plan sets out our vision and core value as a Council. One of our five core values is “value for money” - we are committed to managing the council efficiently, getting the best value for money and investing in services that matter most to our residents. The work of the CAFT supports this.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The CAFT has a duty to the Council in the protection of the public purse through prevention, detection, investigation and deterrence of fraud.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The CAFT is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through the Annual Workplan and our service delivery.
- 5.2 Our Annual Workplan will have no adverse impact or diversity issues . The CAFT have worked closely with the Benefits service in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided and reduce the likelihood of intentional or other fraud being committed.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 None.

## **7. LEGAL ISSUES**

- 7.1 None.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Constitution, Part 3, Paragraph 2, details the functions of the Audit Committee including, “To monitor Council policies on Raising Concerns at Work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process”.

## **9 BACKGROUND INFORMATION**

- 9.1 The CAFT consists of ;
- Visiting / HBMS Team
  - Intelligence Team
  - Investigation Team
  - Support Team
- 9.2 The team continues to operate within the Counter Fraud Framework. The Framework consists of a set of comprehensive documents which details the Council’s Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistleblowing Policy.
- 9.3 Both the authority’s internal and external auditors have expressed positive feedback, particularly in relation to the introduction of the Counter Fraud Framework.
- 9.4 The CAFT work plan for 2007-08 sets out the key objectives for the year.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: JL  
CFO: CM

# **Corporate Anti-Fraud Team**

**Annual Workplan  
2007-2008**

<b>1. Background Information</b>	
<b>1.1 Organisational Vision</b>	<p>The Council is committed to demonstrating that services represent value for money and that there is a continuous drive to improve quality, efficiency and effectiveness of services. The work of the CAFT supports this whilst delivering a ZERO tolerance agenda on Fraud and Corruption within the London Borough Barnet.</p> <p>The aim and objectives of CAFT is to provide a specialist investigation service to the council as well as giving advice and assistance, and providing a comprehensive training programme throughout the organisation.</p> <p>CAFT continually strives to develop partnership links and protocols with other agencies and the community in the area of Fraud Awareness, prevention and detection</p>
<b>1.2 Description of Theme Services</b>	<p>Investigation of Internal fraud and corruption.</p> <p>Investigation of Housing and Council Tax Benefit fraud.</p> <p>The assistance in the reduction of incorrect Housing and Council Tax Benefit awards</p> <p>The participation and co-ordination of the Audit Commissions National Fraud Initiative (NFI)</p> <p>The administration of the Housing Benefit Data Matching Service (HBMS)</p> <p>Delivery of a comprehensive Fraud Awareness and Education Programme.</p>
<b>1.3 Division Description &amp; Structure Diagram</b>	See Appendix A for current CAFT structure chart.
<b>2. Key Priority Plans 2007/8</b>	
<b>2.1 Key Objective</b>	Compliance with the KPP in relation to the number of cases referred for sanction.
<b>3. Meeting Key Service Objectives 2007/8</b>	
<b>3.1 Key Themes Objectives</b>	<b>Objective</b>
	Review Counter Fraud Framework
	Review and engage all existing internal & external Key Partner Protocols
	Develop and deliver a new Fraud Awareness & Induction programme.
	Develop and deliver bespoke Fraud Awareness training to individual services within the Council.
	Develop the CAFT internet & intranet sites

<b>3.2 Priority Improvement Initiatives</b>	Develop & Implement a CAFT communications strategy			
	Successful Corporate Performance Assessment (CPA)			
	Implementation of new database – INTEC			
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>
	<b>Review Counter Fraud Framework</b>			
	Although the review of the Counter Fraud Framework was completed in 06/07, the recent move of CAFT to the new Corporate Governance Directorate has resulted in a further review being required.	<b>Quarter 1 (Dependent on the final structure of the new Corporate Governance Directorate)</b>	Ongoing	CAFT Management Team (CMT)
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>
	<b>Review and engage all existing internal &amp; external Key Partner Protocols</b>			
	Although the review of the Key Partner Protocols was completed in 06/07, the recent move of CAFT to the new Corporate Governance Directorate has resulted in a further review being required.	<b>Quarter 1 (Dependent on the final structure of the new Corporate Governance Directorate)</b>	Ongoing	CMT
	In addition to this, the	<b>Quarter 1</b>	Ongoing	CMT



	CAFT are always looking to develop further Key Partner Protocols. e.g. HMRC & Met Police.	<b>(Dependent on the final structure of the new Corporate Governance Directorate)</b>		
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>
	<b>Develop and deliver a new Fraud Awareness &amp; Induction programme.</b>			
	The Fraud Awareness & Education Programme requires an annual review.	Quarter 2	Ongoing	CMT
	A delivery plan identifying key risk areas will be produced.	Quarter 2	Ongoing	CMT
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>
	<b>Develop and deliver bespoke Fraud Awareness training to individual services within the Council.</b>			
	Promote and raise awareness of this facility in CAFT. This will be delivered on an individual requirement basis.	As & when required	Ongoing	CMT
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>

	<b>Develop the CAFT internet &amp; intranet sites</b>			
	<p>Continue to build awareness of the objectives and existence of the Corporate Governance Directorate, and how the CAFT assists towards this.</p> <p>The main objective is promoting 'the legal, constitutional, and ethical responsibilities of members and officers, enhancing transparency, clarity and probity of decision making and promoting best governance.'</p>	Ongoing and in continuation with the 06/07 initiative.	Ongoing	Jeff Lustig, Dorne Kanareck & Ann Rafferty.
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>
	<b>Develop and Implement a CAFT Communications Strategy.</b>			
	<p>Joint working with the Communications Team to develop a strategy for publicising the CAFT and its role within the Council community and with its partners.</p>	<p>Quarter 2</p> <p>Quarter 2/3</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>CMT</p> <p>CMT</p>

	Review of current media, leaflets, posters, advertising etc.	Quarter 3	Ongoing	CMT
	Organisation of Staff Open Day for 07-08.	Quarter 2/3	Ongoing	CMT
	Promotion of the Whistleblowing and Fraud Hotline facility.			
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>
	<b>CPA</b>			
	Ensure CAFT meet all the criteria under the new 07/08 CPA (Performance Measures and Enablers). Ensure that resources continue to be allocated to activities which reduce, prevent, detect fraud and error and inaccuracies within the benefits system. To ensure that all evidence is documented.	31/3/08	Ongoing	CMT & Benefits Management Team
	<b>Initiative</b>	<b>Target Date</b>	<b>Completion Date</b>	<b>Lead</b>

	<b>Implementation of new database - INTEC</b>					
	<p>To implement a new bespoke dedicated Fraud Management System – INTEC.</p> <p>This system provides the facility to gather and record Intelligence, record data &amp; evidence and actively assist in Corporate &amp; Benefit Fraud Investigations.</p> <p>The system will profile and identify current fraud trends and hotspots.</p>	Quarter 1	Ongoing		Ann Rafferty	
<b>3.3 Risk</b>	<b>Local Objective</b>	<b>Risk</b>	<b>Likelihood (H, M, L)</b>	<b>Impact (H, M, L)</b>	<b>Mitigating Action</b>	<b>Lead Officer</b>
	<b>Priority Improvement Initiative Risks</b>					
	Delivery of Fraud Awareness and Education Programme.	Inability to provide the training programme across the Authority due to lack of resources and skills.	H	H	Develop skills within the team to increase the number of facilitators who can deliver the training.	Clair Green
	Retain trained staff within the CAFT.	Workloads, Stress, Pay, Poor conditions of service	M	H	Training Plan, Recruitment	CMT

	Recruit additional qualified staff as & when required.	Inadequate training. Market conditions, Unfilled posts.			Strategy.	
	Reduce sickness levels	Impact on workloads, targets and possible CPA score.	M	H	Corporate procedure in place.  Managers to be proactive and aware of proper procedures.  To be addressed during staff 1-2-1's and at CMT	CMT
	Mitigate delay and non-compliance with procedures and external returns	Council's position or reputation compromised by poor performance, negligent or incorrect advice.	M	H	Regular reviews of casework, monitoring at appraisals.  I21s, effective training plans.	CMT
	Health and Safety of staff	Abusive and / or violent behaviour towards staff.	L	M	Procedures in place and regularly tested.	CMT
	New database not implemented	Inability to introduce new Fraud Management System – Inability to record statistics, management information. Work within Criminal Procedures and Investigation Act law. Inability to gather	L	H	Implementation Plan drawn up with deliverables defined. Contingency plan and specific ICT support to be identified Regular monitoring of the above with	Ann Rafferty

		intelligence for proactive and operational working.			feedback from the supplier.	
	Effective Training	Learning development not maintained. Changes in legislation and investigative working practices not recognised leading to possible inappropriate / illegal action taken on case work	M	H	Training and development plan. Regular case reviews Performance monitoring, PIs and appraisals.	CMT
	Adequate resources in the CAFT	Inability to carry out functions due to lack of staffing / financial resources.  Financial loss to the authority as fraud goes undetected	L	H	Management to be aware of future changes to enable service to make appropriate bids for funding.  Monitoring by management, liaison with other services.  All internal corporate investigation are considered for recharge.	CMT
	Meeting objectives/targets	Failure to meet targets, performance indicators,	M	H	Risk assessment & intelligence grading	CMT

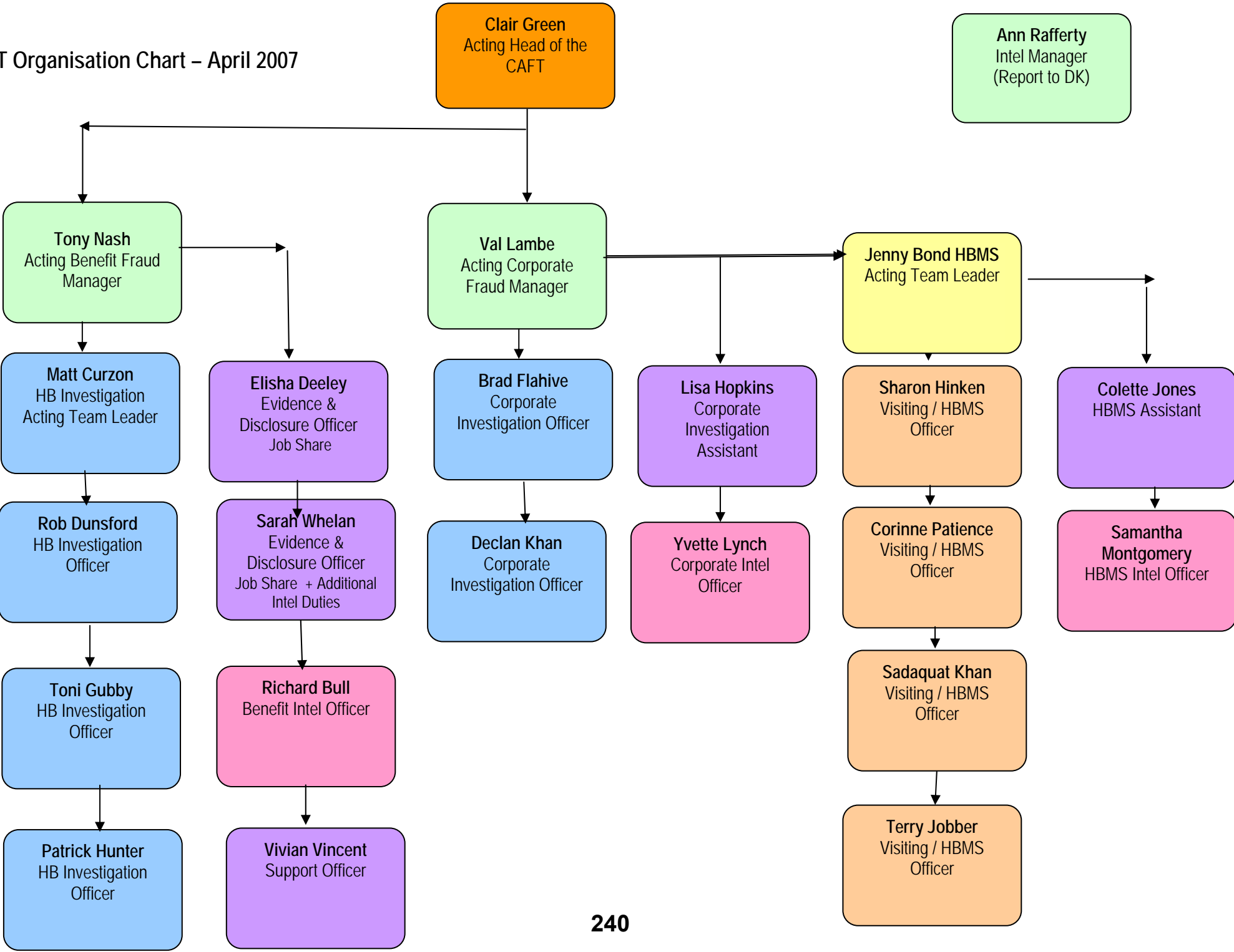
		<p>objectives and CPA score. Therefore damaging service delivery, reputation of LBB and CPA score.</p> <p>Financial loss to the authority as fraud goes undetected</p>			<p>of all referrals to prioritise workload.</p> <p>Accurate capture of data on monthly PIs</p> <p>Monthly CMT to identify issues &amp; take remedial action</p>	
	Planned proactive investigations	Inability to undertake planned proactive investigations due to the high level of reactive investigations.	H	H	<p>Assessment of referrals via INTEC will identify specific areas for proactive investigations by identifying trends/hotspots through intelligence gathering.</p> <p>All investigations are graded using the 5x5x5 National Intelligence Model</p> <p>To be discussed by Intel Manager at each 121 and at CMT.</p>	CMT

	Effective and current Intelligence gathering	CAFT is not fully aware of all local knowledge that can be utilised in the prevention, detection and investigation of fraud. No system of dissemination to CAFT/Key partners.	H	M	This is part of work of the Intel Team within the CAFT . They have a bulletin board, team newsletter, briefings, up to date contact list and visuals to show performance against target. They hold regular liaison meetings with Key Partners.	Ann Rafferty
	Emergency/Business Continuity	CAFT is unable to operate due to an emergency/ office is required to house employees identified in the Corporate Business Continuity Plan as critical workers etc. No facility to deliver a service, CPA score compromised and financial loss to LBB as fraud goes undetected.	M	H	A Corporate Emergency/Business Continuity Plan is currently being re – designed and CAFT will feed into this.  In addition there is a strategy plan in the event that the CAFT office is unavailable which allows us to continue with our service.	Dorne Kanareck  CMT
3.4 Equalities	Corporate Governance has an Equalities Plan that is monitored and regularly reviewed which CAFT feed into.					
4. Workforce Planning						



<b>4.1 Learning &amp; Development</b>	<p>CAFT have a service specific Learning &amp; Development Plan that links into the Corporate Governance Training Plan.</p> <p>CAFT are developing bespoke training for specific service area requirements</p> <p>CAFT will continue to deliver the Fraud Awareness and Education programme through the authority and to its partners.</p>
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CAFT Organisation Chart – April 2007



**AGENDA ITEM: 13**

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	<b>Corporate Risk Management Strategy</b>
Report of	Executive Director for Resources
Summary	This report seeks to inform the Audit Committee of the revised Risk Management Strategy

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Officer Contributors	Mark Burgess - Head of Corporate Services Clive Medlam – Deputy Director for Resources & Chief Finance Officer Michael Bradley - Head of Internal Audit & Ethical Governance
Status (public or exempt)	Public
Wards affected	None
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

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Contact for further information: Mark Burgess – Head of Corporate Services 020 8359 7014

## **1. RECOMMENDATIONS**

- 1.1 That the revised Risk Management Strategy be accepted as the policy and procedure by which the Authority will monitor and manage risk.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 None.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The presence of strong risk management policies and procedures is paramount to the authority achieving all of its corporate priorities and as such impacts on all the corporate objectives.
- 3.2 The requirement of a Risk Management Strategy and strong risk management processes and procedures underpins our Use of Resources self assessment.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Failure to identify a risk management strategy will have a significant negative impact on the Authorities ability to demonstrate embedded risk management process and procedure.
- 4.2 Without a strong risk management strategy within the Authority we will not be able to ensure consistent processes are in place for managing risk.
- 4.3 Poor risk management processes and procedures will have a direct negative impact on the Authority's CPA rating.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The council has made a commitment to ensuring equalities is integral to everything we do. The council's new Risk Management Strategy will support the council's approach to managing equalities performance and further demonstrate that the consistent approach to embedding equalities and diversity in service delivery reflects the framework outlined in the strategy.

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 Strong risk management processes and procedures protect the Authority from potential financial implications and enhance the control environment and governance requirements.

## **7. LEGAL ISSUES**

- 7.1 None.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution part 3 responsibility for functions, section 2 responsibility for Council functions, details the terms of reference for the Audit Committee to provide independent assurance of the adequacy of the risk management framework.

## **9 BACKGROUND INFORMATION**

- 9.1 As part of best practice and as recommended by External Audit, we have conducted a review of the Risk Management strategy and guidelines.
- 9.2 The Risk Management Strategy is an essential part of the Risk Management tool kit as it ensure a consistent approach to risk management across the Authority.
- 9.3 It will also be difficult to demonstrate an embedded approach to risk management without the existence of a comprehensive Risk Management Strategy.
- 9.4 The current Risk Management Strategy was developed in 2005 by the Chief Finance Officer and Head of Audit and Ethical Governance.
- 9.5 The current Risk management Strategy covers;
- Definitions
  - What risk management will achieve
  - Effective risk management
  - The benefits of risk management
  - Risk management and the Council
  - Responsibilities
- 9.6 The proposed Risk Management Strategy looks to enhance the current strategy and includes the following developments.
- Risk Management Policy Statement
  - Definitions which now includes reference to considering opportunities as well as threats
  - Risk Management Objectives
  - Achieving Risk Management Objectives
  - Risk monitoring and reporting
  - Actions required to mitigate risk
  - The Statement on Internal Control
  - Corporate Guidance & Support
  - A more extensive roles and responsibility matrix in risk management
- 9.7 There are also a comprehensive set of Risk Management guidelines that managers can refer to when managing risk.
- 9.8 Both the revised Risk Management Strategy and the Risk Management Guidelines will be available to all managers and Members via the Resources intranet web page.
- 9.9 The existence of the Risk Management Strategy will contribute to improving risk management processes and procedures across the Authority and will assist to improve our CPA assessment on Risk Management from a score of 3 to a score of 4.

- 9.10 Bases on the acceptance of the revised Risk Management Strategy a programme of activity focussed on further embedding risk management across the Authority will ensure compliance. This will include quarterly risk register reviews, further training to officers and Members, and assessments of the methodology and processes used to capture and record risk across the Authority.

## **10 LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: MM

CFO: CM

## AGENDA ITEM: 14

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Meeting	Audit Committee
Date	20 March 2007
<b>Subject</b>	<b>Corporate Risks Update</b>
Report of	Executive Director for Resources
Summary	To update the Committee on the progress of Corporate Risks

Officer Contributors	Nick Walkley, Executive Director for Resources, Clive Medlam, Deputy Director for Resources & Chief Finance Officer, Michael Bradley, Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A - Better outcomes for children and young people Appendix B - A better Council for a better Barnet Appendix C - Clean, Green and Safe Appendix D - Supporting the Vulnerable in our community
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Mark Burgess – Head of Corporate Services - 020 8359 7014

## **1. RECOMMENDATIONS**

- 1.1 That progress on the management of corporate risks be noted.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet – 19 May 2003 Decision Item 4: Approval given to development of Risk Management Strategy.
- 2.2 Cabinet – 4 January 2005, Decision item 10: Update on key corporate risks 2004-5.
- 2.3 Cabinet – 31 May 2005, Decision Item 4: approval of Corporate Plan 2005/6 - 2008/9.
- 2.4 Council – 28 June 2005, approval of the technical appendix (Best Value Performance Plan).
- 2.5 Council – 28 June 2005, approval of the technical appendix (Best Value Performance Plan).

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The presence of strong risk management policies and procedures is paramount to the authority achieving all of its corporate priorities and as such impacts on all the corporate objectives.
- 3.2 The requirement of a Risk Management Strategy and strong risk management processes and procedures underpins our Use of Resources self assessment.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Failure to identify and effectively manage key corporate risks could impact on the achievement of the Council's corporate objectives and its ability to deliver against the Corporate Plan.
- 4.2 To minimise impact on the Corporate Plan, a strong and embedded risk management culture is required to ensure an efficient and effective assessment of risk and identification of mitigating actions.

## **5. EQUALITIES**

- 5.1 The council has made a commitment to ensuring equalities is integral to everything we do. The council's new Risk Management Strategy will support the council's approach to managing equalities performance and further demonstrate that the consistent approach to embedding equalities and diversity in service delivery reflects the framework outlined in the strategy

## **6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 As set out in this report.



## **7. LEGAL ISSUES**

- 7.1 Incorporated in the body of the report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution, Part 3, section 2: Responsibility for Council Functions – details the Terms of Reference for the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment.

## **9 BACKGROUND INFORMATION**

- 9.1 Process of identifying corporate risks in 2006/7.

- 9.1.1 Sound governance requires effective and efficient management of risk. The process of identifying the corporate risks for 2006/7 demonstrates a direct link from the corporate risks to the Corporate Objectives and ties into a recommendation in the 'Golden Thread' Audit conducted by Internal Audit in 2006.
- 9.1.2 The 2006 – 2010 Corporate Plan, which we are reviewing in this report, uses the following priority labels;-  
    'Better outcomes for children and young people'  
    'A better Council for a better Barnet'  
    'Clean, Green and Safe'  
    'Supporting the Vulnerable in our Community'  
    'Tackling crime'      Note – now merged with 'Clean, Green & Safe'
- 9.1.3 The corporate risks are assessed using the 3x3 matrix scoring system which rates each risk as having a high, medium or low likelihood of occurring and a high, medium or low impact on the ability to deliver against the Corporate Objectives.
- 9.1.4 All risks within the Corporate Risk logs are monitored and re-assessed based on the actions and activities that either mitigate the risk or have had an impact on the risk objective that has either increased or decreased the likelihood or impact on the Corporate Objective.
- 9.1.5 The process of re-assessing the risk is conducted by the "lead officer" who is identified in the risk log, and accepted by the Director or Head of Service.
- 9.1.6 An Update against each risk is recorded in the individual Corporate Risks log.
- 9.1.7 For simplicity, this report specifically focuses on those risks that were deemed to have a high likelihood of occurring and would have a high impact on our ability to deliver the Corporate Objectives, either at the time of developing the Corporate KPPs or as a consequence of updating the Corporate Risk logs.  
Full Corporate Risk Registers are available if required.
- 9.1.8 A full listing of all the corporate risks can be found in the Corporate Risk Logs ,available on request. Those wishing to review the Corporate Risk logs should contract the Corporate Risk Manager.

## **9.2 Progress on managing the corporate risks**

- 9.2.1 The approach to risk management within Barnet is that Directors and Heads of Service are responsible for ensuring their service have a robust and efficient method of managing risk.
- 9.2.2 The corporate risks fall within this area of responsibility and it is therefore the responsibility of Directors and Heads of Service to ensure that the corporate risks, as identified in their KPPs are reviewed on a regular basis and action taken to mitigate against the risk or contingencies developed to will be introduced should the risk materialise.
- 9.2.3 It is the responsibility of Corporate Risk Management to review and report on the progress of managing risk.

## **9.3 Audit**

- 9.3.1 Internal Audit has a responsibility to report to the Chief Executive and Audit Committee on the adequacy of the council's risk management arrangements. They fulfil this by reviewing risk management as a separate audit project as well as reviewing the risk management arrangements within the high risk functions of the council in a variety of audit projects. The former includes reviewing the arrangements for identifying, assessing, mitigating and reporting corporate risks. The audit of risk management for 2006/7 is currently in its fieldwork stage.

## **9.4 Corporate Risks**

- 9.4.1 The following list of "high likelihood" and "high impact" risks have been extracted from the KPPs for all Corporate Plan priorities or have been reassessed as "high / high" as part of the review process.
- 9.4.2 A full list of all risks extracted from the KPPs and their current status can be found in the appendices.

## **10: LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: JL  
CFO: CM

## A. Better outcomes for children and young people

2.3 Risk	Objective	Risks	Likelihood	Impact	Mitigating Action	Lead Officer	Last updated	Action taken	Current status	Revised Assessment	
										Likelihood	Impact
		More children entering care system as waiting lists grow for preventive services in order to stay within budget	H	H	Work with other key universal and targeted services to maintain and develop early interventions.	Emma Baatz	25/01/07	As above	Open	M	M
	E	Lack of both revenue and capital resources to implement the primary capital strategy and Building Schools for the Future	H	H	Capitalisation of revenue resources needed for 2005/6  Rigorous evaluation of funding models available leading to choice of viable approach	Acting ACEO, P&R	25/01/07	Risk remains. Project Team in place for delivery. Monitoring continues	Open	H	H

## B. A better Council for a better Barnet

Local Objective	Risk	Initial Assessment		Mitigating Action	Lead Officer	Last updated	Action taken	Current status	Revised Assessment	
		Likelihood	Impact						Likelihood	Impact
Embed Business Continuity and Emergency Planning Arrangements	Inability to sustain critical Council services or to respond to emergencies	M	H	Implement post-audit action plan	Head of Corporate Anti-Fraud  (Dorne Kanareck)	13/12/06	Well on the way to embedding Emergency planning arrangements and have had a great deal of experience over the past few months of re-active work in ad-hoc borough emergencies. Business Continuity and this still presents a significant and serious risk to the authority being able to sustain critical functions.	The issue has now been taken up by the Directors Group	H	H
Strong, consistent corporate customer services arrangements	Lack of clarity of ownership of customer services and access channels across authority	H	H	Implementation of Customer Access Strategy & Customer Service standards, consolidation of corporate customer services arrangements	AD CC & OD  (Sean Powley)	12/12/06	Customer access delivery plan written and approved by Resources cabinet, work now being undertaken to deliver the ambitions detailed in the strategythis includes reviewing, implenting and monitoring customer service standards ii Resources restructure has taken place and corporate customer services has now been co-located and consolidated. We are now working through other areas for possible consolidation	Clairty of ownership established for corporate customer services, further work required corporately. Plans to tackle this are detailed in the customer access delivery plan	M	H
Provide high quality, coordinated corporate customer service information	Lack of timely, up to date and accurate customer information	M	H	Customer Access Strategy implementation and establishment of Information Observatory	AD CC & OD  (Sean Powley)	12/12/06	This will be mitigated by the introduction of a CRM solution. A business case for capital bid has been written and is currently going through the budget process. Other work also underway to improve current systems containing customer data	In progress	H	H

## C. Clean, Green and Safe

Reference	Area objective (What is the objective you are trying to achieve)	Risk ( A description of the risk that may affect the objective)	Significance		Control in place (What controls will you introduce to monitor the risk)	Further action proposed			Last Updated	Action taken	Current status	Revised	
			Likelihood	Impact		Activity	By when	Resp Officer				Likelihood	Impact
7	Implement congestion reduction projects in line with Transport for London	Insufficient funding from TfL.	Medium	Medium	Investigate alternative funding sources	Report	Sep-06	Ian Caunce	01/01/07	The Council's intentions have been included within our Local Implementation Plan (LIP)	TfL are assessing our LIP submission	High	High
11	Parking Recovery plan	Optimise deployment and staff capacity	High	High	Deployment and training plans	Monthly	Sep-06	Nicolina Cooper	12/06/07	The deployment plan has been continuously reviewed by the Enforcement Manager and Enforcement Supervisors. The enforcement rota is being revised. Trainging is undertaken by all new Parking Attendants and return to learn training scheduled.	The enforcement rota will be consulted with staff and unions for implementation at the beginning of April. A training course for all parking staff is being developed with return to learn with a view to implementing a parking training qualification, in l	High	High
		Improve payment options			Investigation of options with IS	Milestone reporting	Dec-06		01/12/06	Suspension payments are taken via PDQ as from Sept 06. Investigation and quotations received regarding the implementation of web based permit renewals. Investigations into the option of cashless parking.	Automated payments 24/7 from telephone and web based PCN payments. Automated permit renewals 24/7 via telephone only. Quotations received for web based payments, scheduled implementation May 07. Cashless parking investigated and looking at a trial in	Medium	

## D. Supporting the Vulnerable in our community

Objective	Risk	Likelihood	Impact	Controls	Lead	Last updated	Action taken	Current status	Likelihood	Impact
<b>Promote choice, independence and quality services</b>	Lack of integration between housing and corporate IT systems	H	H	-Closer working with IS -Effective Project Management  -Investment in integration and convergence	Head of Housing	19/01/07	Working with Resources on EDRMS project Management training for Key Staff  EDRMS and Saffron upgrade projects	Open	M	H
<b>Reduce the use of temporary accommodation</b>	Homelessness increases	H	H	Continue to develop alternatives to homelessness.	Head of Housing Needs & Resources	19/01/07	Homelessness Review underway	Open	H	H
	Housing Supply constrained by regeneration plans in short/medium term	M	H	Modelling tool being developed	Housing Strategy & Business Support Manager	19/01/07	Modeling tool failed - need to reconsider approach.	Open	H	H
<b>Quality, effectiveness, accessibility and customer satisfaction</b>	Ability and capacity to implement effective policy and practice around carer assessments and services at front-line	M	H	Carer's co-ordinator post appointed, implement solid programme of staff training and awareness, introduce local target-setting at team level.	Joint Commissioner Disabilities				M	H
	Lack of integration with corporate, PCT, partner and service level IS/ICT strategies	M	H	Effective programme and project management in partnership with key players.	Business Improvement and Performance Manager	23/01/07	E-enablement Board established to provide governance for this Project. Programme sponsored by the AD, Performance & Strategy	Open	M	H
	Scale of business process re-engineering required to deliver core remodelling programme in relation to the complexity of the business and relationships with partners and providers	H	M	Solid programme and project management, communication strategies to secure buy-in at all levels	Assistant Director, Performance & Strategy	23/01/07	Programme now led by a Consultant reporting to the Director of Adult Social Services. PID agreed by ASSD SMT. Governance arrangements in place for ongoing scrutiny of programme.	Open	M	H
	Poor governance of health partnerships and lack of accountability, decision-making and budget management.	H	H	Joint Management Team meetings with PCT, restructure of Partnership Boards, implement recommendations from Mental Health Partnership audit	Director of Adult Social Services	23/01/00	Agreed workplans in place for joint working with health partners. Current budget difficulties in health creating considerable risks.	Open	H	H