

MEETING
AUDIT COMMITTEE

DATE AND TIME
THURSDAY, 28 JUNE 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

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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1.	MINUTES	-	-
2.	ABSENCE OF MEMBERS		
3.	PUBLIC QUESTION TIME	-	-
4.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-	-
5.	MEMBERS ITEMS	-	-
6.	Internal Audit Annual Report 2006/7	HIA&EG	1-31
7.	Annual Report of the Corporate Anti Fraud Team 2007	AHCAFT &DDCG	32-47
8.	Annual Audit & Inspection Letter 2005/06 & Audit & Inspection Plan 2007/08	DDfR&CFO	48-90
9.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-	-

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AGENDA ITEM: 6 Page nos. 1-31

Meeting	Audit Committee
Date	28 June 2007
Subject	Internal Audit Annual Report 2006-7
Report of	Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the 2006-7 Internal Audit Annual Report and appendices.

Officer Contributors	Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: 2006/7 Internal Audit Annual Report Appendix B: 2006/7 Internal Audit Annual Audit Plan Update Appendix C: 2006/7 Internal Audit Performance Indicators Appendix D: 2006/7 Internal Audit Detailed Risk Analysis Summary
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Michael Bradley, Head of Internal Audit and Ethical Governance, 020 8359 7151.

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report and the actions being carried out to address deficiencies.**
- 1.2 That the Committee consider whether there are any areas on which they require additional action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 20th March 2007 included in the work programme for 2007/8, the Internal Audit Annual Report for 2006/7.
- 2.2 The Audit Committee on 15th February 2006, having noted the Internal Audit 2004/5 Annual Report Update, instructed the Chief Internal Auditor (as was), in future, to provide progress reports to the Committee on any areas where, in his professional opinion, no significant progress has been made by management in addressing audit findings, and that, in such circumstances, the Chief Internal Auditor be required to bring forward recommendations to the Committee (which it might accept or reject) on possible courses of action to achieve the required progress, which could include in exceptional circumstances calling the relevant Head of Service and, or Cabinet Member to attend and explain the situation to the Committee.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Continuous improvement is necessary for us to deliver our priorities. We must improve how we work and the infrastructure we work with. Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:

“A smaller entity with a smaller but more efficient corporate support function and a greater concentration of resources on outcomes.”

- 3.2 We are committed to continually improving how we work to provide community leadership, community choice and higher quality services at the lowest possible price (Corporate Plan 2007/08 - 2010/11).

4. RISK MANAGEMENT ISSUES

- 4.1 The purpose of the Internal Audit Annual Report 2006/7 is to highlight to the Chief Executive, Audit Committee, lead member, Council Directors Group and External Audit, the findings of Internal Audit work conducted in 2006/7 (for work that has not previously been reported in the 2006/7 Interim Annual Report).
- 4.2 The report identifies those areas which are of significant risk in the work undertaken by Internal Audit during this period.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle that services provided to the whole community represent value for money in terms of quality, efficiency and effectiveness. This supports the Council's obligations in meeting its public duties under Equalities legislation.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 None directly as a result of this report but it is for management to determine whether addressing any of the risks identified by internal audit reports will require additional resources.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including "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".

9. BACKGROUND INFORMATION

Introduction

- 9.1 The report provides summary details in Appendix A of all Internal Audit reports which have been agreed and finalised with clients as at 22nd May 2007. The report also identifies and gives more detail on those areas which are of significant risk. This is a planned report within the 2007/8 work programme for this Committee.

Executive Summary

- 9.2 Although it is impractical to give an overall opinion on the control environment, generic control weaknesses are identified in the analysis document at Appendix D. As can be seen, the most recurring areas of weakness are:
- Resources not used economically or effectively (48 instances out of a total 157 reported risks made).
 - Either no or inadequate policies and procedures (38 instances out of a total 157 reported risks made).

Findings in this area do not necessarily mean that policies and/or procedures do not exist but that improvements or additions to existing policies and/or procedures may be required.

The generic risks that result from these omissions include potentially: lack of consistency; standards not being set, understood or complied with; loss of knowledge due to staff changes; increased training time for new staff.

- Inadequate monitoring controls over resources (27/157)
The generic risks that result from these omissions include potentially: failure to achieve optimum benefit from resources; management unaware of misuse of resources or potential adverse budget circumstances.

9.3 We have agreed management action to address weaknesses recorded in the respective reports, which, if implemented, will improve the overall control environment.

9.4 17% of risks were assessed by internal audit as 'Priority 1', signifying that there was a 'significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity is unlikely to be prevented or detected'.

9.5 78% of risks were 'Priority 2', signifying 'only limited assurance that objectives will be met efficiently and effectively or that fraud or irregularity will be prevented or detected'.

Follow-ups

9.6 All Internal Audit work is followed up as a matter of course. The annual report provides summaries of the findings at follow-up audits. Follow-ups indicate how the level of audit assurance has changed as a result of management implementation of agreed actions. Details of the assurance revisions on the 26 follow-ups conducted in the report period are detailed below. Whilst it is encouraging that 20 of the areas are now at a 'full' or 'satisfactory' level of assurance, it needs to be noted that 7 remain at 'limited' indicating that further management action is required to fully implement agreed actions or mitigate identified risks.

Analysis of Assurance Levels on Follow-up	No.
Limited assurance still limited assurance	5
Satisfactory assurance to limited assurance	1
No or limited assurance to satisfactory	12
Satisfactory assurance still satisfactory assurance	6
Satisfactory assurance to full assurance	2
Total	26

9.7 Page 5 of appendix A indicates that a follow-up review of Freedom of Information was conducted which evidenced that the assurance level had risen from 'limited' to satisfactory. As the Head of Internal Audit and Ethical Governance is also the line manager for the FOI Officer, we have asked the Council's External Auditor to review the audit work which delivered this assurance statement.

Corporate Governance and Risk Management

Corporate Governance

9.8 We are in the process of conducting a full review of corporate governance arrangements. The outcome will be contained in the interim annual report for 2007/8.

Risk Management

- 9.9 We undertook a formal audit of the processes and arrangements in place to deliver an embedded risk management structure in 2003/4. The overall conclusion was limited assurance that objectives would be achieved as implementation was at an early stage. The Council's external auditors, Robson Rhodes, conducted a further full audit of Risk Management in 2005/6 which included following up the recommendations made in the Internal Audit report. We have relied on the work of external audit in this area. External Audit's final report came to the conclusion that:
- 'The current arrangements and processes form a good foundation for further developing risk management so that the areas for improvement identified during our review can be addressed.'

The action plan from that review is being taken forward by the newly assigned Corporate Risk Manager. A further full review of the revised arrangements has been undertaken and is being finalised at the time of writing of this report.

Customer Evaluation Questionnaires

- 9.10 The Audit Committee at the meeting on 20 March asked that Internal Audit reinstate the performance indicator on Customer Evaluation Questionnaires to comply with the CIPFA Code of Best Practice for Internal Audit. Performance for the past two years is summarised below:

2005/06

42 questionnaires sent; 25 questionnaires returned. An average score of 2.6 was achieved where 2 is 'highly effective' and 3 is 'perfectly satisfactory'.

2006/07 (ongoing)

33 questionnaires sent to date; 13 questionnaires returned to date. An average score of 2.3 was achieved.

When last monitored by the Committee, our target was 3 or better (i.e. lower). We will report again against this target when producing the interim and annual reports, unless the Committee instructs otherwise.

Internal Audit Performance Management

- 9.11 Appendix B gives the status of each element of the original audit plan. In addition to the agreed plan, additional work and work carried forward from the previous plan is also listed. Appendix C gives the position against the Internal Audit unit's performance indicators (PIs) and the reason for any deferral or cancellation.

The PI regarding percentage of audit plan completed refers to the achievable plan i.e. after any reviews have been deferred or cancelled and taking newly commissioned reviews into account.

10. LIST OF BACKGROUND PAPERS

- 10.1 Any person wishing to view any of the background papers should telephone 020 8359 7151.

Internal Audit Annual Report 2006-07

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INTERNAL AUDIT ACTIVITY SUMMARIES BY SERVICE

- 1 Resources**
- 2 Communities**
- 3 Environment and Development**
- 4 Communications**
- 5 Corporate Governance**

AUDIT REPORT SUMMARIES FOR HIGH RISK AREAS

Directorate: Communities

- A1 Learning Disabilities Audit**

Directorate: Environment & Development

- A2 Private Sector Leasing Audit**
- A3 Rent Deposit Schemes Key Control Audit**

Directorate: Corporate Governance

- A4 Business Continuity 06/07 Audit**

Internal Audit Activity Summary: Resources

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Priority 3	Assurance
ST SERV	06/07 EDRMS (P)	1	4	0	Limited
SH SERV	Physical and Environmental Security	1	3	0	Limited
SH SERV	E-mail 06/07	0	7	1	Limited
ST SERV	Computer Misuse and the Law 06/07	0	4	0	Limited
ST SERV	Performance and Policy Cycle	0	7	1	Satisfactory
ST SERV	Attendance Management	0	3	0	Satisfactory
SH SERV	NNDR Business Rate 06/07	0	3	0	Satisfactory
SH SERV	Service and Patch Management	0	2	2	Satisfactory
SH SERV	Council Tax 06/07	0	2	1	Satisfactory
SH SERV	Education Finance	0	0	0	Full

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Priority 3			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N	Y	P	N		
SH SERV	Stores fw-up	0	0	2	0	0	8	0	0	0	No Assurance	n/a**
ST SERV	Management of Shops fw-up	0	0	1	0	2	4	0	0	0	Limited	Limited
SH SERV	Modernising Our Infrastructure 06/07 fw-up	3	4	2	3	2	0	0	0	0	No Assurance	Satisfactory
SH SERV	Bailiffs	0	1	1	2	0	0	0	0	0	No Assurance	Satisfactory
ST SERV	Use of Consultants fw-up	0	1	1	2	0	0	0	0	0	No Assurance	Satisfactory
SH SERV	Mobility fw-up	0	1	1	4	0	0	0	0	0	Limited	Satisfactory
SH SERV	NNDR Business Rate 05/06 fw-up	0	1	0	3	1	1	0	0	0	Limited	Satisfactory
SH SERV	Operating Systems fw-up	1	1	0	0	0	0	0	0	0	Limited	Satisfactory
SH SERV	Cash Collection Axis fw-up	4	0	0	5	1	2	1	0	0	Limited	Satisfactory
SH SERV	Council Tax 05/06 fw-up	0	1	0	0	0	1	0	0	0	Satisfactory	Satisfactory
SH SERV	BACs 05/06 fw-up	0	0	0	5	1	1	0	0	0	Satisfactory	Satisfactory
SH SERV	VAT 05/06 fw-up	0	0	0	3	0	3	0	0	0	Satisfactory	Satisfactory
SH SERV	Financial Systems and Gen Ledger 05/06 fw-up	1	0	0	2	0	0	0	0	0	Satisfactory	Satisfactory
ST SERV	Treasury Management fw-up	0	0	0	1	0	0	0	0	0	Satisfactory	Full

Other Audit Work:

Service	System	Type of Work	Assurance
SH SERV	IT Assets Management and Disposals	Management Letter	Assurance pending further work
SH SERV	06/07 IS Follow-up Review (P)	Management Letter	Limited
ST SERV	Milly Apthorpe 2006/07	Probity Audit	Satisfactory

** Stores closed down on the 31/03/07 and the remaining residual risks were followed up with Management and a current position statement obtained in relation to the continuing risks. Responsibility for ordering and managing stock has been devolved to individual Services, therefore some of the reported risks will transfer to Service areas.

Key

* Report at final draft stage

Y Mitigated

P Partially Mitigated

N Not Mitigated

Internal Audit Activity Summary: Communities

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Priority 3	Assurance
ASS	Learning Disabilities 06/07	2	7	0	No Assurance
ASS	Income from Barnet PCT	2	5	0	Limited
CS	06/07 Integrated Children's Service (P)	1	4	0	Limited
PPG	Golden Thread	0	7	2	Limited
PPG	Community Strategy	0	5	0	Satisfactory
CS	Development & Consultancy	0	4	0	Satisfactory
CS	Catering	0	3	0	Satisfactory
CS	Stock Procurement Libraries	0	2	1	Satisfactory
CS	Schools Asset Management	0	2	0	Satisfactory
CS	06/07 Primary Schools Capital Programme (P)	0	2	0	Satisfactory

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Priority 3			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N	Y	P	N		
ASS	Learning Disabilities 06/07 fw-up	1	1	0	2	4	1	0	0	0	No Assurance	Limited
CS	Teacher's Pension (further) fw-up	5	0	0	6	3	0	0	0	0	Limited	Satisfactory
CS	Research & Management Info I fw-up	1	0	0	4	1	0	0	0	0	Satisfactory	Satisfactory

Other Audit Work:

Service	System	Type of Work	Assurance
PPG	LPSA Claim 2006/07	Probity Audit	Full Assurance
CS	Nursery Education Funding (Responsive)	Responsive	***N/A

** This follow-up is currently in progress and findings will be reported in the final version of this report.

*** An assurance statement was not given - this was a management letter issued when fraudulent activity was uncovered during the course of a wider audit. Internal Audit will follow up the actions agreed to address the control weaknesses which allowed the fraud to occur.

Key

<p>* Report at final draft stage Y Mitigated P Partially Mitigated N Not Mitigated</p>
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Internal Audit Activity Summary: Environment & Development

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Priority 3	Assurance
HSG	Private Sector Leasing	5	7	0	No Assurance
HSG	Rent Deposit Schemes (KC)	5	5	0	No Assurance
E&T	Green Spaces	0	12	0	Limited
HSG	Decent Homes Investment Programme	0	7	0	Limited
P&EP	Works in Default	0	8	1	Satisfactory
E&T	Winter Maintenance	0	4	0	Satisfactory

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Priority 3			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N	Y	P	N		
E&T	Transport for London 05/06 fw-up	0	0	1	0	1	3	0	0	0	Limited	Limited
E&T	Grounds Maintenance fw-up	1	0	1	4	1	3	0	1	1	Limited	Limited
HSG	Barnet Homes (ALMO) Monitoring fw-up	1	0	0	1	0	3	0	0	0	Limited	Limited
HSG	Housing Rents 05/06 fw-up	0	0	0	0	1	3	0	0	0	Satisfactory	Limited
HSG	Affordable Housing fw-up	0	0	0	1	0	0	0	0	0	Satisfactory	Full

Other Audit Work:

Service	System	Type of Work	Assurance
ST DEVT	Leasehold Hardship Purchase Scheme	Management Letter	Advice and guidance only

Key

* Report at final draft stage
Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Communications

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Priority 3	Assurance
COM	Consultation	3	4	0	Limited Assurance

Key

<p>* Report at final draft stage Y Mitigated P Partially Mitigated N Not Mitigated</p>
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Internal Audit Activity Summary: Corporate Governance

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Priority 3	Assurance
DD CGD	Business Continuity 06/07 (Draft)	6	3	0	No Assurance
DD CGD	Emergency Planning	1	4	0	Limited

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Priority 3			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N	Y	P	N		
DD CGD	Licenses fw-up	0	1	2	3	1	3	0	0	0	Limited	Limited
IA	Freedom of Information fw-up	0	0	2	0	1	7	0	0	0	Limited	Satisfactory
LEGAL	Money Handling fw-up	0	0	0	4	0	1	0	0	0	Limited	Satisfactory
DS	Letting of Contracts/DPRs fw-up	0	0	0	2	2	0	0	0	0	Satisfactory	Satisfactory
DS	Constitution fw-up	0	0	0	8	1	0	0	0	0	Limited	Satisfactory
DS	RDT System fw-up	1	1	0	2	1	0	0	0	0	Limited	Satisfactory

Key

<p>* Report at final draft stage Y Mitigated P Partially Mitigated N Not Mitigated</p>
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Appendix A: Internal Audit Annual Report 2006-07

Service Area	Issue Date	Assurance	Follow-up Date
Adult Social Services	07/02/2007	No Assurance	Q1 2007/08

Report Title

Learning Disabilities

1 Objective of System

1.1 The objectives of the Younger Adults division for learning disabilities are to meet assessed needs in an integrated, prompt way, using person centred approaches, focussing on high quality services to deliver fair and cost effective outcomes for service users and carers.

2 Scope of Audit

2.1 The objective of this review was to assess the effectiveness of care management and assessment by reviewing controls to ensure care packages are delivered and managed effectively. This was undertaken by sampling a selection of a minimum of ten cases selected on the basis of criteria such as level of cost/funding and level of training for social worker.

3 Executive Summary

3.1 Internal Audit can provide **no assurance** that the objectives are being met effectively and efficiently.

3.2 Audit conducted a focussed review of twenty six case files, selected at random, representing high costs and risks. Control weaknesses and associated risks are identified in Section 3 of the full report and include the following:

3.3 Statutory Reviews:

The service is experiencing backlogs in delivering required levels of statutory annual reviews. The extent of backlogs could not be confirmed due to data reliability. Prioritisation of reviews is resource-led rather than based on an assessment of risks from factors such as costs, placement break down or carer's age.

In addition, the service has a policy to allocate consecutive reviews to the same social worker without any assessment of the risks that may result from lack of independence. However it is acknowledged that it is good practice to build continuity of reviewing officer in order to be able to effectively monitor the impact of the care plan.

In the absence of a clear policy on prioritisation and allocation and an effective strategy to address backlogs there is a risk that the Council may not meet its statutory responsibility towards its service users.

Appendix A: Internal Audit Annual Report 2006-07

3.4 Managerial monitoring:

There is a lack of formal reporting and monitoring resulting from a lack of effective risk assessment and management processes. In addition, processes for monitoring micro outcomes are not adequate. Control reports in key areas such as waiting lists, statutory reviews, completed work, case loads, cases awaiting assessment and allocation of social worker are not complete, up-to-date and correct for ensuring effective supervision.

Additionally, follow up processes to ensure issues are resolved and planned outcomes are achieved were not effective in areas where the service is in the process of embedding new procedures and responding to changes (e.g. implementation of new assessment forms).

There is a risk of loss of efficiency and effectiveness in service delivery in the absence of effective managerial supervision and monitoring of outcomes in key areas by embedding effective processes for risk assessment and management.

4 Risks

	Priority 1:	Priority 2:	Priority 3:
4.1 Number of risks identified	2	7	0
4.2 Number of actions agreed	2	7	0
4.3 Priority 1 risks			
<ul style="list-style-type: none">• In the absence of a clear policy on prioritisation and allocation and an effective strategy to address backlogs there is a risk that the Council not meet its statutory responsibility towards its service users.• There is a risk of loss of efficiency and effectiveness in service delivery.			

5 Response to the Audit from Director and/or Head of Service

5.1 On completion of this audit, we requested an early follow up audit to be conducted. This has now been completed and the assurance has risen to 'limited'. Work is ongoing to address the outstanding agreed actions which will be supported by increased senior management capacity at service manager level from April 2007.

Appendix A: Internal Audit Annual Report 2006-07

Service Area	Issue Date	Assurance	Follow-up Date
Housing	27/03/2007	No Assurance	Q2 2007/08

Report Title

Private Sector Leasing

1 Objective of System

1.1 The objective of the area is to ensure that sufficient and suitable quality accommodation (particularly in line with safety requirements and client needs) is secured/acquired, economically, under the Private Sector Leasing (PSL) arrangements to meet the Council's housing needs effectively.

2 Scope of Audit

- 2.1 Strategy
- 2.2 Operations
- 2.3 Performance management
- 2.4 Systems

3 Executive Summary

3.1 Internal Audit can provide **no assurance** that the existing system objectives will be achieved.

3.2 Private Sector Leasing Business Continuity Strategy

The Private Sector Leasing scheme is currently operated by four Officers, including the PSL manager. All four Officers are agency staff on temporary contracts. There is a risk that the successful operation of the scheme in the future may be compromised in the event of temporary staff leaving at short notice. There is also a risk that key knowledge and experience of the operation and the Scheme may be lost to the Authority if all temporary staff leave.

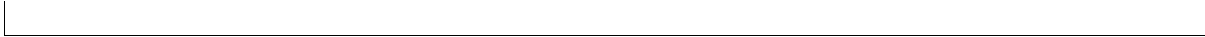
3.3 SAP system controls

A supplementary review of SAP system controls was undertaken following a specific request from the PSL Manager. Findings produced additional actions which have been included in the Action Plan:

SAP authorisation controls
Budgetary control
Recoveries

There is a risk there may be inappropriate and incorrect payments and also that financial information may not be correct and complete.

Appendix A: Internal Audit Annual Report 2006-07



Appendix A: Internal Audit Annual Report 2006-07

4 Risks

	Priority 1:	Priority 2:	Priority 3:
4.1 Number of risks identified	5	7	0
4.2 Number of actions agreed	5	7	0
4.3 Priority 1 risks			
<ul style="list-style-type: none">• Business continuity: Where the long-term stability of staffing for the PSL section is not ensured, there is a risk that the future successful operation of the scheme may be compromised in the event of temporary staff leaving at short notice. There is also a risk that key knowledge for the operation of the PSL scheme may be lost to the Council if all temporary staff leave.• Lack of division of duties for setting up and authorisation of purchase orders and invoices: In the absence of appropriate segregation of duties and authorisation controls there is a risk of unauthorised and incorrect payments being processed.• Lack of reliable financial recording and budget monitoring: There is a risk that Management are unable to ensure the accuracy and reliability of financial records or confirm the scheme is self financing.• Netting of commitments on SAP: There is a risk of incorrect commitment data being posted on SAP as a result of incorrect accounting for recoveries.• Agreed protocol with Barnet Homes: Incorrect, inappropriate, incomplete accounting adjustments for recovery of repair costs and incomes.			

5 Response to the Audit from Director and/or Head of Service

5.1 The service has agreed and is implementing an action plan for addressing the risks identified in the review. The risks identified have also informed a review of the structure of the team, as part of a wider review of the Housing Options service

Appendix A: Internal Audit Annual Report 2006-07

Service Area	Issue Date	Assurance	Follow-up Date
Housing	08/12/2006	No Assurance	Q2 2007/08

Report Title

Rent Deposit Schemes (KC)

1 Objective of System

1.1 The key strategic objective of the Private Sector Tenancy Scheme (PSTS) is to efficiently and effectively maximise the range of housing options available to families and home seekers in Barnet as part of the strategy to decrease homelessness and reduce costs of temporary accommodation.

2 Scope of Audit

- 2.1 Policy and procedures
- 2.2 Assessment and authorisation
- 2.3 Recovery and reconciliation processes

3 Executive Summary

- 3.1 Audit reviewed this area in 2003-04 and concluded that no assurance could be provided that the service would achieve its objectives. There was no significant improvement by 2004-05 when our follow up review concluded that the risk exposure had increased from medium to high.
- 3.2 Key controls were tested by observation and cross verification (interviews) between control operators during our walk-through to verify systems. Selective samples of items were used for "walk through" testing and checked for evidence that controls were operating effectively.
- 3.3 Audit can provide **no assurance** that the objectives of the rent deposit scheme are being achieved effectively and efficiently.

4 Risks

	Priority 1:	Priority 2:	Priority 3:
4.1 Number of risks identified	5	5	0
4.2 Number of actions agreed	5	5	0

Appendix A: Internal Audit Annual Report 2006-07

4.3 Priority 1 risks

- Fraud or irregularity may not be prevented or detected.
- Incorrect information is available for decision making purposes and allocation of housing.
- Financial loss to the Council resulting from lack of effective processes for recovery of debts.
- Management may be unable to assess whether the scheme has met its objectives with sound financial planning.
- Inappropriate dealings with the public, causing a loss to the council.

5 Response to the Audit from Director and/or Head of Service

5.1 The service welcomed the audit review, has fully accepted its recommendations and agreed an action plan for addressing the issues identified. The operation of the Private Sector tenancy team is being reviewed and an alternative delivery model is currently being piloted and evaluated.

Appendix A: Internal Audit Annual Report 2006-07

Service Area	Issue Date	Assurance	Follow-up Date
Corporate Governance	tbc	No Assurance	tbc

Report Title

Business Continuity 06/07 DRAFT

1 Objective of System

1.1 The objective of Business Continuity Management is to ensure that the core businesses of the Council can continue functioning in the light of an unforeseen adverse event.

2 Scope of Audit

2.1 Strategies, policies and procedures	2.4 Business Continuity Plan testing
2.2 Roles and responsibilities	2.5 Linkages between directorates
2.3 Importance of risk appetite	2.6 Embedding continuity planning

3 Executive Summary

3.1 Internal Audit can provide **no assurance** that the existing system objectives will be achieved. The current levels of control within the framework are generally weak leaving the core Council businesses at risk of recovery taking longer than necessary.

3.2 Strategy

There is currently no official business continuity strategy. The Business Continuity team has supplied a copy of Slough Borough Council's strategy which the Council intend to use as a foundation for their own.

There is a risk of a lack of top level ownership and responsibility resulting in difficulty in embedding Business Continuity across the Council. There is a risk that the Council may not be aware of the statutory regulations or the direction in which it intends to travel. Business Continuity may not be aligned to the council's overall strategy.

3.3 Roles and Responsibility

The Plan explains the need for Champions to have adequate seniority to make management decisions. However, it does not appear that all services are fully aware of their responsibilities or have had adequate training.

There is a risk that staff are not able to perform their business continuity roles effectively.

3.4 Completeness

Critical functions have not been adequately identified in the Business Continuity Plans – management are now aware of this. Of the 29 service plans supplied across Council departments:

2 have been completed adequately with no further action needed

7 have not been submitted

20 have been identified as not sufficient or incomplete – 19 have had one-to-one meetings with the Business Continuity team to aid this process

Without a comprehensive coverage of service plans, there is a risk that a critical function may not be covered and in an adverse event would not have a plan for recovery, therefore could cause the system to become critical.

Appendix A: Internal Audit Annual Report 2006-07

4 Risks

	Priority 1:	Priority 2:	Priority 3:
4.1 Number of risks identified	6	3	0
4.2 Number of actions agreed			
4.3 Priority 1 risks			
<ul style="list-style-type: none"> • Strategy: Without a formal Business Continuity Strategy that identifies top level ownership and responsibility there is a risk to effective embedding of Business Continuity across the Council. There is a risk that the Council may not be aware of its statutory regulations or the direction in which it intends to travel. Business Continuity may not be aligned to the council's overall strategy. • Policies and procedures: Without adequate documentation of formal Policies and Procedures there is a risk that the Council may be missing fundamental information to aid and drive Business Continuity. As this function is not practiced on a day to day basis it is essential to provide documentation. As local business continuity will generally be assigned to operational service managers with little expertise and experience of this field there is a risk that there is an insufficient level of information to allow consistency and completeness in approach. • Training: Without adequate training there is a risk that staff are not able to perform their business continuity roles effectively and the lack of knowledge resulting in incomplete, inaccurate and late submission of their service Plans. • Capture of all key systems and services: Without a comprehensive coverage of service plans, there is a risk that key systems are missed. There is a risk that a critical function may not be covered and in an adverse event would not have a plan for recovery, therefore could cause the system to become critical. • Identification of risk appetite: Without a clear definition and clarification of the Councils policy on risk appetite areas of high risk may be overlooked and left uncontrolled or unmitigated. Low level risks that have been mitigated through extra controls may not be cost effective. • Testing of Plans: Without formal testing there is no means to evaluate how effective and relevant the current system is before the crystallisation of a crisis event that hits a service. 			

5 Response to the Audit from Director and/or Head of Service

5.1 A Business Continuity consultant has been appointed to address the risks in the report by designing a Business Continuity framework.
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2006/07 Annual Audit Plan Update @ 22/05/07

Notes:

1. Audit work highlighted in **bold** is additional work not shown on original 2006/07 Audit Plan which includes:

Newly commissioned work 2006/07

Work carried forward from 2005/06

Work deferred from 2005/06

2. Under 'Original Quarter Planned' numbers in brackets indicate original start quarter for jobs which have been moved.

3. Under 'Title of Audit/Project' titles in italics indicate that the audit has been renamed.

4. Under 'Job Type' the key is as follows:

S = System

KS = Key System

KC = Key Control

F = Follow-up

P = Project

V = Probity Visit

R = Responsive

5. Under 'Status' the key is as follows:

PL = Planning stage

FW = Fieldwork stage

DR = Draft Report stage

FR = Final Report stage

ML = Management Letter

CF = Carry Forward job

TOR = Terms of Reference

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
CORPORATE GOVERNANCE including Legal, Democratic Services, Community Protection Group and Audit &					
Director CGD	4 (2)	Corporate Governance 06/07	KC	FW stage	
Head Audit	4 (2)	Freedom of Information Act 05/06 follow-up	F	Issued 14/05/07	
Legal	4	Money Handling follow-up	F	Issued 11/05/07	
DS	CF 2005/06	Constitution	S	Issued 05/07/06	
DS	CF 2005/06	Letting of Contracts/DPRs	S	Issued 21/06/06	
DS	4	Constitution 05/06 follow-up	F	Issued 11/05/07	
DS	4	Letting of Contracts/DPRs follow-up	F	Issued 11/05/07	
DS	4	RDT System follow-up	F	Issued 11/05/07	
CPG	CF 2005/06	Street Enforcement Service	S	Issued 21/06/06	
CPG	2	Trading Standards f-up	F	Issued 08/09/06	
CPG	3	Business Continuity 06/07	S	FR stage	
CPG	3	Emergency Planning	S	FR stage	
CPG	3	Licenses follow-up	F	Issued 08/03/07	
CPG	4	General Elections follow-up	F	FW stage	
CPG	4 (3)	Money Laundering	S	DR stage	
CPG	4	Municipal Elections	S	FW stage	
CPG	3	Graffiti	S	Deferred	to Q1 2007/08 as moved from Environment to CGD
CPG	3	Street Enforcement Service follow-up	F	Deferred to Q1 2007/08 as agreed at exit meeting	This 2005/6 audit was completed in June 2006.
RESOURCES: STRATEGIC SERVICES including Strategic Finance, SPT, Strategic HR, Strategic IT, Business					
Strat Fin	CF 2005/06	Budgetary Control 04/05 follow-up	F	Issued 28/09/05	
Strat Fin	CF 2005/06	Valuation & Accounting for Fixed Assets	F	Issued 23/05/06	
Strat Fin	2	Milly Apthorpe 06/07	V	Issued 09/08/06	
Strat Fin	3 (1)	Stock Systems	KS/KC	DR stage	
Strat Fin	3	Treasury Management follow-up	F	Issued 31/10/06	
Strat Fin	4 (1)	Budgetary Control 06/07	S	FW stage	
Strat Fin	4 (3)	Capital Expenditure	S	PL stage	
Strat Fin	3 (2)	Fixed Assets	KS/KC	Cancelled	Work is being covered in Property Asset Mngt and Capital Expenditure
Strat Fin	Closed	Grants 06/07	P	Cancelled due to restructure and HoS request.	This was intended to be advice and guidance on proposed structural changes which did not occur.

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
Strat HR	CF 2005/06	Safer Recruitment	S	Draft ML stage	
Strat HR	2	Use of Consultants follow-up	F	Issued 11/05/07	
Strat HR	3	Attendance Management	S	Issued 15/11/06	
Strat HR	Ongoing (3)	HR Strategy, Recruitment & Operations (<i>Devolved HR Ops</i>)	P	Deferred to 2007/08	The service delivery being restructured from a devolved to
Strat HR	3	Human Resources Strategy	S	Cancelled due to restructure of HR	The service delivery being restructured from a devolved to
Strat HR	4	Equalities follow-up	F	Cancelled	Briefing document only issued i.e. no recommendations
Strat HR	4	Safer Recruitment follow-up	F	Cancelled	Final issue of audit deferred as above
Strat IT	1	Document Management Systems follow-up	F	Issued 03/10/06	
Strat IT	2	Computer Misuse and the Law 06/07	KC	Issued 01/02/07	
Strat IT	Ongoing	EDRMS Project (<i>Electronic Social Care Records System</i>)	P	Issued 30/03/07	
Strat IT	3	e-Government follow-up	F	Deferred to Q1 07/08 at client's request.	e-Government agenda now no longer running. Time taken to assess relevant issues in the original report.
Strat IT	4	IS Development Systems follow-up	F	Deferred to Q1 07/08 at client's request.	Deferral no major delay. Audit now completed.
Strat IT	4	IS/IT Strategy follow-up	F	Deferred to Q1 07/08 at client's request.	Deferral no major delay. Audit now completed.
Bus Impr	1	Central Complaints follow-up	F	Issued 16/10/06 (deferred from 2005/06)	
Bus Impr	2	BVPIs (Community Services) follow-up	F	Issued 06/10/06	
Bus Impr	2	Performance & Policy Cycle	S	Issued 02/03/07	
Bus Impr	2	BVPIs	S	Cancelled	Due to change of approach to auditing data quality.
PS&V	2	Management of HRA Shops follow-up	F	Issued 16/02/07	
PS&V	3	Property Asset Management	S	FW stage	
PS&V	3	Accommodation Strategy	S	Deferred to Q1 07/08 at client's request	Strategy was being revised.
PS&V	Closed	Agricultural Assets 06/07	P	Cancelled	Project has been merged with Property Asset Mngt audit

RESOURCES: SHARED SERVICES including Shared Service Centre, Infrastructure & IT Ops, Revenues, Finance Support Services, Corporate Services and Shared HR Services

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
SSC	CF 2005/06	BACs 05/06	S	Issued 21/06/06	
SSC	3	BACs 05/06 follow-up	F	Issued 04/05/07	
SSC	3	Modernising Our Infrastructure 06/07 follow-up	F	Issued 19/03/07	
SSC	4 (2)	Shared Service Centre (<i>Competency Centre</i>)	S	FW stage	
SSC	Closed	Modernising Core Systems 06/07	P	ML2 issued 17/06/06 (Phase II: Review Post Project Closure)	
SSC	Closed	Modernising Our Infrastructure 06/07	P	ML2 issued 06/09/06 (Project Progress)	
SSC	3	Electronic Social Care Records 05/06 project follow-up	F	Cancelled	No recommendations in original project
SSC	4	Service Desk 06/07 project follow-up	F	Cancelled as original project cancelled	
SSC	Closed	Service Desk 06/07	P	Cancelled as now to be reviewed in the Shared Service Centre audit	Currently finalising the Shared Service Centre audit
I&IT Ops	1	E-mail 06/07	S	Issued 29/11/06 (deferred from 2005/06)	
I&IT Ops	1	Physical and Environmental Security (<i>Phys & Env Review</i>)	S	Issued 15/02/07 (deferred from 2005/06)	
I&IT Ops	1	Service & Patch Management (<i>Upgrade Control</i>)	S	Issued 15/01/07 (deferred from 2005/06)	
I&IT Ops	2	Mobility follow-up	F	Issued 11/05/07	
I&IT Ops	2	Operating Systems follow-up	F	Issued 25/01/07	
I&IT Ops	3	IT Assets Management and Disposals	S	Issued 02/04/07	
I&IT Ops	4	E-mail follow-up	F	Deferred to Q1 07/08	Deferral no major delay. Audit now completed.
I&IT Ops	4	Infrastructure	S	Deferred to Q1 07/08	Allocated auditor on secondment. Audit planning now in progress.
I&IT Ops	4	Physical and Environmental Security follow-up	F	Deferred to Q3 07/08	To take account of risk implementation dates
I&IT Ops	4	Service & Patch Management follow-up	F	Deferred to Q2 07/08 in line with risk implementation dates	To take account of risk implementation dates
Revs	CF 2005/06	Cashbook Reconciliation & Banking (KC) 05/06 inc 04/05 follow-up	KS + F	Issued 21/06/06	
Revs	CF 2005/06	Debt Management/Debtors 05/06	KS	Issued 27/07/06	
Revs	1	Debtors Balance Sheet	S	Issued 11/10/06	
Revs	2	Bailiffs follow-up	F	Issued 16/02/07	
Revs	2	Cash Collection Axis System follow-up	F	Issued 04/05/07	
Revs	3	Council Tax 06/07	KS	Issued 21/05/07	
Revs	3	Council Tax 05/06 follow-up	F	Issued 21/05/07	
Revs	3	NNDR/Business Rate 06/07	KS	Issued 21/05/07	
Revs	3	NNDR/Business Rate 05/06 follow-up	F	Issued 21/05/07	
Revs	4 (3)	Accounts Receivable: Income & Debt Management	KS	DR stage	

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
Revs Revs	4 (3) Closed	Debt Management/Debtors 05/06 follow-up Pericles: Council Tax 06/07	F P	DR stage ML3 issued 04/07/06 (Conversion)	
Revs	4	Cashbook Reconciliation	KC	Deferred to Q1 07/08 at client's request	Cashbook section restructured and activities reallocated. as above
Revs	4	Cashbook Reconciliation 05/06 follow-up	F	Deferred to Q1 07/08 at client's request	
Revs	Closed	Debt Management Strategy 06/07	P	Cancelled as no input required.	
FSS FSS FSS FSS FSS FSS FSS FSS FSS FSS FSS	CF 2005/06 CF 2005/06 CF 2005/06 CF 2005/06 1 1 2 4 4 4 4 4 4 4 (3)	Creditors 05/06 inc 04/05 follow-up Education Finance Financial Systems & General Ledger 05/06 VAT 05/06 inc 04/05 follow-up Creditors: Balance Sheet P-Cards School Balances: Scheme for Financing Accounts Payable: Payments Accounts Payable: Payments 05/06 follow-up Banking follow-up Financial Systems & General Ledger 05/06 follow-up P-Cards follow-up VAT 05/06 follow-up	KS + F S KS + F S + F S S S KC F F F F F F	Issued 21/06/06 Issued 07/11/06 Issued 11/09/06 Issued 04/07/06 Issued 27/09/06 Issued 08/08/06 (deferred from 2005/06) Issued 09/10/06 FW stage DR stage DR stage Issued 11/05/07 DR stage Issued 14/05/07	
FSS	4	Education Finance follow-up	F	Cancelled	Audit was full assurance - no risks/ actions to follow up
Corp Serv Corp Serv Corp Serv Corp Serv	1 3 (2) 4 (2) 4	Stores Risk Management Central Contract Monitoring Stores follow-up	S S S F	Issued 13/10/06 DR stage FW stage Issued 14/05/07	
Shared HR	CF 2005/06	Payroll 05/06 inc 04/05 follow-up	KS + F	Issued 19/10/06	
Shared HR Shared HR	3 3 (1)	Payroll 06/07 Recruitment Phase I	KC S	Deferred to 2007/08 Deferred to Q1 2007/08	2005/06 audit finalised Q3 06/07 Merged with HR Strategy & Operations project Deferral due to client workload. Deferral due to client workload. Follow-up still scheduled for completion within 12 months
Shared HR Shared HR Shared HR	4 4 4 (3)	LG Pensions Service 06/07 LG Pensions Service 05/06 follow-up Payroll 05/06 follow-up	KC F F	Deferred to Q1 07/08 Deferred to Q1 07/08 Deferred to Q1 2007/08	
Shared HR	4	Recruitment Phase I follow-up	F	Cancelled	

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
RESOURCES: ORGANISATIONAL DEVELOPMENT & CUSTOMER SERVICES including Customer Services, Organisational Dev't & Change Management, Information Observatory and Registrars					
Cust Serv	4 (3)	Web Content Management (<i>Intranet</i>)	S	FW stage	
Cust Serv	4 (3)	Customer Care	S	Cancelled	Due to CC restructure; project input planned for 2007/08
I Obs	Ongoing	IS Follow-up Review 06/07	P	Position Statement 2 issued 27/03/07	
I Obs	3	Shared Information and Business Intelligence	S	Deferred to Q3 07/08	Due to Service restructure.
I Obs	4	Project Support	S	Cancelled at client's request.	Discussions with management concluded that an audit of this areas would not add value. To be considered for risk assessment for 2008/9 audit planning.
Reg	4	Births, Deaths & Marriage Certificates follow-up	F	Issued 11/05/07	
COMMUNITIES: Adult Social Services, Children's Service and Policy & Partnerships Group					
ASS ASS ASS ASS	CF 2005/06 CF 2005/06 CF 2005/06 1	Income from Barnet PCT (<i>Community Care Income</i>) Recruitment & Retention Strategic Planning & Health Partnership Learning Disabilities	S F S KC	Issued 14/12/06 Issued 04/07/06 Issued 14/09/06 Issued 07/02/07	
ASS ASS ASS	4 (2) 4 4	Community Care Grant System follow-up Direct Payments follow-up Income from Barnet PCT (<i>Community Care Income</i>) follow-up	F F F	Deferred to Q2 07/08 Deferred to Q3 07/08 Deferred to Q3 07/08 in line with risk implementation dates	Due to Core Remodelling Programme Due to Core Remodelling Programme Follow-up still scheduled for completion within 12 months
ASS ASS ASS	4 (3) 4 Ongoing	Information Management/SWIFT follow-up Strategic Planning & Health Partnership follow-up Electronic Single Assessment Process 06/07	F F P	Deferred to Q2 07/08 Deferred to Q3 07/08 Deferred to 2007/08	Due to Core Remodelling Programme Due to Core Remodelling Programme Project on hold until September 2007
ASS ASS ASS ASS	4 (1) 4 (1) 4 4	ASS Income and Assessment Data Capture Electronic Social Care Records Homecare	S S S S	Cancelled and audit resources diverted to Core Remodelling Programme Cancelled as scope covered in BVPI (ASS) follow-up audit Cancelled and replaced with EDRMS project Cancelled and audit resources diverted to Core Remodelling Programme	

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
ASS	4	Homecare follow-up	F	Cancelled as audit cancelled	If significant delay on CRP follow-up will be reinstated.
ASS	4	Procurement & Contract Management follow-up	F	ML will be followed up during Core Remodelling Programme	
ASS	4 (2)	Reviews (<i>Reviewing Team</i>)	S	Cancelled and audit resources diverted to Core Remodelling Programme	
ASS	4	Reviews (<i>Reviewing Team</i>) follow-up	F	Cancelled as audit cancelled	
ASS	Closed	Financial Management & Invoice Payments 06/07	P	Cancelled and audit resources diverted to Core Remodelling Programme	
CS	CF 2005/06	Research & Management Information I	S	Issued 17/05/06	
CS	CF 2005/06	Teacher's Pensions 04/05 follow-up	F	Issued 13/02/06	
CS	1	Schools Asset Management	S	Issued 22/03/07	
CS	2	Development and Consultancy	S	Issued 30/10/06	
CS	2	SEN Budget and Contract	S	DR stage	
CS	2	Stock Procurement (Libraries) (<i>Stock Management</i>)	S	Issued 21/05/07	
CS	3	Catering	S	Issued 21/05/07	
CS	3	Teacher's Pensions further follow-up	F	Issued 09/01/07	
CS	4 (3)	Mngt Info Arrangements in Youth Service	S	FR stage	
CS	4	Nursery Education Funding	R	ML issued 28/02/07	
CS	4	Research & Management Information I follow-up	F	Issued 11/05/07	
CS	Ongoing (2)	Human Resources Traded Services	P	TOR agreed & ongoing into 2007/08	
CS	Ongoing	ICS (Integrated Children's Service)	P	Issued 03/04/07	
CS	Ongoing	Looked After Children & Fostering 06/07	P	TOR under discussion and ongoing into 2007/08	
CS	Ongoing	Primary Schools Capital Programme 06/07	P	Issued 30/03/07	
CS	3	Child Protection	S	Deferred to Q2 07/08 at client's request.	Realignment of Children's Service and newly appointed Deputy Director not yet in post.
CS	4 (3)	Looked After Children follow-up	F	Cancelled	Project is still at TOR stage
Director CS	3	Children's Act 06/07	S	Cancelled at client's request & rescoped for 2007/08 (Children's Act Complaints)	Realignment of Children's Service hence timing not appropriate.
CS	3	Use of Premises	S	Cancelled at client's request.	Client re-evaluated risk as low. Merged with Looked After Children project Significant areas covered under Safer Recruitment audit. Original audit was cancelled
CS	4 (3)	Fostering	S	Cancelled	
CS	4	HR Data from Schools	S	Cancelled at client's request.	
CS	4	Performance Mngt of SEN Specialist Service	F	Cancelled	
PPG	2	Community Strategy (<i>Community Plan</i>)	S	Issued 19/02/07	
PPG	2	Golden Thread	S	Issued 27/02/07	

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
PPG PPG	3 Ongoing	LPSA Claim (Probity audit) Partnership Arrangements 06/07	V P	Issued 12/01/07 TOR agreed & ongoing into 2007/08	
ENVIRONMENT: Environment & Transport, Planning & Environmental Protection, Housing and Strategic					
E&T	CF 2005/06	ECT Contract Monitoring	S	Issued 11/09/06	
E&T	CF 2005/06	Rechargeable Works & Other Income	S	Issued 16/10/06	
E&T	1	Green Spaces	S	Issued 22/12/06	
E&T	1 (2)	Grounds Maintenance follow-up	F	Issued 22/12/06	
E&T	1	Parking Unit Project follow-up	F	Issued 19/10/06	
E&T	2	Refuse Commercial: Trade Waste	S	DR stage	
E&T	2	Winter Maintenance	S	Issued 05/12/06	
E&T	3	Parking Control 06/07	KC	FW stage	
E&T	3	Parking Control 04/05 (completed January 06) follow-up	F	DR stage	
E&T	3	TMA 2004	S	DR stage	
E&T	4	Transport for London 05/06 follow-up	F	Issued 11/05/07	
E&T	4	Transport VOSA	R	DR stage	
E&T	4 (3)	Waste Prevention 2006/07 (<i>Waste Management</i>)	S	DR stage	
E&T	3 (1)	Public Transportation and Traffic Management	S	Deferred to Q1 2007/08	Deferred to Q3 07/08 as Local Implementation Plan not yet approved by TfL.
E&T	4	Income for Works & Services follow-up (<i>Rechargeable Works & Other Income</i>)	F	Deferred to Q1 2007/08	as 2005/06 audit not yet finalised.
E&T	4	Recycling (<i>ECT Contract Monitoring</i>) follow-up	F	Deferred to Q1 2007/08	Due to agreed action implementation dates.
E&T	4	Transport	S	Deferred to 2007/08; input will be on a project basis	Change in Strategy.
E&T	Closed	PFI Roads, Pavements & Streetlights 06/07	P	Closed as no further IA input required	
P&EP	1	Planning Service (further) follow-up	F	Issued 27/09/06	
P&EP	1	Works in Default	S	Issued 07/12/06	
P&EP	2	Regulatory Services follow-up	F	Issued 16/10/06	
P&EP	3	Building Control	S	FW stage	
P&EP	Closed (1)	Hendon Cemetery & Crematorium	P	Cancelled	After confirmation that service will remain in-house.
HSG	CF 2005/06	Housing Rents 05/06 (KC)	KS	Issued 16/10/06	
HSG	1	Barnet Homes Monitoring follow-up	F	Issued 11/01/07	
HSG	2	Decent Homes Investment Programme	S	Issued 09/01/07	
HSG	2	Home Ownership	S	DR stage	
HSG	2	Rent Deposit Schemes	KC	Issued 08/12/06	
HSG	3	Affordable Housing follow-up	F	Issued 25/01/07	

Service	Original Quarter Planned	Title of Audit/Project	Job Type	Status	Additional Comments
HSG	3	Housing Benefits 06/07	KS	DR stage	
HSG	3	Housing Benefits 05/06 follow-up	F	DR stage	
HSG	3 (2)	Private Sector Leasing (Hsg Needs and Resources)	R	Issued 28/03/07	
HSG	4 (3)	Housing Rents 05/06 follow-up	F	Issued 14/05/07	
HSG	Closed	Pericles: Housing Benefit 06/07	P	ML3 issued 04/07/06 (Conversion)	
HSG	3	Housing Revenue Account	S	Deferred to Q1 2007/08	IA quality review required the audit to be reperformed. Deferred from Q4 06/07 to Q2 07/08 as the new draft strategy has recently been produced.
HSG	4	Housing Strategy & Performance	S	Deferred to Q1 2007/08	
SDU	3	Leasehold Hardship Purchase Scheme	R	Issued 31/01/07	
SDU	3	Principle Development Agreement	S	Planning stage	
SDU	Closed	Cricklewood & Brent Cross Regeneration 06/07	P	Cancelled	Replaced by Principle Development Agreement audit
SDU	Closed	Grahame Park Regeneration 06/07	P	Cancelled	Replaced by Principle Development Agreement audit
SDU	Closed	Stonegrove Regeneration 06/07	P	Cancelled	Replaced by Principle Development Agreement audit
SDU	Closed	West Hendon Regeneration 06/07	P	Cancelled	Replaced by Principle Development Agreement audit
CONSULTATION & COMMUNICATIONS					
C&C	2	Consultation	S	Issued 14/11/06	
C&C	3	Content Management System follow-up	F	DR stage	

Internal Audit Performance Indicators 2006-7 @ 20.04.07

PI Ref	PERFORMANCE INDICATOR	TARGET 2006/07 (annual & cumulative)	Position at end of:			
			Q1 2006/07	Q2 2006/07	Q3 2006/07	Q4 2006/07
1	Percentage of 2006/07 audit plan completed compared to what was planned.	92% This is the combined figure for systems, follow-ups and projects.	2% complete or at draft report 23% at various stages of work in progress	16% complete or at draft report plus 29% at various stages of work in progress	37% complete or at draft report plus 34% at various stages of work in progress	84% complete or at draft report plus 16% at various stages of work in progress
2	Percentage of Audit reports followed up within 12 months of issue of final report	100%	0% complete or at draft report 8% at various stages of work in progress	13% complete or at draft report plus 25% at various stages of work in progress	33% complete or at draft report plus 36% at various stages of work in progress	93% complete or at draft report plus 7% at various stages of work in progress

Appendix D

Client Service	Audit Project	IIA Category					Total	Detailed Risk Analysis Annual Report 2006/07																								Total	Priority 1	Priority 2	Priority 3	
		1	2	3	4	5		The Integrity of Information/data is unreliable.				Assets are not adequately safeguarded.					Resources not used economically or effectively					Non Compliance with Policies, Laws and Regulations.			Objectives & Goals not achieved.											
		1. The integrity of information/data is unreliable	2. Assets are not adequately safeguarded	3. Resources not used economically or effectively	4. Non Compliance with policies, Laws and Regulations	5. Objectives goals not achieved		1. Lack of monitoring, budgeting and administrative controls.	2. Management reports not generated or they give inadequate results.	3. Data entered into the system is flawed hence output is inaccurate.	4. The records and accounts are not updated on regular basis.	1. Inadequate controls over access to the Council's assets.	2. Inadequate physical controls over the Council's assets.	3. The council's assets are not stored in a secured location.	4. Access into computer system is not password restricted.	5. Inadequate authorisation procedures.	1. Work undertaken or records produced are being duplicated.	2. The procedures established are not maximising returns on the Council's assets.	3. The procedures established are making a loss.	4. The procurement process does not achieve Best Value.	5. Inadequate monitoring controls over resources.	1. There are either no or inadequate policies and procedures.	2. Non compliance with the Council's constitution.	3. Non compliance with Statutory Legislation and Regulations.	1. There is no overall strategy for the service.	2. Inadequate monitoring of management information.	3. The roles and responsibility of the staff providing the service are unclear.	4. Stakeholders have inadequate feedback from the service provider.								
Resources: Strategic Services	Attendance Management	2	0	0	1	0	3	0	1	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	3	0	3	0	
Resources: Strategic Services	Computer Misuse and the Law	1	0	1	2	0	4	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	4	0	
Resources: Strategic Services	06/07 EDRMS Project	0	2	3	0	0	5	0	0	0	0	0	2	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	5	1	4	0	
Resources: Strategic Services	Performance and Policy Cycle	0	0	8	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	7	0	0	0	0	0	0	0	0	8	0	7	1	
Resources: Shared Services	Council Tax 06/07	0	1	0	1	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	2	0	
Resources: Shared Services	Education Finance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Resources: Shared Services	E-mail	0	7	0	1	0	8	0	0	0	0	0	5	0	0	0	0	2	0	0	0	0	0	1	0	0	0	0	0	0	0	8	0	7	1	
Resources: Shared Services	NNDR Business Rate 06/07	2	0	0	0	0	2	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	2	0		
Resources: Shared Services	Physical and Environmental Security	0	3	0	1	0	4	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	4	1	3	0		
Resources: Shared Services	Service & Patch Management	1	1	0	2	0	4	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	2	0	0	0	0	0	0	4	0	2	2		
Communities: Adult Social Services	Income from Barnet PCT	0	0	5	2	0	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	7	2	5	0		
Communities: Adult Social Services	Learning Disabilities	1	0	6	1	1	9	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	5	1	0	0	0	1	0	0	9	2	7	0		
Communities: Children's Service	Development and Consultancy	0	0	3	1	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1	0	0	0	0	0	0	4	0	4	0		
Communities: Children's Service	06/07 Integrated Children's Service	0	3	2	0	0	5	0	0	0	0	2	0	0	0	0	1	0	0	0	2	0	0	0	0	0	0	0	0	0	5	1	4	0		
Communities: Children's Service	06/07 Primary Schools Capital Programme	0	1	1	0	0	2	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2	0	2	0			
Communities: Children's Service	Responsive: Early Years	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	1	0	0			
Communities: Children's Service	Schools Asset Management	0	1	1	0	0	2	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	0	2	0			
Communities: Children's Service	Stock Procurement: Libraries	2	0	0	1	0	3	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	3	0	2	1		
Communities: Policy & Partnerships Group	Community Strategy	0	0	1	4	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	4	0	0	0	0	0	0	0	5	0	5	0		
Communities: Policy & Partnerships Group	Golden Thread	0	0	0	6	3	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0	2	1	0	9	0	7	2			
Env & Regeneration: Planning & Environmental Protection	Works in Default	1	0	4	3	1	9	0	1	0	0	0	0	0	0	0	3	0	0	1	3	0	0	0	0	0	0	0	0	0	9	0	8	1		
Env & Regeneration: Environment & Transport	Greenspaces	2	0	4	3	3	12	2	0	0	0	0	0	0	0	0	2	0	0	2	3	0	0	0	0	3	0	0	12	0	12	0				
Env & Regeneration: Environment & Transport	Winter Maintenance	0	0	1	1	2	4	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	1	1	0	4	0	4	0				
Env & Regeneration: Housing	Decent Homes Programme	1	0	2	1	3	7	1	0	0	0	0	0	0	0	0	0	0	0	2	1	0	0	0	0	3	0	0	7	0	7	0				
Env & Regeneration: Housing	Private Sector Leasing	5	2	1	3	1	12	5	0	0	0	0	0	0	2	0	0	0	0	1	3	0	0	0	0	0	0	1	0	12	5	7	0			
Env & Regeneration: Housing	Rent Deposit Schemes (KC)	2	3	1	2	2	10	1	1	0	0	1	0	0	1	0	0	0	0	1	2	0	0	0	0	1	1	0	10	5	5	0				
Communications & Consultation	Consultation	3	0	1	0	3	7	0	1	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	1	1	7	3	4	0			
Corporate Governance	Business Continuity	2	0	2	2	3	9	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2	2	0	0	2	0	1	0	9	6	3	0		
Corporate Governance	Emergency Planning	0	0	1	0	4	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	2	1	1	5	1	4	0			
TOTALS		25	24	48	38	27	162	12	5	5	3	11	1	1	3	8	1	12	0	7	28	38	0	0	2	15	7	3	162	28	126	8				
																																	% of total	17%	78%	5%

AGENDA ITEM:7 Page nos. 32-47

Meeting	Audit Committee
Date	28 June 2007
Subject	Annual Report of the Corporate Anti Fraud Team 2007
Report of	Acting Head of Corporate Anti Fraud Team and Deputy Director of Corporate Governance
Summary	The Committee is asked to note the Annual Report of the Corporate Anti Fraud Team 2006-07

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	All Wards
Enclosures	Corporate Anti Fraud Team Annual Report 2006-07
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 report for 2006-07
- 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 28th February 2007, the Audit Committee included in the work programme for 2007-08, that an annual report on the work 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 six Corporate Priorities is priority of 'more choice, better value' 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 our the Annual report and our service delivery plan..
- 5.2 We anticipate that our Annual Report will have no adverse impact on Barnet's diverse communities. or 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 how to access them. We believe this will further reduce the likelihood of intentional or other fraud being committed.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The CAFT budget is £397,000 The successful investigation of Corporate fraud can and does lead to the cessation of resources leaving the organisation illegally, and to resources being recovered in some cases.

In addition to this in 2006/7 CAFT received £603,000 from the Department of Work and Pensions (DWP) for the Investigation and Verification of Housing and Council Tax Benefit claims.

6.2 In 2006-07 as a direct result of Housing and Council Tax Benefit Investigations CAFT identified over £440,425 in recoverable Fraud Overpayments, and the Corporate Fraud Investigations Identified over £280,009 obtained from the Council Fraudulently

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 Annual report for 2006-07 provides an insight into the work of the team, including details of investigations undertaken.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: JL
CFO: CM

LONDON BOROUGH OF BARNET

CAFT

CORPORATE ANTI FRAUD TEAM

ANNUAL REPORT



2006/07

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The CAFT



2006/07 has been a year of change for the Corporate Anti Fraud Team (CAFT) The Corporate Governance Directorate was launched on the 1st December 2006 bringing together a number of key teams whose responsibility it is to manage and monitor the legal, constitutional, and ethical frameworks and processes across the Council. The CAFT are now part of this Directorate, as well as safeguarding the Council's finances and interests they will play a major role in assisting with the delivery of the Council's Key Priority, Clean, Green and Safe.

As a result of this change, Dorne Kanareck the former Head of CAFT became the Deputy Director of Corporate Governance and I, Clair Green became the Acting Head of CAFT.

The CAFT have also moved offices and are now located on the ground floor of North London Business Park.

In addition to our internal changes, a number of Central Government changes have also taken place around how Benefit Fraud Investigations are funded by Department of Work and Pensions (DWP) to Local Authorities. Previously Barnet received subsidy payments from the DWP for every successful sanction/prosecution. This was abolished in 2006/07 with a new performance measure being set attracting a fixed annual award.

In 2006/7 CAFT worked closely with Internal Audit in the area of Anti Money Laundering. Money Laundering is the term used for a number of offences involving the integrating of 'dirty money' (i.e. the proceeds of crime) into the mainstream economy. The objective is to legitimise the possession of such monies through circulation and this effectively leads to "clean" funds being received in exchange, through what are termed "relevant businesses" such as ourselves.

Whilst not all of the Council's activities are deemed to be "relevant business" the CAFT objective is to ensure that both the Council Members and staff are alert to the risks involved therefore CAFT are taking forward a specialist training package which will link to an approved Council Policy, protecting the Authority from this type of activity.

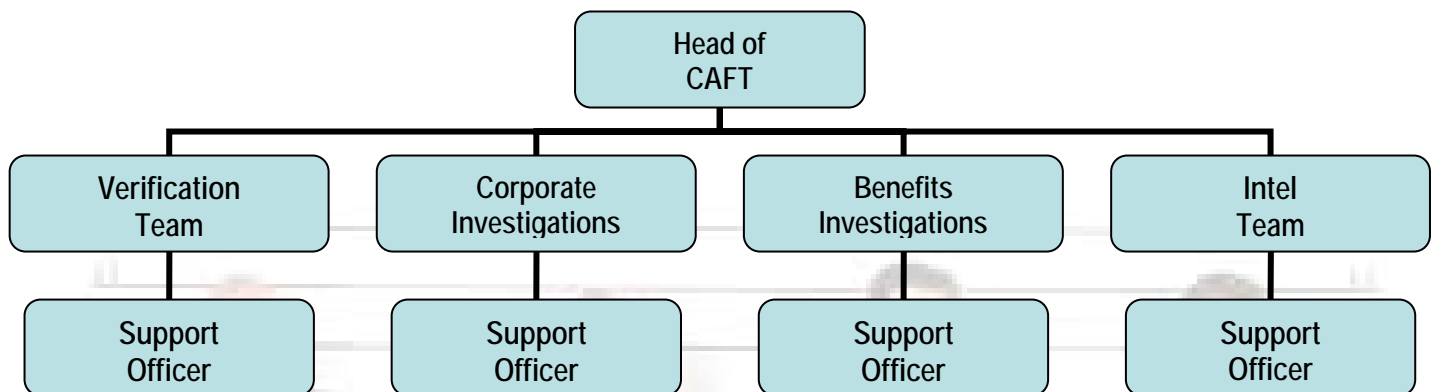
I do hope that you find this report both informative and reassuring. The CAFT continue to be committed to the prevention, detection and deterrence of fraud and will continue to assist in improving Council processes, policies and procedures through partnership and joint investigations along with learning from others, whilst sharing innovative ideas and best practice. 2007/8 should prove to be an exciting period of continuing the development of CAFT in its role in meeting the Crime Agenda.

Clair Green
Acting Head of Corporate Anti Fraud

How we operate



CAFT is divided into five separate areas: Housing & Council Tax Benefit Investigations, Corporate Investigations, Verification, Intelligence and Support functions.



1 Verification Team

The Verification Team is responsible for verifying existing Housing and Council Tax Benefit claims and its existence is seen as an essential tool in safeguarding the public purse whilst also ensuring security against fraud and error within the benefit system.

This is accomplished through visits to existing benefit claimants at their homes enabling residency, identity, national insurance numbers and continual entitlement to benefit being confirmed.

The team is funded on a yearly basis by the Department of Work & Pensions (DWP) and comprises of five visiting officers. The DWP originally set the team an annual target of 5,250 completed visits. This was later reduced to 3,940 visits to accommodate the abolishment of one of the DWP's performance measures and the introduction of a new measure (PM10)

The Verification Team exceeded its target in January 2007 and successfully completed 4,173 visits which resulted in 809 previously undeclared changes of circumstances being identified and resolved.

Since January 2007 the team has concentrated all efforts on the introduction and implementation of the new PM10. Evidence shows that the number of claimants reporting changes in circumstances has reduced significantly over the past two years and the implementation of this new performance measure will enable this trend to be reversed.

2 Intelligence Team

The intelligence (Intel) Officers based within the Corporate Anti Fraud Team are the single point of contact for the CAFT and are responsible for co-ordinating the flow of intelligence and information to and from the CAFT.

The Intel team works within the guidelines of the National Intelligence Model (NIM) which is used by law enforcement agencies throughout the UK. Using the NIM ensures that the team communicates on the same footing as partner agencies, such as the Police. All referrals are risk based using this system, helping us to prioritise the investigation around the resources in CAFT.

As the single point of contact Intel Officers respond to requests for information from other departments, other local authorities and other agencies such as the Department of Work and Pensions, the Police, customs, etc. Examples of which are requests made in accordance with legislation such as the Data Protection Act 1998 and the Social Security Administration Act Fraud 2001 and Anti Terrorist Legislation.

The team provides advice and guidance to staff making referrals to CAFT, also keeping a comprehensive network of contacts through both the Local Authority, Partner and Business world. With the Intel Officers regularly participating in the Home Office Identity Fraud Forum, the Organised Fraud Investigators Forum, meetings with representatives from the banking and insurance sector and the Government Agencies Intelligence Network.

Intelligence is information that has been assessed, and is the way forward in the world of investigations. Advantages of having a specific Intel Team are:-

- Risk assessing of referrals; enabling better use of resources
- Utilising different ways and means to gather information
- Assisting investigation officers by verifying and obtaining information to progress their investigations
- A single point of contact for the CAFT; allowing organisations access to information via named persons
- Ensuring that all requests for information received into the team are made in accordance with relevant legislation
- Dissemination of information to other organisations is legitimate and appropriate

The Intel team are responsible for coordinating the Audit Commission's National Fraud Initiative (NFI) for 2006/07. This exercise is carried out every 18 months, involves all local authorities and public organisations providing staffing and business data to the Audit Commission. The data is taken from various systems such as Housing and Council Tax, Student Awards, Payroll, Pensions, Creditors, Housing Rents, Blue Badges, Freedom Passes and Resident Parking Permits. This data is then matched against the other organisations with the output passed to each Local Authority to investigate.

The Audit Commission is using a new web based system which holds all the data reports and allows on line access - this is a major change to the way the NFI is handled and has features such as updating the status of a match, recording statistics for the Audit Commission and on line email links to other organisations. All service areas involved in the exercise are given training on looking into the matches, referring cases onto CAFT for further investigation and using the on line system to record and report their findings. Regular meetings are held with representatives from the different service areas so updates on progress can be given and any issues or problems raised discussed.

Developments for the Intel team in 2007/08 include them becoming the central Intelligence and information coordinators for the new Directorate, as well as using our new Crime Intelligence Analyst to carry out analysis on our fraud data by using the new Fraud Management system.

3 Housing and Council Tax Benefit Investigation Team

All allegations of fraud relating to Housing and Council Tax Benefit; are passed to this team, they not only investigate benefit claimants but also landlords and collusive employers.

In the last year they have dealt with an investigation into an organised criminal family fraud ring, which was the largest and most complex benefit investigation that the team had dealt with to date. The investigation is currently ongoing and involves many addresses both within the London Borough of Barnet and across three other London Boroughs. The investigation is codenamed 'Operation Avalanche' and is detailed further in the 'Investigation' section of this report.

All the Investigators are all fully trained to prosecution standard and have all attained the Government recognised qualification in Professionalism in Security (PINS)

During the last year the Housing Benefit Investigation team have:-

- Investigated over 855 referrals
- Issued 8 Formal Cautions
- Issued 84 Administrative Penalties
- Obtained 26 successful prosecutions
- Identified over £440,425 in recoverable Fraud Overpayments

For 2006/07 the DWP set a target of 113 sanctions (combined formal cautions, administrative penalties and successful prosecutions) The CAFT met this target by achieving 118 combined sanctions.

Officers from this team also deliver specific Benefit Related Fraud Awareness Training, and refresher training on a regular basis to all staff members and partners involved in the administration of benefits.

4 Corporate Investigation Team

The Investigators deal with all allegations of fraud and/or corruption within or against the London Borough of Barnet. They regularly provide advice and assistance to Heads of Service, department managers and staff members on a range of matters including prevention of fraud and the strengthening of procedures. The officers work closely with Internal Audit identifying high risk areas, working together on cases where appropriate. All referrals under the whistle blowing policy are dealt with by and investigated by this team.

Again the investigators are all fully trained to prosecution standard and have all attained the Government recognised qualification in Professionalism in Security (PINS).

During the last year the Corporate Investigation team have:-

- Investigated over 89 referrals of which 2 were whistleblowing referrals
- Investigated 79 Disabled Blue Badge referrals of which 2 were successfully prosecuted and the other case is with our legal department awaiting action
- Made 2 arrests – the trials are scheduled for 2007/08
- First time that we used our own Legal Department to prosecute a corporate fraud case – the trial is scheduled for 2007/08
- As a result of our investigations - 4 staff members were dismissed
- Identified through our investigations over £280,009 obtained from the Council fraudulently

5 Support Team

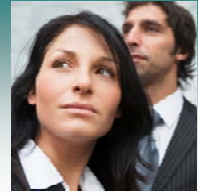
Each of the Support Officers has a distinct role i.e. Customer Liaison, Benefit Liaison, Evidence & Disclosure and Intelligence. They carry out essential roles, providing both administrative and specialist support to all staff members within the team, and also deal with all enquiries received from members of the public, benefit claimants under investigation, staff members, police, solicitors etc . They assist the Investigators in the preparation of prosecution files including jury packs providing the schedules of evidence for court etc and provide support to the Visiting Officers in the preparation of visiting packs, appointments letters and schedules.

During the last year the Support team have:-

- Received and resolved 50,729 phone calls relating to the work of team
- Received 1,582 items of post that required further action



Proactive Joint Working



Operation Avalanche is a good example of a CAFT investigation that was proactive and allowed us to work jointly with our partners, who included three other Local Authorities, Her Majesty's Revenue and Customs (HMRC) and the Metropolitan Police.

Operation Avalanche

Operation Avalanche is the investigation into an organised criminal family fraud ring that between them made false claims for Housing and Council Tax Benefit, DWP Benefits and Tax Awards, it has been established that this activity enabled them to fraudulently purchase and rent various properties within London. Their activity has been wide spread with links to four other London Boroughs, various outer London addresses and links to the European Union.

On the 20th February 2007 CAFT Officers working in partnership with the Metropolitan Police, HMRC and Officers from London Borough of Waltham Forrest, London Borough of Ealing and Royal Borough of Kensington and Chelsea attended six addresses across the four Boroughs. A number of arrests were made on the day, with 94 bags of documentary evidence seized. In addition to this a large quantity of drugs, cash and weapons were found and a Range Rover 4x4 vehicle was also seized.

All of those arrested on the day have since been bailed to return to the police station with a number of warrants being issued for further suspects, we would like to talk to.

This investigation is still ongoing.

National Fraud Initiative (NFI)

The Audit Commission's NFI as described above is a pro active exercise, which involves a large amount of data matching between different computer systems within local authorities and other large public organisations. An example of a successful prosecution as a result of the NFI was the case of 'Miss Alison Davies'

Miss Alison Davis

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Jobseekers Allowance.
- National Fraud Initiative Match stated Miss Davis was employed by Barnet Council and had been with effect from 29th September 2003. Checks were made on the Barnet systems that confirmed this was correct.
- As a result of our Investigation the claim was re-assessed which created a Housing and Council Tax Benefit overpayment of £4,616.75 for the period 6th October 2003 to 22nd January 2006.
- Miss Davis pleaded guilty to failing to notify the Local Authority of a relevant change in her circumstances and was sentenced to a 12 month conditional discharge and £250 costs.

Housing Benefit Data Matching Service (HBMS)

The HBMS is also a pro active exercise, which involves data matching from our Benefits Computer System within local authorities and other government organisations. An example of a successful prosecution as a result of the HBMS was the case of 'Miss Denise Pepper'

Miss Denise Pepper

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Jobseekers Allowance.
- A referral was received from the Housing Benefit Matching Service that stated Miss Pepper's Job Seekers Allowance had ceased with effect due to her starting work. Miss Pepper was interviewed and admitted working as a security guard.
- As a result of our investigations the claim was re-assessed which created a Housing and Council Tax Benefit overpayment of £5,155.15
- Miss Pepper pleaded guilty by post to failing to notify the Local Authority of a relevant change in her circumstances. She was sentenced to a 2 year conditional discharge.

CAFT understand that the key to success is good intelligence and pro-active working and in 2006/7 invested in a new computer system which went live in April 2007. This system will allow us to analyse types of fraud, carry out hotspot mapping and extract information which can be used for future proactive exercises, making better use of our resources and staying ahead of the ever changing criminal world.

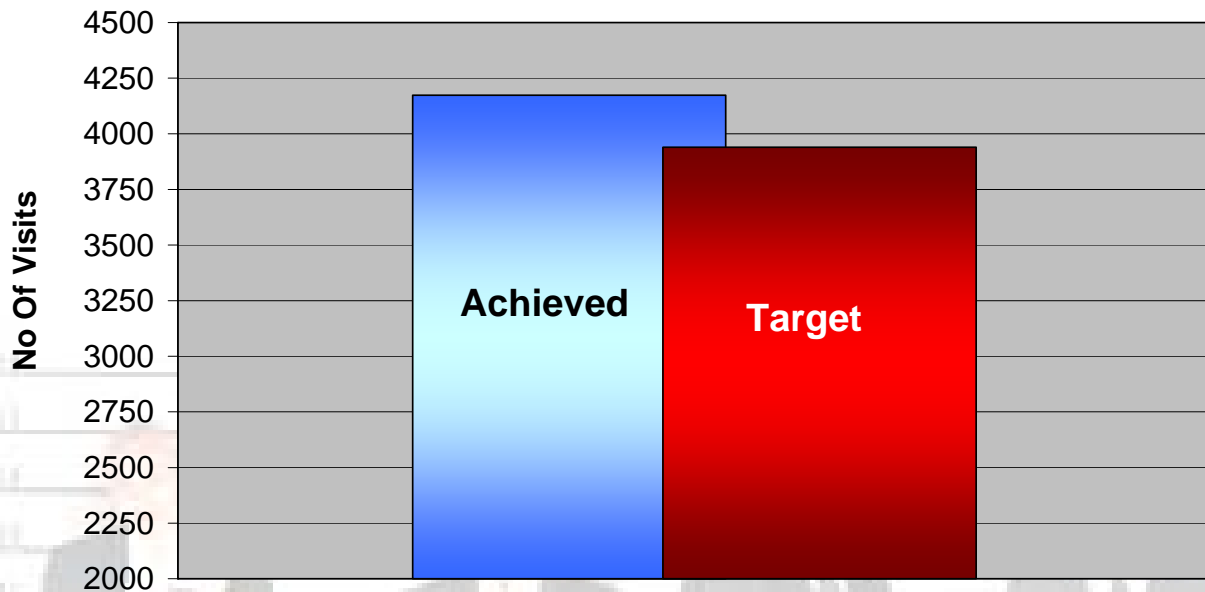


Results



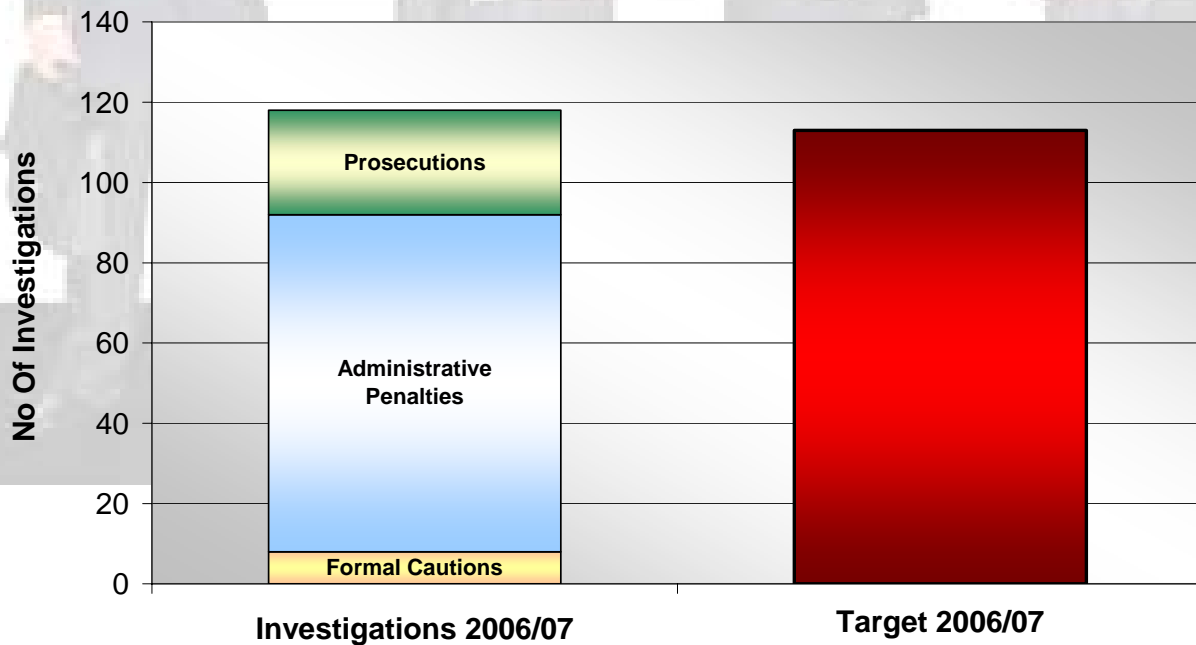
VF Visits against target – chart/graph

Verification Visits 2006/07

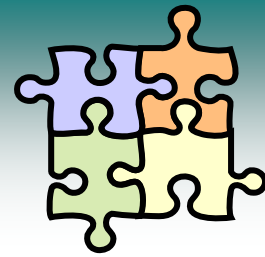


Sanctions against target – chart/graph

Benefit Fraud Investigations 2006/07



CAFT Investigations



Below are a few examples of CAFT investigations:-

Operation Amigo

- This investigation relates to an allegation that a now former Barnet employee conspired to commit fraud by deception, in particular the manipulation, alteration and fabrication of a Barnet computer system to provide and attempt to provide residents with housing that they may not have been entitled to.
- The former employee is also alleged to have fraudulently received Housing Benefit from another London Borough Council amounting to tens of thousands of pounds.
- The investigation led to the subsequent arrest of the individual and his wife. Fingertip searches were conducted by CAFT Investigators and the Police at their home address and also the main suspect's work station within Barnet Council offices.
- Evidence of the offences were collated by Investigators and presented to the Crown Prosecution Service.
- This case is currently awaiting trial at Crown Court later this year.

Operation Axiom

- This case relates to the fraudulent claims for Nursery Education Funding submitted by the owner of a nursery within the London Borough of Barnet. This funding is available for 3 and 4 year olds who attend nursery and is primarily to pay for the first 2 ½ hours of nursery time attended per day.
- Evidence obtained from the investigation showed that this individual had attempted to fraudulently obtain more than £10,000 worth of funding and as a result of evidence collated was arrested by police.
- Fingertip searches of the suspect's home address and nursery office were conducted by CAFT Investigators and Police with further evidence of offences being seized.
- This investigation is currently on going.

Advice & Assistance 46

- This investigation relates to pension payments of a deceased member of staff who died in December 2006.
- In February 2007 a lady alleging to be the wife of the deceased submitted an application for 'Spouses and Dependants Pension Benefits'. This lady stated that she was married to the deceased and was currently living in the Bahamas.
- On examining the pension file of the deceased it was found that in 2002 he had completed a Nomination Form for Pension Lump Sum Death Benefit. The nominee on this form was different to the lady who had made the application.

- The investigation revealed that the deceased originally married the applicant in 1965 but they were officially divorced in February 2002. It was also found that in April 2002 the deceased married the lady who he had nominated to receive his Pension Benefit.
- Throughout the investigation the original applicant claimed that she was unaware that she had been divorced and believed her claim to be valid.

Advice & Assistance 08

- This investigation relates to a former Barnet Council employee who is alleged to have fraudulently obtained petrol for personal use by using a London Borough of Barnet petrol card which was designated for refuelling authorised Council vehicles only.
- The offences are alleged to have been committed over a 5 month period with costs amounting to over £700.
- The investigation has revealed strong evidence to link the offences to the former employee, however the allegations have been denied and as a result, Barnet Council have initiated prosecution proceedings.
- This case is currently awaiting trial at Crown Court later this year.

Blue Badge Investigations

The London Borough of Barnet has identified Blue Badge abuse as a major problem within the Borough, London and across the United Kingdom.

The Blue Badge Scheme allows genuine disabled persons to park, in most places, free from normal parking restrictions and in many cases free of charge and without limit of time. The scheme is administered by Local Authorities on behalf of the Department for Transport and operates throughout the European Union.

Badges are issued for the sole use of a named individual who qualifies on grounds of a physical disability that makes walking difficult. The Blue Badge is only valid when it is being used by or for the disabled person, with that person being present. It is clearly stated on the badge that misuse may constitute a criminal offence.

The Corporate Anti Fraud Team (CAFT) began working closely with the Assisted Travel Section in 2006 in an attempt to control the risk of fraud in this area. Internal and external referrals of Blue Badge misuse are risk assessed and CAFT take appropriate action. On some occasions surveillance is required to capture the offending enabling prosecution, enquiries with badge holders and witnesses, warnings issued where appropriate and advice and assistance provided for correct use of Blue Badge scheme.

Recently CAFT have worked with the Parking Department to introduce new controls on how applications are made to the London Borough of Barnet and the criteria an applicant must meet to obtain a Blue Badge. These new controls are still in the early stages but are working well, further reporting in this area will be made in the Interim report.

Mrs Francoise Ramezan-Zadeh

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Jobseekers Allowance.
- Referral stated that Mrs Ramezan-Zadeh owned another property. Investigations confirmed that this was correct.
- The claim was re-assessed which created a Housing and Council Tax Benefit overpayment of £40,301.04 for the period 8th July 2002 to 13th February 2005.

- Mrs Ramezan-Zadeh pleaded guilty to making a false statement and was sentenced to 150 hours Community Punishment Order.

Mr Khaled Rabah

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Income Support.
- A referral was received from the Housing Benefit Matching Service that stated that Mr Rabah's Income Support had ceased. Checks were made that confirmed this.
- This resulted in an overpayment of Housing and Council Tax Benefit totalling £12,280.75.
- Mr Rabah was found guilty following a trial of failing to notify the Local Authority of a relevant change in his circumstances. He was sentenced to 100 hours Community Punishment Order on 24 May 2006.

Mr Lewis Powell

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing and Council Tax Benefit on the basis of receiving Income Support.
- A referral was received via a National Fraud Initiative match that suggested that Mr Powell had a non-dependant resident in the property.
- Checks were made that confirmed that Mr Powell's son was resident in the property.
- Housing and Council Tax Benefit was reassessed resulting in an overpayment of £19,296.26.
- Mr Powell elected to go to trial, but then changed his plea to guilty to 3 charges of dishonestly making false representations on benefit claim forms. He was given a conditional discharge for two years.

Ms Sohina Faqirzad

- This relates to a CAFT investigation into a benefit claimant who was in receipt of Housing Benefit on the basis of receiving Income Support.
- A referral was received from DWP that suggested that Ms Faqirzad's landlord was the father of her children.
- Checks were made that confirmed that this was the case.
- Housing Benefit was reassessed resulting in an overpayment of £19,898.11.
- Ms Faqirzad pleaded guilty to dishonestly making false representations on benefit claim forms. She was sentenced to 9 months imprisonment suspended for 12 months. Also given a total of 160 hours unpaid work to do at the rate of one day per week.

AGENDA ITEM: 8 Page nos. 48-90

Meeting	Audit Committee
Date	28 June 2007
Subject	Annual Audit & Inspection Letter 2005/06 & Audit & Inspection Plan 2007/08
Report of	Deputy Director for Resources & Chief Finance Officer
Summary	This report advises the Committee of the Audit Commission report on the 2005/06 Audit of Accounts and Inspection and the Audit Commission's Audit and Inspection Plan for 2007/08.

Officer Contributors	Jonathan Bunt, Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Annual Audit and Inspection Letter 2005/06 Appendix B – Audit and Inspection Plan 2007/08
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 Audit Commission Annual Audit & Inspection Letter for 2005/06 be accepted as a reasonable statement on the Council's position in respect to financial standing, and financial and performance management arrangements.
- 1.2 That the Committee consider whether there are any areas on which they require additional information or action.
- 1.3 That the Committee note the Annual Audit & Inspection Plan for 2007/08.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Annual Audit and Inspection Letter addresses fundamental aspects of financial standing and performance management in Barnet, which relate to the Council's 'More Choice, Better Value' priority.

4. RISK MANAGEMENT ISSUES

- 4.1 The Annual Audit and Inspection Letter has many positive things to say about the Council, but highlights areas of weakness that must be addressed over the coming year.

5. EQUALITY AND DIVERSITY ISSUES

- 5.1 The Annual Audit and Inspection Letter covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.
- 5.2 Within the letter, the External Auditor highlights the update of the Council's Race Equality Scheme and its attempts to promote social cohesion.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 This report deals with the Council's financial standing. The external auditor's recommendation on balances should be noted.

7. LEGAL ISSUES

- 7.1 The relevant statutory provisions are referred to in the body of the report and in both the Annual Audit and Inspection Letter and Annual Audit Plan.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "To consider the external auditor's annual letter" and "To comment

on the scope and depth of external audit work and to ensure it gives value for money”.

9 BACKGROUND INFORMATION

- 9.1 The purpose of the Annual Audit and Inspection Letter is to summarise the conclusions of and significant issues identified by the Council’s External Auditor, RSM Robson Rhodes, during their audit and inspection.
- 9.2 The External Auditor is expected to attend the Committee meeting to introduce his report and respond to questions. In the meantime, this covering report extracts the key messages from within the Annual Audit and Inspection Letter 2005/06, which is attached.
- 9.3 The following is drawn to the attention of the Committee:
 - 9.3.1 The Statement of Accounts were given an unqualified audit opinion.
 - 9.3.2 The Council has been successful in addressing the majority of recommendations raised in the previous year, which is shown by the Council’s move from a 2 star authority to an overall 3 star authority under the Comprehensive Performance Assessment (CPA) framework and it is further assessed as ‘improving well’.
 - 9.3.3 Performance has been sustained across five out of the six service blocks which form part of the overall CPA framework, demonstrating continued consistency in performance.
 - 9.3.4 Housing along with Social Care for Adults are the only two service blocks which perform adequately overall and as a 3 star authority with a view to improving, the planned improvements already in place need to be monitored to ensure the Council delivers in line with its expectations and community needs.
 - 9.3.5 With regard to the ‘adequate’ performance of Social Care for Adults, the Council has been acknowledged to support a diverse community and some clear improvements in relation to adults with learning disabilities have been identified. A strategic plan for further developments to shift the balance of care to more community-based provision is also in place.
 - 9.3.6 Areas of concern in the previous Annual Audit and Inspection Letter, namely Human Resources & Payroll and Adult Social Services, have been recognised to have sufficiently improved within their performance management arrangements.
 - 9.3.7 The Council has continued to strengthen its use of resources in all areas in particular with regard to the adequacy of General Fund balances, improvements to the control environment and the enhancement of data quality.
 - 9.3.8 Overall almost two-thirds of performance indicators improved in 2005/06 and performance in priority areas, such as education, children’s services and

recycling, has continued to improve.

9.3.9 Value for money is stronger with identified savings and efficiencies and clear links between investment in priorities and outcomes.

9.3.10 The Council has been recognised as having strong and clear ambitions based on a good understanding of community views and needs. It also has a clear shared vision and plan for 2006/2016 to build 'A First Class Suburb' and the strategic vision for the Council is well embedded at a senior level and is publicised widely.

9.3.11 The Council has a strong and integrated approach to economic development, regeneration, housing and local environment and its ambitions include radical improvements for more deprived communities.

9.3.12 In the instance of targets being missed, the framework is further weakened by a lack of public monitoring and regular scrutiny and challenge by councillors. The role of scrutiny in securing value for money from local services is underdeveloped.

9.3.13 The focus for the forthcoming year has been identified as ensuring that all improvement areas are maintained so as to demonstrate them as being embedded within the Council as part of the culture of the organisation. The steady progress in achieving adequate General Fund balances also need to be maintained through the forthcoming years.

9.4 Also attached, for Members information, is the Audit and Inspection Plan for 2007/08 which outlines the External Auditor's proposed work and planned approach for the coming year.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

CFO: JB

Annual Audit and Inspection Letter

Barnet London Borough Council

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- Auditors may report aspects of their work widely to the public and other key stakeholders.

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Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

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- any member or officer in their individual capacity; or
- any third party.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, from the Corporate Assessment and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
 - The Council continues to improve well, moving from a 2 star authority to a 3 star authority this year. 29 councils across the country moved up a category this year. The use of resources assessment also improved from performing adequately to performing well (3 out of 4), with notable improvements in the value for money element.
 - Performance has been sustained across five out of the six service blocks which form part of the overall CPA framework, demonstrating continued consistency in performance. Children and young people services, environment, benefits and culture are all performing well (level 3 out of 4). Performance within adult social care remains adequate overall, (level 2 out of 4).
 - Housing is the only service block where performance deteriorated from performing well to performing adequately this year (2 out of 4). 27 per cent of Council's performed at this level in 2006 compared to 71 per cent achieving the top two ratings.
 - The Council has continued to strengthen its use of resources in all areas in particular with regard to the adequacy of General Fund balances, improvements to the control environment and the enhancement of data quality.

Action needed by the Council

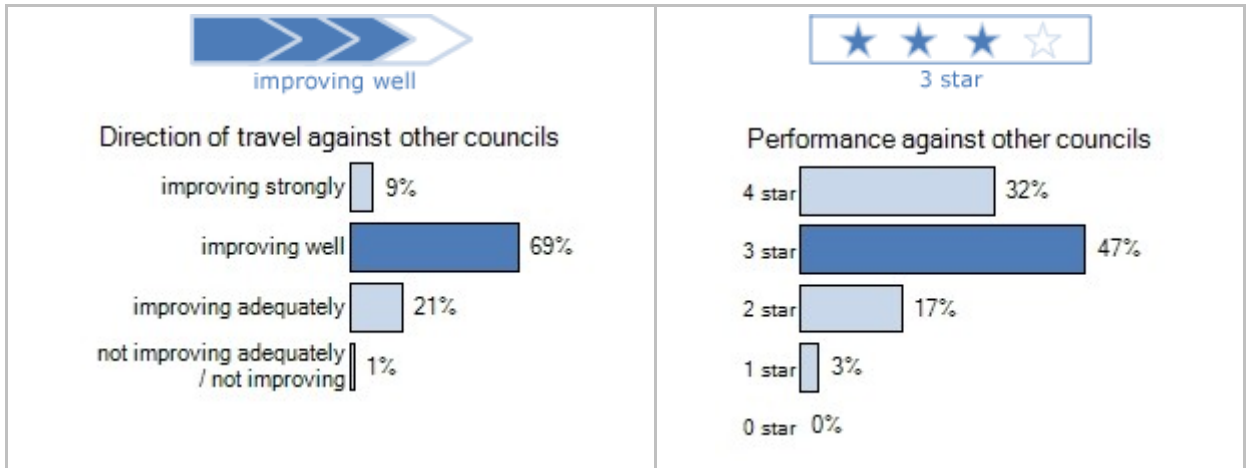
- The Council needs to ensure that the steady progress in achieving adequate General Fund balances is maintained through the 2007/08 budget setting process and beyond. This is vital in the context of tightening financial settlements and increased cost pressures in the social care environment.

- Housing along with social care for adults are the only CPA service blocks which perform adequately overall. As a 3 star authority, the Council needs to assure itself that planned improvements within housing and adult social care services are in line with its expectations and community needs.
- Whilst two thirds of comparable performance indicators improved between 2004/05 and 2005/06, this fell short of the single tier and county council average. The Council should ensure that the extent of improvement keeps pace with other similar authorities to support further positive direction of travel.

How is Barnet Council performing?

- 4 The Audit Commission’s overall judgement is that Barnet Council is improving well and we have classified Barnet Council as three stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Table 1



Source: Audit Commission

- 5 The detailed assessment for Barnet Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 stars
Current performance	
Children and young people	3 out of 4
Social care (adults)	2 out of 4
Use of resources	3 out of 4
Housing	2 out of 4
Environment	3 out of 4

Element	Assessment
Culture	3 out of 4
Benefits	3 out of 4
Corporate assessment/capacity to improve	3 out of 4

(Note: 1=lowest, 4= highest)

The improvement since last year - our Direction of Travel report

- 6 Barnet Council is improving well. Overall almost two thirds of performance indicators improved in 2005/06. Performance in priority areas: education, children's services and recycling has continued to improve. Other service areas such as planning, benefits, homelessness and reducing the numbers killed and injured on the roads have also improved. Performance on decent homes, adults, crime and health was mixed but has started to improve. Benefits customer service has improved as have customer facilities, but there is more to do. The Council updated its Race Equality Scheme in 2006 and is effectively promoting social cohesion. Value for money is stronger with savings, efficiencies and clear links between investment in priorities and outcomes. The Council has a clear shared vision and plan for 2006/2016 to build 'A First Class Suburb'. This includes the regeneration of Cricklewood/West Hendon, which is proceeding to plan, with three other major schemes at an earlier stage. Capacity is increasing through improved information, communication and technology, human resources and finance projects, which are modernising the organisation. There are no significant failures in corporate governance that would prevent sustained improvement.
- 7 Informing the direction of travel this year was the corporate assessment of the Council. Overall, the corporate assessment found the Council to be performing well. A summary is provided below and the full report can be accessed via the Commission's website at www.audit-commission.gov.uk.

8 Annual Audit and Inspection Letter | How is Barnet Council performing

- 8 The assessment found strong and clear ambitions based on a good understanding of community views and needs. Ambitions strived for much more than sustaining the good quality of life in the borough and included radical improvements for more deprived communities. The corporate plan provides a robust framework for strategies, plans and service delivery. A good range of outcome based targets are driving improvement through a comprehensive performance management framework. But some targets are being missed and the framework is weakened by a lack of public monitoring and of regular scrutiny and challenge by councillors. The development of an integrated approach to customer access is at an early stage. Good political and managerial leadership is evident, although scrutiny committees are not always clear about their role. The Council is doing much to improve the way it works, although all of its actions to address earlier weaknesses are not complete.
- 9 Overall the Council is performing well in the delivery of its own ambition and priorities and contributing to the achievement of shared priorities. The assessment found a strong and integrated approach to economic development, regeneration, housing and the local environment. The Council has a good partnership approach to reducing crime and building stronger communities with some tangible successes. A number of initiatives to improve health were focussed on areas of greatest deprivation with some positive results, but joint work with the local Primary Care Trust (PCT) to develop a joint health strategy and outcome targets and measures is at an early stage. The Council's strategy for services for older people focuses on health and social care, in line with its inclusion of older people as a significant element in its 'supporting the vulnerable' priority. Good outcomes are being achieved by the Council and its partners for children and young people.

Service inspections

- 10 No Audit Commission service inspections were undertaken this year.
- 11 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments (summarised in the proceeding paragraphs) from other inspectorates.
 - A Joint Area Review of Children's Services including a contemporaneous enhanced youth service inspection.
 - A youth offending service inspection.
 - An annual performance assessment of adult social care services.
 - An annual performance assessment of benefits services.

- 12 In tandem with the corporate assessment the Council and its partners received a joint area review (JAR) of children's services. Outcomes for most children and young people in Barnet were found to be 'good'. The contribution of Council services to improving outcomes for children and young people was also found to be 'good'. In particular the assessment highlighted that data and information was used well to inform needs analysis and to shape strategic plans. The good quality leadership and determination of senior officers had contributed strongly to a rapid improvement in education and social care services, many of them from a low base. Almost all services are now good. There is a proven ability to prioritise, with especially good use of geographic mapping to translate national and other initiatives into a local context and focus. Partnership working is strong, and there is very good use of services commissioned from the voluntary sector, but the role of scrutiny in securing value for money from local services is still underdeveloped, although the partners understand what needs to be done. The capacity for further improvement is 'good'. The full report can be accessed via www.ofsted.gov.uk.
- 13 As part of the JAR an enhanced youth service inspection was also undertaken contemporaneously. The service was assessed as 'adequate' overall, providing 'satisfactory value for money'. The full report can be accessed via Ofsted's website.
- 14 A youth offending service inspection was also carried out this year which informed the JAR. Whilst no overall categorisation of performance is given, judgments are made against each of the five core areas of work of the youth offending team. The assessment found that the management and partnership arrangements, including the role and functioning of the local Board was 'excellent'. Three further core areas of work relating to the team's work in courts; with children and young people in the community; and with children and young people subject to detention and training orders were all found to be 'good'. In the last core area of work regarding victims and restorative justice, the assessment found the youth offending service to be 'adequate'. A copy of the full report can be accessed via www.inspectorates.homeoffice.gov.uk/hmiprobation/

- 15 The CSCI annual performance assessment of adult social care services found the Council to be serving 'some people well', with 'promising capacity to improve services'. The assessment is summarised below and the full performance review can be accessed via www.csci.gov.uk.
- 16 The assessment found that the Council continues to support a diverse community and some clear improvements have been made in relation to adults with learning disabilities and mental health. There is a strategic plan for further developments to shift the balance of care to more community-based provision. An extensive capital programme for adults with learning disabilities and pilot project developments for mental health are beginning to show good effect. The strategic vision for the council is well embedded at a senior level and is publicised widely. Most stakeholders understand the broad direction of future service developments and how the council intends to achieve them. Performance management and scrutiny is improving, and staff training has been supported effectively with good use of workforce development and training grant income. Partnership working has been supported with best value reviews of the voluntary sector and the council has identified where it needs to modernise its operations.
- 17 Areas for improvement were summarised as follows. Attention should be paid to the operational arrangements for physical disabilities services, and management and service capacity in this area needs to be significantly improved. Commissioning and contracting processes need strengthening, and a review of current contract arrangements should be conducted. The Audit letter for 2005 /06 raised no concerns about financial management for Adults services. However, the council needs to manage financial risks in a more robust way. Re-modelling of business processes is required and the council has identified this as a focus area for 2006/07.
- 18 The Benefit Fraud Inspectorate's (BFI) Comprehensive Performance Assessment of Barnet's Benefits Service concluded that the Council met 6 of the 12 performance measures where the Department for Work and Pensions had set a Standard, and 61 of the 65 enablers. This resulted in a performance standards score of 'good' (level 3 out of 4). A copy of the full assessment can be accessed via www.bfi.gov.uk.

Financial management and value for money

- 19 Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 20 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial Standing (including the strength of the Council's financial position).
 - Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 21 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3

Element	Assessment
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1=lowest, 4=highest)

- 22 The Council has been successful in addressing the majority of recommendations raised in the previous year, this is evidenced in the Council moving from a level 2 overall to a level 3 overall in 2006. This represents a significant achievement. However, there remain a number of areas for which continued improvement needs to be demonstrated in 2006/07. The focus for the forthcoming year should be to ensure that all improvement areas can be demonstrated as embedded within the Council as part of the culture of the organisation.
- The Council has exhibited areas of good practice within its internal control arrangements. Specifically, the Council developed a mini SIC process whereby each service is required to sign off any residual risks and control weaknesses within the services, these are then fed into the Council's overall Statement of Internal Control.
 - There were no areas where the Council scored below minimum requirements, however there are areas which the Council may wish to address to ensure that scoring improves to level 3 in the areas where level 2 has been currently met.
 - The Council has made a clear commitment to data quality and there are a number of areas in which significant improvements have been made driven by an overall focus at senior management level. However, the Council lacks a clear strategic framework for future progress in this area, and would benefit from a framework for regular, formal monitoring of data quality within the corporate key performance indicator set.
 - As part of the mandatory audit work on CPA indicators we revisited two areas where significant problems were incurred in the previous year: human resources and payroll, and adult social services. It was pleasing to note that each of these areas had sufficiently improved to an adequate level within their performance management arrangements.
- 23 Our audit of the Council's Best Value Performance Plan confirmed that in all significant respects the Council prepared and published its Plan in accordance with the law and regulations governing it. Accordingly we issued an unqualified audit opinion on the Plan. We made no formal recommendations made to either the Audit Commission or the Secretary of State in respect of the Plan.

Conclusion

- 24 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the audit committee on 28 June 2007.
- 25 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

- 26 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Claire Bryce-Smith
Relationship Manager

Audit and Inspection Plan

April 2007



Audit and Inspection Plan

Barnet London Borough Council

Audit 2007/2008

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Introduction

- 1 This plan has been developed by the Relationship Manager and the appointed auditor. It sets out the audit and inspection work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2007/08;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the Statement on Internal Control (SIC)); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of responsibilities of auditors and of audited bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

CPA and inspection

- 8 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. For CPA 2006, the Council was categorised as three stars.
- 10 We have applied the principles set out in the CPA framework, CPA – the Harder Test, recognising the key strengths and areas for improvement in the Council's performance.
- 11 Strengths in the Council's performance include:
 - strong and clear shared ambitions based on a good understanding of community views and needs;
 - good political and managerial leadership;
 - a clear outcome focussed corporate plan which provides a robust framework for strategies, plans and service delivery;
 - a comprehensive performance management framework;
 - sustained consistency in performance across five out of the six service block;
 - a strong focus on improving the quality of the Council's internal control arrangements; and
 - a commitment to strengthening the Council's financial position and a rigorous focus on delivering year-on-year savings.
- 12 Areas for improvement in the Council's performance include:
 - performance of housing services which is currently rated as adequate (level 2 out of 4);
 - the extent of improvement in performance indicators to ensure that these at least keep pace with other similar authorities;
 - clarifying and strengthening the role and operation of the scrutiny function in: the performance of services; providing effective challenge to and scrutiny of Cabinet; and in making the best use of the role of councillors as community representatives and advocates; and
 - improving the consistency of the day-to-day responsiveness of the Council's services to service users.
- 13 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager (RM) role	To act as the Commission’s primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT label will be reported in the CPA scorecard alongside the CPA category. The DoT assessment summary will be published on the Commission’s website.
ALMO re-inspection	Our Housing Inspectorate will carry out a re-inspection of your ALMO, Barnet Homes.

- 14 In addition, for information only, the Commission for Social Care Inspection will be undertaking an inspection of Physical and Sensory Disabilities this year. This inspection activity sits outside of this audit and inspection plan.

Work under the Code of Audit Practice

Financial statements

- 15 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 16 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 17 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

Use of resources

Value for money conclusion

- 18 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 19 In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.
- 20 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 21 The Audit Commission has specified that auditors will complete a use of resources assessment for 2007/08. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 22 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

- 23 We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes:

Theme	Description
Financial reporting	<ul style="list-style-type: none"> • Preparation of financial statements. • External reporting.
Financial management	<ul style="list-style-type: none"> • Medium-term financial strategy. • Budget monitoring. • Asset management.
Financial standing	<ul style="list-style-type: none"> • Managing spending within available resources.
Internal control	<ul style="list-style-type: none"> • Risk management. • System of internal control. • Probity and propriety.
Value for money	<ul style="list-style-type: none"> • Achieving value for money. • Managing and improving value for money.

- 24 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.
- 25 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

Data quality

- 26 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- stage 1 - management arrangements;
 - stage 2 - completeness check; and
 - stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 27 The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

- 28 Our fee estimate reflects an assessment of risk in relation to the Council's performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

Best value performance plan

- 29 We are required to carry out an audit of your best value performance plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance.

Assessing risks

- 30 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.
- 31 Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.
- 32 We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit. We will issue a separate opinion audit plan for our audit of the financial statements in November 2007. At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements.
- There are significant proposed adjustments to the current accounting and disclosure arrangements of pension schemes. It is likely that this will impact administrating authorities to create the pension fund as a stand alone entity with a requirement to prepare their own accounts and annual report. We will produce a separate plan for the Pensions audit to reflect these changes.
 - There are changes expected as a result of the 2006 Statement of Recommended Practice (SORP) that will apply to the 2007/08 accounts. Primarily this will involve the introduction of the revaluation reserve and a capital adjustment account to replace the fixed asset restatement account and the capital financing account. Consideration will need to be paid to the changes to ledgers and fixed asset registers to accommodate the amendments.
 - The 2007 SORP is under consultation and it expected that there will be a number of presentation and disclosure adjustments that will impact on the 2007/08 accounts, including some detailed changes to children's services or meeting new priorities such as the smoking ban.

- The Council are able to participate in the second phase of the Local Area Agreements (LAA), which is a three year agreement between central government and a Local Strategic Partnership (LSP). There are likely to be accounting considerations for the issuance of grants and any resultant assets or liabilities created as a result.
 - The Council is expecting to complete a number of transactions relating to the disposal of the Hendon site, as a result there will be accounting implications to consider.
- 33** Our fee estimate for 2007/08 is based on the assumption that the current standard of working papers will be maintained and that internal audit will complete their planned work on key information systems to the agreed quality by 30 April 2008 and that the accounts will be prepared and fully supported by working papers 30 June 2008.
- 34** For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.
- 35** Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.

Work specified by the Audit Commission

Whole of government accounts (WGA)

- 36 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

National Fraud Initiative

- 37 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).
- 38 A fee of £1,300 for this work sits outside of the main audit fee and will be invoiced separately by the Audit Commission¹.

¹ For comparative purposes the fee in 2006/07 was £1,250.

Voluntary improvement work

- 39** Under section 35 of the Audit Commission Act 1998, the Commission may undertake voluntary improvement work at the request of the audited body. We are not proposing to do any voluntary improvement work at Barnet Council during 2007/08.

Certification of claims and returns

40 We will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

The audit and inspection fee

- 41** The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 42** The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £447,544 which compares with the planned fee of £558,025 for 2006/07.
- 43** Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers; specific actions Barnet Council could take to reduce its audit and inspection fees; and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 44** In addition we estimate that we will charge approximately £90,000 for the certification of claims and returns.
- 45** As indicated in paragraphs 2 and 35, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 43 above. Any changes to the fee will be agreed with you.

Other information

The audit and inspection team

- 46 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

Table 2

Name	Contact details	Responsibilities
Claire Bryce-Smith Relationship Manager	c-bryce-smith@audit-commission.gov.uk	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Richard Tremeer Audit Engagement Lead, RSM Robson Rhodes	Richard.Tremeer@rsmi.co.uk	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and audit committee.
Maryellen Salter Audit Manager	Maryellen.Salter@rsmi.co.uk	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Martin Ellender Performance Lead	Martin.Ellender@rsmi.co.uk	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment, and data quality work.

Independence and objectivity

- 47 We are not aware of any relationships that may affect the independence and objectivity of the Appointed Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 48 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

Quality of service

- 49 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the Relationship Manager or Appointed Auditor in the first instance. Alternatively you may wish to contact the London Head of Operations, Les Kidner.
- 50 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet, 'Something to Complain About' which is available from the Commission's website or on request.

Planned outputs

- 51 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 3

Planned output	Indicative date
Data Quality Report	September 2008
Interim Audit Memorandum	June 2008
Annual Governance Report	30 September 2008
Opinion on the Financial Statements and Value for Money Conclusion	30 September 2008
Final Accounts Memorandum (to the Director of Finance)	October 2008
Other Audit Projects	By March 2008
Use of Resources Report	October 2008

18 Audit and Inspection Plan | Other information

Planned output	Indicative date
Direction of Travel Assessment	February 2008
ALMO Inspection Report	December 2007
Annual Audit and Inspection Letter	February 2008
BVPP Report	31 December 2008

Appendix 1 – Initial risk assessment – use of resources

Table 4

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>The Council have identified a number of significant risks and control weakness through their mini SIC process that incorporates each service area.</p>	<p>The Council have various action plans in place to address each significant risk and require each head of service to monitor. Internal audit are also to conduct a review of the supporting documentation held by services to support their mini SIC.</p>	<p>There is a risk that the Council will not devote sufficient resources to reduce risks to an acceptable level.</p>	<p>We will monitor action plans that the Council has to address risks arising from the mini SIC process. We will review internal audit’s report on the mini SIC process. We will continue our programme of IT reviews linked to aspects of the Council’s developing IT infrastructure and the control issues associated with this area.</p>	<p>UoR KLOE 4.1 – Managing significant business risks.</p>
<p>The Council have a PFI scheme in place to replace their entire street lighting furniture. We have reviewed the accounting treatment of this in previous financial years however the arrangement may not result in value for money.</p>	<p>We are aware that there are contract monitoring procedures in place.</p>	<p>There is a risk that the PFI will not continue to provide value for money.</p>	<p>We will monitor the Council’s progress with the PFI.</p>	<p>UoR KLoE 5.2 – managing and improving value for money.</p>

20 Audit and Inspection Plan | Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>The Council have entered a Local Area Agreement, however the agreement will need to be reviewed in the context of some challenging relationships expected with some partners and funding uncertainties. There is a risk that the LAA will fail to deliver the objectives and provide value for money.</p>	<p>The Council are reviewing arrangements.</p>	<p>The LAA will not offer value for money.</p>	<p>We will review the LAA arrangements with a diagnostic tool provided by the Audit Commission.</p>	<p>UoR KLoE 5.2 – managing and improving value for money.</p>
<p>There is a risk that the ALMO in charge of Housing services is failing to deliver its objectives and offer value for money.</p>	<p>The Council are currently reviewing its arrangements and an inspection of the ALMO is expected in late 2007.</p>	<p>The ALMO will not offer value for money.</p>	<p>We will consider adequacy of the arrangements with the outcome of the ALMO inspection to ensure continued value for money.</p>	<p>UoR KLoE 5.2 – managing and improving value for money.</p>
<p>With the introduction of direct payments and new budgetary arrangements within the adult social services, there is an internal control and value for money risk if the arrangements are not successful.</p>	<p>The Council are developing arrangements.</p>	<p>There is a risk of poor internal control and value for money.</p>	<p>We will seek to review arrangements once they have been embedded within the Council.</p>	<p>UoR KLoE 5.2 – managing and improving value for money. UoR KLoE 4.2 – maintaining and sound system of internal control.</p>

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>The Council are required to restructure children’s services as required by legislation. There is a risk that these arrangements may not meet the requirements.</p>	<p>The Council have set up the Children’s services in accordance with statutory requirements and are reviewing performance.</p>	<p>The risk is that the arrangements are not successful in providing value for money.</p>	<p>We will seek to review arrangements in late 2007/08 to assess effective integration of the service and that a positive outcome is being maintained.</p>	<p>UoR KLoE 5.2 – managing and improving value for money.</p>
<p>The recent corporate assessment identified scope for improvement in the Council's scrutiny arrangements</p>	<p>The Council has continued to develop its performance management framework and its processes for member overview and scrutiny</p>	<p>Scrutiny of the Council's performance by back bench and opposition members may not provide sufficient challenge to performance.</p>	<p>We will review the Council's current arrangements for scrutiny and develop recommendations as appropriate. This will specifically cover:</p> <ul style="list-style-type: none"> • effectiveness of the scrutiny function; • challenge of members; • how the performance management framework informs members; and • training and commitment to scrutiny. 	<p>UoR KLoE 5.2 - managing and improving value for money</p>

Appendix 2 – Audit and inspection fee

- 1 Table 5 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

Table 5

Audit area	Planned fee 2007/08 £	Planned fee 2006/07 £
Audit		
Financial statements	140,000	140,000
Use of resources (including BVPP)	222,160	280,000
Data quality and PI's	54,000	-
Whole of government accounts	4,840	-
Total audit fee	421,000	420,000
Inspection		
Relationship management/ Direction of Travel	26,544 ²	16,721
Corporate inspection	N/A	121,304
Total inspection fee	26,544	138,025
Total audit and inspection fee	447,544	558,025
Certification of claims and returns	90,000	100,000
Total	537,544	658,025

- 2 The Audit Commission scale fee for Barnet Council is £403,000. The fee proposed for 2007/08 is + 4 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.

² This fee is set nationally. The fee in 2006/07 represented a substantial reduction from the national fee due to the concurrent corporate assessment, enabling efficiencies to be employed in undertaking the DOT that year.

- 3 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 4 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 5 The fee (plus VAT) will be charged in according to the usual arrangements.

Specific audit risk factors

- 6 In setting the audit fee we have taken into account the following specific risk factors:
 - audit fees are being uplifted by 2.75 per cent for inflation;
 - our 2006/07 plan took account of the fact that we relied on the corporate assessment as part of our code of practice audit;
 - the Council's use of resources judgement improved from 2 to 3 in 2006.
 - there has been a transfer of the pension fund to an individual plan which will be issued in due course; and
 - the significant impact of the 2006 and 2007 SORP on the Council's accounting arrangements.

Assumptions

- 7 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2006/07;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements;

- requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 8 Where these assumptions are not met, we will be required to undertake additional work, which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 9 Changes to the plan will be agreed with you. These may be required if:
- new residual audit risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Specific actions Barnet Council could take to reduce its audit and inspection fees

- 10 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. We have identified the following actions Barnet Council could take:
- If the Council met level 4 on KLoE 1.1 for producing annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers there would be scope for reduced fees. This would include having all workpapers electronically available, cross referring to the statement of accounts, and a detailed analytical review available at the start of the audit process.

Process for agreeing any changes in audit fees

- 11 If we need to make any significant amendments to the audit fee during the course of this plan, we will firstly discuss this with the Chief Executive/Director of Finance. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

Appendix 3 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee;
- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
- the District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
- the District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
- the District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

AGENDA ITEM: 9 (URGENT ITEM)

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Meeting	Audit Committee
Date	28 June 2007
Subject	2006/07 Statement of Accounts
Report of	Cabinet Member for Resources
Summary	To approve the Statement of Accounts for 2006/07 as required by regulations under Section 27 of the Audit Commission Act 1998

Officer Contributors	Chief Finance Officer Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Statement of Accounts (to follow)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	It is a statutory requirement that the 2006/07 Statement of Accounts be approved by 30 June 2007

Contact for further information: Jonathan Bunt on 020 8359 7249 or Andrew Evans on 020 8359 7114

1 RECOMMENDATIONS

- 1.1 That the Statement of Accounts for the financial year ended 31 March 2007 be approved.**
- 1.2 That the Statement of Accounting Policies included in the accounts be adopted.**
- 1.3 That the Chief Finance Officer, in consultation with the Chairman of the Audit Committee, be authorised to agree significant changes, if any, to the draft Statement of Accounts following discussions with auditors, and inform members of the Committee accordingly.**
- 1.4 That the Committee agree that the Statement of Accounts be signed by the Chairman as having been approved.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 It is important that members receive regular monitoring reports on the Council's financial position. It is a statutory requirement that the Statement of Accounts is presented to members for approval before 30 June 2007.

4 RISK MANAGEMENT ISSUES

- 4.1 These are addressed in the Statement on Internal Control for 2006/07 which will form part of the final Statement of Accounts. This statement is required under the Accounts and Audit Regulations 2003 and is a corporate document signed by the Chief Executive and Leader of the Council. The statement is currently being prepared and will be presented to the Audit Committee in September for approval prior to inclusion in the approved Statement of Accounts to be signed off by external audit by 30 September.

5 EQUALITIES AND DIVERSITY ISSUES

- 5.1 Financial monitoring is important to ensure the management of resources to ensure the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

6 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2007.

7. LEGAL ISSUES

- 7.1 As referred to in the report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 – 2 – Responsibility for Council Functions – Audit Committee: 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.

9 BACKGROUND INFORMATION

- 9.1 The Statement of Accounts represent an important formal corporate statutory document. This is reflected in the requirements of the Account and Audit Regulations 2003 to include a Statement on Internal Control that is approved by the authority and also having the accounts signed and dated as approved by the Chairman of the approving Committee.
- 9.2 The Statement of Accounts is attached at Appendix A. The external audit will begin in July 2007 and it is proposed that the Chief Finance Officer in consultation with the Chairman of this committee agree any significant changes following discussion with the auditors. Alongside the audit, the Statement of Accounts and all the supporting document will be open for public inspection for a period across August and September 2007.
- 9.3 The new Statement of Recommended Practice (SORP) for the production of the 2006/07 Statement of Accounts has introduced significant changes to how the financial position is presented. The purpose of these changes is to bring local government financial reporting closer to that of the private sector and other parts of the public sector such as central government and the National Health Service
- 9.4 The most significant of these is the replacement of the Consolidated Revenue Account (CRA) by the Income & Expenditure Account (I&E) and two supplementary statements, the Movement of General Fund Balances and the Statement of Total Recognised Gains & Losses. As the name implies the new I&E statement focuses solely on the monies spent or received, or due to be spent or received, by the authority in the financial year without the various technical and other accounting adjustments which were previously contained within the CRA.
- 9.5 The key issue with the new I&E account, from a presentational perspective, is that it will show the Council as operating at a significant deficit as the large credits that were in the technical and other adjustments section of the CRA have been removed. For 2005/06, once the accounts were restated in line with the new regulations, the net general fund surplus of nearly £6m reported in the 2005/06 Statement of Accounts translated into a deficit of in excess of £26m. Whilst no comparative sets of accounts are available at the

time of writing, anecdotal evidence from our external auditor indicates that the significant deficit on the I&E account is consistent with the experience of other authorities.

- 9.6 As a result it is essential that the I&E account is considered alongside the Council's financial outturn to be reported to the Cabinet Resources Committee in June 2007. This will show how the Council achieved against its approved budget for 2006/07 and will show the achievement of a surplus rather than a significant deficit. The I&E account is reconciled back to the outturn via the further two new statements, the Movement of General Fund Balances and the Statement of Total Recognised Gains & Losses, which, in effect, contain the technical and other accounting adjustments which ensure that certain liabilities, such as depreciation, do not impact on the Council Tax payer.
- 9.7 There are further more detailed technical changes required by the new SORP and the authority's approach to these is outlined in the Statement of Accounting Policies.
- 9.8 This year has seen further utilisation of the functionality of the Council's core financial system, SAP, to automate previously manual process as part of the ongoing embedding and development of the system. This will continue in the new financial year and make it easier for the authority to adapt to the changes of the new accounting requirements in future years.
- 9.9 Whilst further explanation of the accounts are contained with the Chief Finance Officer's foreword, it is worthwhile to highlight some of the key issues for 2006/07:
 - 9.9.1 The overall financial position of the Council has improved significantly on that of 31 March 2006 as a result of a net underspend against budget of £1.613m. The general fund balance has increased from £10.486m to £12.099m and earmarked reserves have also increased to £12.289m.
 - 9.9.2 It is important to emphasise that the earmarked reserves have been established for specific reasons, for example to meet the one off costs relating to the revised severance scheme and to meet potential costs in the later years of the PFI lighting scheme, and are not for general utilisation.
 - 9.9.3 The Housing Revenue Account balance has also increased by £1.131m to £4.835m.
 - 9.9.4 Also included in the Statement of Accounts, are the group account statements for the Council and its subsidiary company, Barnet Homes Ltd. The statements are based on the draft accounts received from Barnet Homes Ltd which have been approved by their board but are still subject to audit. Any adjustments which are required to the Barnet Homes Ltd accounts by their external auditor, will also have to be reflected in the group accounts statements for the Council.
- 9.10 The Council's external auditors Robson Rhodes will present the ISA 260 report to this Committee on 20 September 2007. This will report identify any

findings and issues that have been identified during the course of the audit which the auditors wish to bring to the attention of the Authority.

10 LIST OF BACKGROUND PAPERS

10.1 None

Legal: MM

CFO: JB