

MEETING
AUDIT COMMITTEE

DATE AND TIME
WEDNESDAY, 5 DECEMBER 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

Geof Cooke

Richard Cornelius

Mukesh Depala

Marina Yannakoudakis

Substitutes:

Councillors

Wayne Casey

Dean Cohen

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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8.	Internal Audit Annual Report 2006/7 – Rent Deposit Scheme	HH &HIAEG	51-56
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10.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-	-

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AGENDA ITEM: 6

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Meeting	Audit Committee
Date	5 December 2007
Subject	Internal Audit Interim Annual Report 2007-8
Report of	Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the 2007-8 Interim Internal Audit Annual Report and appendices.

Officer Contributors	Michael Bradley, Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: 2007/8 Internal Audit Annual Report Appendix B: 2007/8 Internal Audit Annual Audit Plan Update Appendix C: 2007/8 Internal Audit Performance Indicators Appendix D: 2007/8 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 2007/8.
- 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 Interim Annual Report 2007/8 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 2007/8 (for work that has not previously been reported in the 2006/7 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/or finalised with clients as at 10 November 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:

- Objectives / goals not being achieved (**39** instances out of a total of **148** reported risks).

Findings here reflect risks that may impact on the likelihood of objectives being met efficiently, effectively and economically.

- Either no or inadequate policies and procedures (**35** instances out of a total **148** 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.

- Resources not used economically or effectively (**33** instances out of a total **148** reported risks made).

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 20% 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 80% 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 22 follow-ups conducted in the report period are detailed below. Whilst it is encouraging that 13 of the areas are now at 'satisfactory' level of assurance, it needs to be noted that 8 remain at 'limited' or 'no' assurance indicating that further management action is required to fully implement agreed actions or mitigate identified risks.

Analysis of Assurance Levels on Follow-up	No.
Satisfactory assurance still satisfactory assurance	5
No or limited assurance to satisfactory assurance	8
Limited assurance, still limited assurance	5
No assurance to limited assurance	2
No assurance and still no assurance	1
Limited to not applicable (E-government agenda is no longer running, therefore actions are no longer applicable)	1
Total	22

Corporate Governance and Risk Management

Corporate Governance

- 9.8 We have just completed a full review of corporate governance arrangements. As at 15 November 2007, the report is still awaiting finalisation. However, it is likely that the audit will report a 'satisfactory' level of assurance. The audit compared the Council's corporate governance arrangements against the revised CIPFA Solace framework, Delivering Good Governance in Local Government: Framework that was issued in July 2007. Although there were gaps with regard to partnership arrangements, we were satisfied that there is work underway to address these.

Risk Management

- 9.9 An audit of the risk management function was finalised in September 2007. The final report provided satisfactory assurance that the development of corporate risk management is progressing adequately. While there was some non-compliance and poor practice in services, the agreed management actions to address the findings and associated risks reported below will further improve this situation.

Customer Evaluation Questionnaires

- 9.10 The Audit Committee at the meeting on 20 March 2006 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 three years is summarised below:

2005/06

42 questionnaires sent; 26 questionnaires returned (62%). An average score of **2.6** was achieved where 1 = excellent; 2 = highly effective; 3 = perfectly satisfactory; 4 = not quite good enough and 5 = unacceptable.

2006/07 (ongoing)

47 questionnaires sent to date; 35 questionnaires returned to date (74%). An average score of **2.5** was achieved.

2007/08 (ongoing)

3 questionnaires sent to date; 3 questionnaires returned to date. An average score of **1.3** was achieved.

Internal Audit performance Management

- 9.11 Appendix B describes the changes the original audit plan. The report shows reviews that are deferred, cancelled or newly commissioned with relevant reasons for the changes. Appendix C gives the position against the Internal Audit unit's performance indicators (PIs).

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 None.

Legal – JEL
CFO – MB

**Internal Audit
Interim Annual Report
2007-08
DRAFT**

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INTERNAL AUDIT ACTIVITY SUMMARIES BY DIRECTORATE

- 1 Resources**
- 2 Communities**
 - **Adult Social Services**
 - **Children's Service**
- 3 Environment and Regeneration**
 - **Environment and Transport**
 - **Planning and Environment Protection**
- 4 Communications and Consultation**
- 5 Corporate Governance**

AUDIT REPORT SUMMARIES FOR HIGH RISK AREAS

- Resources**
- A1 Registrars**
- Communities**
- A2 Income and Assessment Project**
- Environment and Transport**
- A3 Transport Policy and Procedures (VOSA)**
- Communications and Consultation**
- Corporate Governance**
- A4 Money Laundering**
- A5 Graffiti (Prevention, Education & Enforcement)**

Internal Audit Activity Summary: Resources

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
ST SERV	Stock Systems 06/07 (KS/KC)	1	2	Limited
ST SERV	Safer Recruitment 06/07	1	11	Limited
ST SERV	Property Asset Management	0	11	Limited
ST SERV	Budgetary Control	1	6	Limited
SH SERV	Accounts Rec: Inc Debt Mgt (KS/KC)	2	1	Limited
SH SERV	Accounts Payable: Payments (KS/KC)	0	1	Satisfactory
SH SERV	Central Contract Monitoring	0	7	Limited
SH SERV	Cashbook Reconciliation 07/08(KS)	2	4	No Assurance
SH SERV	Risk Management	0	3	Satisfactory
OD & CSER	Registrars	4	11	No Assurance

Follow-up Reports: Risks Mitigated

Service	System	Priority 1 Y P N	Priority 2 Y P N	Assurance of Original Audit	Assurance on Follow-up
ST SERV	e-Government 04/05 fw-up	0 0 0	0 0 5	Limited	The E-Government agenda is no longer running therefore actions are no longer applicable.
ST SERV	IS Development Review 05/06 fw-up	0 0 1	1 0 2	Limited	Limited
ST SERV	IS/IT Strategy 05/06 fw-up	0 0 2	0 0 1	Limited	Limited
ST SERV	EDRMS 06/07 (P) fw-up	0 1 0	0 1 3	Limited	Limited
SH SERV	Payroll 05/06 fw-up	1 1 0	7 5 0	No Assurance	Satisfactory
SH SERV	e-mail 06/07 fw-up	0 0 0	1 1 5	Limited	Limited
SH SERV	MCS Phase 2 Management Letter 2 fw-up	3 2 0	2 0 0	Limited	Satisfactory
SH SERV	Debt Mngt/Debtors 05/06 fw-up	1 1 0	2 0 0	No Assurance	Limited
SH SERV	Creditors (Payment) 05/06 fw-up	0 0 0	4 3 2	Satisfactory	Satisfactory
SH SERV	Cashbook Reconciliation 07/08(KS) - Draft	1 1 0	2 1 1	No Assurance	Satisfactory
SH SERV	P-Cards fw-up	0 3 0	2 2 0	Limited	Satisfactory

Other Audit Work:

Service	System	Type of Work	Assurance
ST SERV	EDRM (P) 07/08	Management Letter	Limited
ST SERV	Milly Apthorpe 2007/08	Probity Audit	Satisfactory

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Communities

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
CS	SEN Budget and Contract	0	6	Limited
CS	Management Information in Youth Service	0	4	Limited
CS	ICS (Integrated Children's System) 07-08 (P)	0	1	Limited
ASSD	Income and Assessment Review 07-08 (P)	3	5	No Assurance

Follow-up Reports: Risks Mitigated

Service	System	Priority 1 Y P N	Priority 2 Y P N	Assurance of Original Audit	Assurance on Follow-up
CS	Development & Consultancy 06-07 fw-up	0 0 0	4 0 0	Satisfactory	Satisfactory
CS	ICS (Integrated Children's System) 07-08 (P) fw-up	0 0 0	1 0 0	Limited	Satisfactory
CS	Primary Schls Capital Programme 06/07 (P) fw-up	0 0 0	1 1 0	Satisfactory	Satisfactory

Other Audit Work:

Service	System	Type of Work	Assurance
CS	Primary Schools Capital Investment Programme	Management Letter	Satisfactory

Key

Y Mitigated P Partially Mitigated N Not Mitigated
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Internal Audit Activity Summary: Environment and Transport

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
E&T	Parking Control 06/07 (KS)	0	8	Limited
E&T	Commercial Waste Service	0	1	Satisfactory
E&T	Traffic Management Act (TMA) 2004	0	5	Satisfactory
E&T	Waste Prevention 06/07	2	5	Limited
E&T	Transport Policy and Procedures (VOSA)	3	5	No Assurance
HGS	Home Ownership	1	2	Limited
HGS	Housing Benefits 06/07 (KS)	1	4	Limited
P&EP	Hendon Cemetery & Crematorium 07/08	0	2	Satisfactory
P&EP	Building Control	0	6	Satisfactory

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
E&T	ECT Contract Monitoring 05/06 fw-up	2	0	0	3	0	0	Limited	Satisfactory
E&T	Green Spaces & Ground Maintenance 06/07 fw-up	0	0	0	4	3	5	Limited	Limited
E&T	Winter Maintenance 06/07 fw-up	0	0	0	1	3	0	Satisfactory	Satisfactory
E&T	Parking Control 04/05 fw-up	0	3	1	4	3	1	No Assurance	Limited
HSG	Rent Deposit Schemes 06/07 fw-up	1	2	2	0	1	4	No Assurance	No Assurance
HGS	Housing Rents 05/06 (further) fw-up	0	0	0	2	1	1	Limited	Satisfactory
HGS	Housing Benefits 05/06 fw-up	0	0	0	2	1	0	Satisfactory	Satisfactory

* A separate report on this audit has been prepared by the Head of Service and Head of IA & EG for the Audit Committee.

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Communications and Consultation**Audit Reports: Risks Identified**

Service	System	Priority 1	Priority 2	Assurance
COM	Web Content Management	0	3	Satisfactory

Key

Y Mitigated P Partially Mitigated N Not Mitigated
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Internal Audit Activity Summary: Corporate Governance

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
CPG	Money Laundering 06/07	4	1	No Assurance
CPG	Graffiti (Prevention, Education & Enforcement)	5	1	No Assurance
CPG	Municipal Elections	0	1	Full

*

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
IA	Freedom of Information (further) fw-up	1	1	0	5	1	2	Limited	Satisfactory

* Municipal Elections audit includes the follow-up on the guidance and advice risks reported for the General Elections audit.

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Service Area	Issue Date	Assurance	Follow-up Date
Org Dev't & Customer Services	27/09/2007	No Assurance	Q3 2007/08

Report Title

Registrars

1 Objective of System

- 1.1 A review of Registrars Service was undertaken at the request of the Assistant Director of Organisational Change and Customer Care. The objective of Registrar's is to provide an efficient customer focussed, legally compliant, and modern service to customers, safely and securely, while attaining value for money and at the same time improving avenues of income for the council. This review focused primarily on processes at Burnt Oak office

2 Scope of Audit

- 2.1 Sales and Income – fees & charges; income generation; financial controls;
 2.2 Protection – compliance with legislations / rules; document validation (training); data protection and business continuity;
 2.3 Performance management – arrangements; targets; monitoring; budgetary control;
 2.4 Asset safety – security of data; information; cash; assets including access controls, and
 2.5 Risk management – risk register; reviews and mitigation.

3 Executive Summary

- 3.1 Internal Audit can provide **no assurance** that the objective is being achieved effectively and efficiently.
- 3.2 The details of findings and associated risks have been reported in section 3 of the main body of the report which includes risks identified the following key areas:
- Irregular and possibly fraudulent payments of allowances to Registrars outside the formalised arrangements;
 Risk of error irregularity and fraud from lack of adequate division of duties;
 Ineffective service delivery due to lack of adequate risk management arrangements, and
 Risk of error, irregularity and possibly fraud as receipts are not issued for income, and income not promptly recorded in all instances.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	11
4.2 Number of actions agreed	4	11
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Effective Certification Process In absence of an effective certification process for out of hour's claims, which incorporates separation of duties, there is risk of irregular payments, as well as possibly fraudulent payments, outside the formalised arrangements. 		

Management action: Current arrangements for every activity will be documented to include a schedule of all fees charged, amounts claimable by registrars staff, arrangements for allocating staff and details of timing/scheduling of ceremonies.

- **Risk management arrangements**

Without effective risk management arrangements, there is a risk that the service objectives will not be achieved effectively.

Management action: Full training will be arranged to cover:

- **identification of risks**
 - **recording of risks**
 - **identification of mitigating actions**
 - **monitoring of ongoing risks**
- business continuity/disaster recovery**

A full risk management review will be undertaken for the Registrars service.

- **Division of Duties**

Without effective division of duties, where no one individual undertakes a complete transaction from start to finish, there is a risk of error, irregularity and fraud.

Management Action: A full review of all end to end processes within the service will be undertaken to identify potential control weaknesses. This will also be informed by the findings of the IA report. The Registrar regulations will be reviewed to identify the specific responsibilities of Registrars as statutory officers and their accountability. Based on the above two actions, the scope for dividing duties to enhance control without compromising the statutory responsibilities of staff will be identified and implemented.

- **Cash Receipts**

Without issuing official receipts and updating cash sheet promptly effective reconciliation is hindered and therefore there is risk of error, irregularity and fraud.

Management Action: Head of Strategic Finance to review processes and controls operating within the service and develop action plan.

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

5.1 The Registrars Service moved from Corporate Governance to the Organisational Development & Customer Services division of Resources in December 2006. The Assistant Director of OD & CS asked Internal Audit to undertake a full review of procedures in Registrars following issues identified from work to integrate the service with the division and Resources more generally. A restructure was initiated to align Registrars with the Council's Customer Access Strategy and to address major changes to governance and employment arrangements to all Registrars Services across the country. Following the conclusion of the IA review, the restructure was suspended to address the review's outcomes. The outcomes and actions have now been factored into a revised and restarted restructure process. Short term control improvements have been put in place under close and constructive liaison with Internal Audit. A full review of the processes for the delivery of each element of the service has been completed and measures to address the identified control weaknesses have been formulated.

These will be implemented alongside the service restructure and introduction of IS solutions. Training around financial management, risk management and performance management has also been provided to the staff. Advice has been sought from General Registrars Office throughout the review to ensure compliance with the required regulations and standards. This is particularly important to note in light of the statutory nature of some of the activities and services undertaken and the attendant complexity of some of the lines of accountability and responsibility to bodies outside of the Council.

Service Area	Issue Date	Assurance	Follow-up Date
Adult Social Services	06/07/2007	No Assurance	Q3 2007/08

Report Title

Income and Assessment Project

1 Objective of System

- 1.1 To maximise the Council's income by charging the appropriate sums for services delivered and to re-design the existing business processes.

2 Scope of Audit

- 2.1 Project governance structures
- 2.2 Risk Management - an assessment of the identification, evaluation and treatment of the project risks, including for the three work-streams
- 2.3 Project Progress - monitoring achievement of delivery against agreed timescales/milestones;
- 2.4 Issues Management
- 2.5 Project Costs
- 2.6 Project Benefits
- 2.7 Project Filing Structure

3 Executive Summary

- 3.1 Internal Audit at this stage can provide no assurance on the project governance arrangements and this could impact on the business objectives of the review being achieved effectively.
- 3.2
- Project governance structures are in place to identify and address project issues. However, key project governance arrangements need to be strengthened – it is noted that the appointed project manager is no longer managing the project and the project sponsor is reviewing the placement of a new project manager.
 - Risk management process exists at the board level, but not for the three work-streams.
 - Processes exists to monitor deliverables of the project against the agreed time frames, however this is no reported to the Board for the individual work-streams e.g. through highlight reports.
 - Although issues are raised at the project board, these are not formally captured within an issues log.
 - There is no agreed budget for the project and no process to monitor the project costs.
 - Various benefits had been specified in the Project Initiation Document, but these have not been quantified in measurable terms where appropriate.
 - A project filing structure for keeping track of all the information produced for the project has not been formalised.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	3	5
4.2 Number of actions agreed	3	5
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Risk Management - An assessment of the identification, evaluation and treatment of the major project risks: Failure to identify, monitor and manage significant strategic and operational risks could lead to a failure to implement or deliver the project or components of the project effectively. Management Response (Assistant Director, Performance & Strategy – Adult Social Services): <i>“The project is on hold for the immediate future, whilst we restructure it and re-launch it. This is a high risk project that needs both time and expert management. As a result of all of this, I am looking to recruit an interim manager to manage the Assessment & Income function and the overall project which will be re-shaped. As soon as we are able to re-launch the project we will make sure that the new Project Manager is equipped to respond to the areas you have raised in your letter”.</i> Monitoring achievement of delivery against agreed timescales/milestones: Without a highlight report, there is a risk that the Project Board may not take appropriate action to prevent key deliverables of the project slipping against the agreed timeframe. This could have a material impact on the successful delivery of the project, resulting in unnecessary project delays and costs, especially in relation to project activities on a critical path and leading ultimately to delayed delivery of the project objectives and outcomes. Management Response: <i>As noted above.</i> Assessment of Project Costs and financial control: <ol style="list-style-type: none"> Unnecessary/avoidable project expenditure not curtailed where necessary; Unauthorised / Invalid project expenditure; Incorrect decisions taken around funding requirements. Project outcomes potentially in jeopardy due to lack of funding. Management Response: <i>As noted above.</i> 		

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

- 5.1 This project was put on hold in June 2007 following several key changes in personnel. Several options for secondments and interim project managers were pursued unsuccessfully. An interim manager has been appointed and took up post in October. The project is now ready to be re-launched with the Board reconvening in mid November. The forward plan for this project addresses the issues identified in the audit. An internal auditor sits on the project Board and is contributing to the governance of this important area of work which is a high priority for Adult Social Services.

Service Area	Issue Date	Assurance	Follow-up Date
Environment and Transport	06/07/2007	No Assurance	Q1 2008/09

Report Title

Transport Policy and Procedures (VOSA)

1 Objective of System

- 1.1 The objective of transport services is to provide an efficient and economic service to end users within a framework of procedures that are compliant with transport regulations.

2 Scope of Audit

- 2.1 Audit reviewed the framework of procedures to ensure compliance with Transport Regulations in the following key areas:
- Transport Policy
 - Operators Licencing conditions
 - SLA with service areas
 - Drivers handbook
 - Induction and training
 - Checking, Monitoring and testing compliance
 - Performance monitoring

3 Executive Summary

- 3.1 Audit can provide no assurance at this stage that the current processes meet the objective of ensuring compliance with transport regulations.
- 3.2 Control weaknesses have been identified from slippages in the standard of compliance and lack of effective business processes in the following key areas:
- Drivers Licence recording and checking procedures not robust.
 - No effective processes to prevent overloading of vehicles.
 - Procedures for ensuring compliance with Drivers Hours Regulations to effective.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	3	5
4.2 Number of actions agreed	3	5
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Drivers Licences: There may be non-compliance with the Transport regulations and Council policy and procedures resulting from Council's vehicles, particularly those over 3.5 tonne GVW, being driven by unqualified drivers or those with inappropriate licences. Management Action: <i>Transport Services have developed and commission on 29 March 2007 a Drivers' Licence, assessment and training database for all fleet drivers to record licences held, including category of licences and changes to licences, replacing the spreadsheet system previously used. In addition this system will issue expiry date remainders, report non compliances and training due reminders.</i> Overloading: There is a risk that vehicles may not be compliant with the Transport regulations. Management Action: <i>We are currently regularly recording over-loading data for vehicles particularly Refuse vehicles and tipper trucks. We will implement a reporting process for overloading incidents to be reported routinely to supervisors and ESM transport. We will review overloading reports for a period for making an assessment of the extent of overloading across the relevant services. We will implement preventative processes including processes to inform the driver of breach at the point of overloading. We will implement procedures to ensure that instances of non-compliance with the transport policy, drivers handbook and regulations are communicated to the supervisors concerned for corrective actions and reported to senior management.</i> Drivers Hours regulations: There is a risk there may be non-compliance with the Drivers Hours regulations. Management Action: <i>We will ensure that service managers, supervisors and drivers are aware of their responsibilities in regards to driver's hours regulations and ensure compliance through an ongoing training plan, which will be monitored and reviewed.</i> 		

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

- 5.1 As ever E&T managers have taken serious regard to these findings and acted promptly to instigate new proceduress and improvements including calling in expert external support to brief colleagues and assist in the new procedures being embedded. The service has acted swiftly in responding to issues rasied and revised procedures introduced such that i feel that a limited assurance is more appropriate whilst the improvements are settled in, i believe this is confirmed by the green light rating we have from VOSA. i look forward to a check back on implementation.

Service Area**Issue Date****Assurance****Follow-up Date**

Community Protection Group

29/05/2007

No Assurance

Q3 2007/08

Report Title

Money Laundering

1 Objective of System

- | |
|--|
| <p>1.1 The Council's objective is to be alert to the possibility that it may become the subject of an attempt to involve it in a transaction of money laundering. Although the Council has no statutory responsibility, in keeping with best practice, the Council has identified a dedicated Money Laundering Reporting Officer (MLRO), a role held by the Deputy Director of Corporate Governance.</p> |
|--|

2 Scope of Audit

- | |
|--|
| <p>2.1 Compliance
2.2 Roles and responsibilities
2.3 Procedures
2.4 Monitoring and reporting</p> |
|--|

3 Executive Summary

- | |
|--|
| <p>3.1 Internal Audit can provide no assurance that the objective is being achieved effectively and efficiently.</p> <p>3.2 The detailed findings and associated risks have been reported in section 3 of the main body of the report, which include the following areas:</p> <ul style="list-style-type: none">- Anti-Money Laundering Policy;- Awareness and training to members, officers and staff to recognise transactions that may indicate money laundering;- Written council-wide procedures, such as verifying the identity of new clients and keeping records of evidence obtained; record keeping; reporting suspicions; investigation procedures and related Internal controls, and- Written procedures for reporting any suspicious transactions to the Serious Organised Crime Agency (SOCA) through the MLRO |
|--|

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	1
4.2 Number of actions agreed	4	1
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Council Policy: In the absence of an approved Council Policy on Money Laundering including a cash limit policy, with an implementation plan which is monitored, it may not be possible to forestall and prevent money laundering and be compliant with the regulations. 		
Management Action:		
<i>1. We will produce a policy for endorsement from members based on an assessment of the implications of Money Laundering regulations on the Council and relevant CIPFA recommendations, including the cash limit policy and identification of a nominated Deputy Money Laundering Officer.</i>		
<i>2. Agree the approach and actions to be taken by the Council in response to the legislation and CIPFA guidance.</i>		
<i>3. We will ensure that the Council's partners are made aware of the policy and are encouraged to support the approach.</i>		
<i>4. In order to increase accessibility, we will publish the policy, procedures and guidance on the Council's internet and intranet.</i>		
<ul style="list-style-type: none"> Vulnerable areas: Exposure to the actual risk of the Council handling laundered money and reputational risk of the council being associated with entities dealing in Anti-Money Laundering operations will not be reduced without implementing the recommendations of the external consultant and identifying all vulnerable areas across the council. 		
Management Action:		
<i>We will agree a work plan for implementing the recommendations of the external consultant in the Resources Directorate. In liaison with services we will identify areas within their portfolio which are potentially at high risk, and nominate individual officers for targeted training.</i>		
<ul style="list-style-type: none"> Training: Without appropriate awareness and training, officers and staff most likely to be exposed to or suspicious of money laundering situations may not aware of the requirement and obligations of the regulations and Members may not be aware of the Council's responsibilities. 		
Management Action:		
<i>We will produce a training plan proposal to provide awareness training to Councillors and offices as well as targeted training to Cashiers, Treasury management and other identified front line staff. We will monitor the effectiveness of training provided.</i>		
<ul style="list-style-type: none"> Procedures: Risk of non-compliance in the absence of arrangements both centrally and at service level to inform, receive and manage concerns of staff and their suspicions of an offence, making internal enquires and reporting where necessary to SOCA and making arrangements for partner organisations to be aware. 		

Management Action:

While the ultimate responsibility rests with the MLRO, we will produce and approve procedures and processes that will be adopted by Service areas, with referrals made upwards only as necessary.

These would include

- identification procedures (SI 2003/3075 Money Laundering Regulations, 4 & 5);***
- record keeping procedures (Money Laundering Regulation 6); Internal reporting procedures (Money Laundering Regulation 7)***
- and other procedures (Money Laundering Regulation 3(b) such as adequate Internal controls; procedures for carrying out investigations; reporting to SOCA; and procedures for making partner organisations aware and supportive of the Council's approved policy.***

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

- 5.1 All of the risks identified during the audit have been accepted and addressed in the action plan agreed on conclusion of the audit. I expect the assurance statement to improve significantly when the follow up audit work has been completed.

Service Area	Issue Date	Assurance	Follow-up Date
Community Protection Group	19//10/2007	No Assurance	Q2 2008/2009

Report Title

Graffiti (Prevention, Education & Enforcement)

1 Objective of System

1.1 No clear objectives could be established for the service at the planning stage of the audit.

2 Scope of Audit

- 2.1 Strategy / Policy
- 2.2 Procedures
- 2.3 Roles and responsibilities
- 2.4 Budgetary Control and Financial Management
- 2.5 Co-ordination of Service Delivery
- 2.6 Information and Performance management
- 2.7 Complaints
- 2.8 Service User information and Community Engagement
- 2.7 Customer Consultation

3 Executive Summary

3.1 Internal Audit can give **no assurance** that the current arrangements on graffiti within the Corporate Governance Directorate (Community Protection Group) will effectively and efficiently contribute to the corporate priority on 'Clean, Green and Safe'

3.2 Community Protection Group – Service Delivery Plan

It was confirmed that there is no:

- clear service objective in relation to Corporate Governance's responsibility for graffiti. However, the current graffiti team (within the Environment and Transport Directorate) is responsible for meeting the Council's Clean, Green and Safe priorities, by ensuring the removal of graffiti, thereby reducing the fear of crime, keeping the streets clean and improve the quality of life for residents in the borough.
- formal service delivery plan within the Directorate which sets out how the service will contribute and support the:
 - main tasks as outlined in the Delegated Powers Report dated 4 January 2007;
 - requirements of the Graffiti Policy dated October 2006;
 - Council's Clean, Green and Safe priorities;
 - other key strategies e.g. Clean Borough Strategy, Sustainable Community Strategy, and Safer Communities in Barnet.
- clear strategy to:
 - co-ordinate and support the key aims and objectives of the service/ council;
 - establish which service should drive the management of, and response to, graffiti related issues;
 - meet any established targets to remove graffiti, and
 - plan for resources and form a clear vision for the service.

3.3 Roles and Responsibilities

Following the transfer of the commissioning and managing response to crime aspects of the service, there have been discussions between the Director of Environment and Transport and the Deputy Director of Corporate Governance on the proposed new arrangements. However, there is no formal document which clearly sets out respective officer roles and clear responsibilities for the operational activities of the Community Protection Group and Environment & Transport, to ensure there is no overlap or missing key elements of the Graffiti

3.4 Partnership Agreements and Enforcement

Graffiti needs to be tackled in a comprehensive way, together with other partners and Barnet House. As part of the Barnet Clean Borough Strategy, there is an Anti-Graffiti Charter, which aims to operate in conjunction with partner organisations to improving the streetscene and physical environment of the borough. Each partner, as signatory to the charter, will arrange to clean graffiti from their respective properties and/ or infrastructure within the agreed

3.5 Partnership Agreements and Enforcement

From 1st April 2006, the Anti-social Behaviour Act 2003 (Sections 48-52) gave local authorities the power to serve graffiti removal notices on certain companies responsible for the surface where graffiti had appeared. The notice gives a minimum of 28 days for the removal of the graffiti. If after that time, it has not been removed the local authority can remove it and can recover its costs.

Utility companies and the transport operators have been approached regarding the removal of graffiti from their equipment and property. To date, the response has been limited and no notices have been served. As a result, in 2006-07 Barnet Council had removed 851 sq m of graffiti from green boxes, phone boxes and bus shelters across the borough. At the 2006/07 graffiti removal charges (£35.00 per sq m) this would amount to £29,785.

3.6 Information and Performance Management

There are three local indicators and one BVPI, which are all linked to the operational activities within Environment and Transport, but these are not linked directly to the service under the Community Protection Group.

Intelligence information is collected on the removal of graffiti as required by the current policy and this is reported to FirstStat as appropriate. However, the removal of graffiti by Barnet Homes, despite request for this information and that cleared by utilities is not being reported to provide an overall picture of the level of graffiti across the borough and as excepted under BVPI 199.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	5	1
4.2 Number of actions agreed	5	1
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Community Protection Group – Service Delivery Plan In the absence of a clear objective for the Community Protection Group for dealing with graffiti under the revised structure, staff and partners may not be aware of the department's expectations for dealing with graffiti and therefore there is a risk that desired outcome will not be achieved to contribute towards meeting the corporate priority on Clean, Green and Safe. Without a formal review of the current policy, established before the restructure, there is a risk that relevant Corporate priorities and objectives and other key local strategies are not supported. Management Action: <i>A Service Level Agreement is being put together which will clarify the objective for service and include the role of the Community Protection Group in contributing towards meeting the corporate priority.</i> Operational (SLA) Arrangements Inadequate definition of the roles and responsibilities between the services will lead to poor: <ul style="list-style-type: none"> - joint working; - accountability for the service and resources not utilised effectively; - communication channels and decision making; - exchange of information. <p>In the absence of clear roles and responsibilities there is potential for duplication and omission and therefore a risk that desired outcomes will not be achieved efficiently and effectively.</p> <p>There may be no point of reference in the event of a dispute and this could lead to confusion as to the roles and responsibilities.</p> Management Action: <i>A Service Level Agreement is being put together which will clarify the objective for service and include the role of the Community Protection Group in contributing towards meeting the corporate priority.</i> Partnership Agreements Failure to secure partnership agreements, will result in businesses not tackling the problem of graffiti and impact on the physical streetscene appearance of the borough. If graffiti is allowed to remain for a length of time untreated, there is a risk that this sends a signal to the community that it is accepted and could act as a catalyst for other types of anti-social behaviour e.g. littering, fly-tipping, fly posting, vandalism. 		

Management Action:

Partnership arrangements are being developed by contacting utility companies and the transport operators regarding the removal of graffiti from their equipment and property. Agreements are being put in place with key partners and they will be encouraged to improve the streetscene and physical environment of the borough.

- **Partnership working – Enforcement**

Failure to issue removal notices to companies / operators responsible for cleaning graffiti from their street furniture, will result in the council incurring avoidable costs both in terms of cleaning and use of resources.

Management Action:

A policy is being drafted for the whole of the Community Protection Group, which will incorporate serving graffiti removal notices on certain companies responsible for the surface where graffiti has appeared (as prescribed within the Anti-social Behaviour Act – Section 48-52).

- **Information and Performance Management**

Failure to establish key performance measures, regular monitoring and reporting of these against actual performance targets presents a risk of:

- poor service delivery and non-achievement of any established targets;
- inefficient use of resources due to poor intelligence data, leading to ineffective surveillance planning to tackle graffiti;
- Ineffective management decisions made due to inaccurate and incomplete reporting of

Management Action:

An information and performance management framework for the service will developed once the operational (SLA) arrangements have been agreed.

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

- 5.1 We have accepted all the findings of the audit report and agreed actions to mitigate against them. We expect the assurance given to improve when the follow up work is undertaken.

2007/08 Internal Audit Audit Plan Update
@ 31st October 2007

2007/08 Internal Audit Audit Plan Update

@ 31st October 2007

Page 1	Green Spaces & Ground Maintenance Follow-up of Follow-up (New)
Page 2	Cashbook Reconciliation Follow-up (New)
Page 3	Personal Use of Mobile Phone Advice and Guidance (New)
Page 4	Stock Management and Control Key System Audit (Deferred)
Page 5	EDRMS 2007-8 Follow-up (New)
Page 6	ICS 2007-8 Follow-up (New)
Page 7	Imprest Accounts (New)
Page 8	Various Follow-ups (Deferred)
Page 9	Ass Special Laundry Service (New)
Page 10	Transport VOSA Follow-up (Deferred)
Page 11	Income and Assessment Review Follow-up (New)
Page 12	Registrars (New)
Page 13	Registrars Follow-up (New)
Page 14	Rent Deposit Scheme Follow-up of Follow-up (New)

New 2007/08 Environment & Regeneration**SERVICE AREA:** Environment and Transport**TITLE OF ORIGINAL AUDIT:** Green Spaces and Ground Maintenance Follow-up of Follow-up**DATE AUDIT REQUESTED FOR:** Quarter 3**REQUESTED BY:** Head of Internal Audit and Ethical Governance**Reason(s) for the new work**

To report further progress on mitigation of reported risks since the last follow-up concluded in September 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources**SERVICE AREA:** Resources/Shared Service/Revenues**TITLE OF ORIGINAL AUDIT:** Cashbook Reconciliation Follow-up**DATE AUDIT REQUESTED FOR:** Quarter 3**REQUESTED BY:** Head of Revenues**Reason(s) for the new work**

To report progress on mitigation of reported risks at the original audit concluded in September 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources**SERVICE AREA:** Resources/Stretegic Service/Strategic IT**TITLE OF ORIGINAL AUDIT:** Personal Use of Mobile Phones Advice and Guidance**DATE AUDIT REQUESTED FOR:** As and When**REQUESTED BY:** Head of Strategic IT**Reason(s) for the new work**

To provide risk and control advice and guidance on new approach to personal use of Council mobile phones.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Resources**SERVICE AREA:** Resources**TITLE OF ORIGINAL AUDIT:** Stock Management and Control**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 2 (deferred from Q1)**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 2**CHANGE REQUESTED BY:** Deputy Director of Resources and Chief Finance Officer**Reason(s) for the change**

2006/7 stocks audit finalised in August 2007. No added value from new audit before completion of the follow-up audit.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources**SERVICE AREA:** Resources**TITLE OF ORIGINAL AUDIT:** Electronic Document Record Management System 2007-8 Follow-up**DATE AUDIT REQUESTED FOR:** Quarter 2**REQUESTED BY:** Head of Internal Audit and Ethical Governance**Reason(s) for the new work**

To report progress on mitigation of reported risks in the original audit concluded in July 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Children's Service**SERVICE AREA:** Childre's Service**TITLE OF ORIGINAL AUDIT:** Integrated Children's System 2007-8 Follow-up**DATE AUDIT REQUESTED FOR:** Quarter 2**REQUESTED BY:** Head of Internal Audit and Ethical Governance**Reason(s) for the new work**

To report progress on mitigation of reported risks in the original audit concluded in July 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources**SERVICE AREA: Resources****TITLE OF ORIGINAL AUDIT: Imprest Accounts****DATE AUDIT REQUESTED FOR: Quarter 3****REQUESTED BY: Head of Strategic Finance****Reason(s) for the new work**

Areas of concerns were notes during the closing of 2006-7 accounts.
Audit to provide assurance on the corporate framework for the imprest accounts.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred Follow-up from 2007/08 to 2008/09

SERVICE AREA: Various

TITLE OF ORIGINAL AUDITS:

Management Information in Youth Service 06/07 follow-up

Central Contract Monitoring 06/07 follow-up

Web Content Management 06/07 follow-up

Waste Prevention 06/07 follow-up

Corporate Governance 06/07 follow-up

Business Continuity 06/07 follow-up

Shared Service Centre 06/07 follow-up

Risk Management 06/07 follow-up

ORIGINAL PLANNED DATE FOR AUDIT: 2007/08 Quarter 4

REVISED PLANNED DATE FOR AUDIT: 2008/09 Various Quarters

Reason(s) for the change

Jobs finalised after 2007/8 Audit Plan agreed.
Revised timing accommodates the dates of implementation of agreed actions.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Communities**SERVICE AREA:** Adult Social Services**TITLE OF ORIGINAL AUDIT:** ASS Special Laundry Services**DATE AUDIT REQUESTED FOR:** Quarter 3**REQUESTED BY:** Director of Adult Social Services**Reason(s) for the new work**

To provide assurance that the assessment process ensures that service is only provided to clients who without the Council care.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Environment & Regeneration**SERVICE AREA:** Environment and Transport**TITLE OF ORIGINAL AUDIT:** Transport VOSA Follow-up**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 3**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 1**CHANGE REQUESTED BY:** Environment Services Manager**Reason(s) for the change**

Implementation dates put back to end of quarter 4 (2007/8).

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Communities**SERVICE AREA:** Adult Social Services**TITLE OF ORIGINAL AUDIT:** Income and Assessment Review 07/08 (P)**DATE AUDIT REQUESTED FOR:** Quarter 3**CHANGE REQUESTED BY:** Head of Internal Audit and Ethical Governance**Reason(s) for the change**

To report progress on mitigation of reported risks at the original audit concluded in August 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources

SERVICE AREA: Resources/Stretegic Service/Organisational Development and Customer Care

TITLE OF ORIGINAL AUDIT: Registrars

DATE AUDIT REQUESTED FOR: Quarter 1

REQUESTED BY: Assistant Director of Organisational Development and Customer Care

Reason(s) for the new work

To provide assurance that the Council's Registrar's Service provides an efficient customer focussed, legally compliant, and modern service to customers, safely and securely, while attaining value for money and at the same time improving avenues of income for the council.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources**SERVICE AREA:** Resources/Stretegic Service/Organisational Development and Customer Care**TITLE OF ORIGINAL AUDIT:** Registrars**DATE AUDIT REQUESTED FOR:** Quarter 3**CHANGE REQUESTED BY:** Assistant Director of Organisational Development and Customer Care**Reason(s) for the change**

To report progress on mitigation of reported risks at the original audit concluded in September 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Environment & Regeneration

SERVICE AREA: Housing

TITLE OF ORIGINAL AUDIT: Rent Deposit Scheme

DATE AUDIT REQUESTED FOR: Quarter 3

CHANGE REQUESTED BY: Head of Internal Audit and Ethical Governance

Reason(s) for the change

To report further progress on mitigation of reported risks since the last follow-up concluded in August 2007.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Internal Audit Performance Indicators 2007-8 @ 31st October 2007

PI Ref	PERFORMANCE INDICATOR	TARGET 2007/08 (annual & cumulative)	Position at end of:	
			Q1 2007/08	Q2 2007/08
1	Percentage of 2007/08 audit plan completed compared to what was planned.	87.5% This is the combined figure for systems, follow-ups and projects.	11% complete or at draft report 25% at various stages of work in progress	21% complete or at draft report plus 40% at various stages of work in progress
2	Percentage of Audit reports followed up within 12 months of issue of final report	100%	13% complete or at draft report 11% at various stages of work in progress	25% complete or at draft report plus 23.75% at various stages of work in progress

Risk Analysis Interim Annual Report 2007-08		IIA Category					Total	Priority 1	Priority 2
		1	2	3	4	5			
Client Service	Audit Project	The integrity of information/ data is unreliable	Assets are not adequately safe guarded	Resources not used economically or effectively	Non Compliance with Policies, Laws, Regulations and Procedures	Objectives/ goals not achieved			
Environment and Transport	Waste Prevention	0	1	1	0	5	7	2	5
Resources - Strategic Services	Safer Recruitment	0	0	0	12	0	12	1	11
Resources - Shared Services	Milly Apthorpe Annual Accounts Management letter	0	1	0	0	0	1	0	1
Planning and Environmental Protection	Hendon Cemetery and Crematorium	0	1	1	0	0	2	0	2
Environment and Transport	Traffic Management Act (TMA) 2004	2	1	1	1	0	5	0	5
Resources - Strategic Services	Property Asset Management	2	1	0	1	7	11	0	11
Corporate Governance - Community Protection Group	Graffiti (Prevention, Education and Enforcement)	1	0	3	0	2	6	5	1
Resources - Shared Services	Cashbook Reconciliation (06/07 deferred to 0708)	2	0	1	1	2	6	2	4
Communities - Adult Social Services	ASSD Income and Assessment Review 07-08	2	0	3	0	3	8	3	5
Communities - Children's Services - Education	Integrated Children's System (P)	0	0	0	0	1	1	0	1
Resources - Organisational Develop't and Customer Servs	Registrars	3	3	5	4	0	15	4	11
Resources - Strategic Servs	Budgetary Control	0	0	6	0	1	7	1	6
Resources - Shared Services	Accounts Receivable - Inc Debt Management (KS/KC)	1	0	0	1	1	3	2	1
Corporate Governance - Community Protection Group	Money Laundering 06/07	0	0	0	4	1	5	4	1
Communities - Children's Services - Education	Management Information in Youth Service	1	0	2	0	1	4	0	4
Environment and Transport	Transport Policy and Procedures (VOSA)	0	0	0	6	2	8	3	5
Housing	Home Ownership	1	0	2	0	0	3	1	2
Resources - Shared Services	Risk Management	0	0	0	1	2	3	0	3
Communities - Children's Services - Education	Sen Budget and Contract	4	0	1	0	1	6	0	6
Resources - Strategic Services	Stock Systems 06/07 (KS/KC)	1	1	0	1	0	3	1	2
Planning and Environmental Protection	Building Control	4	0	0	1	1	6	0	6
Resources - Shared Services	Accounts Payable - Payments (KS/KC)	0	0	0	1	0	1	0	1
Communications and Consultation	Web Content Management	1	0	1	0	1	3	0	3
Environment and Transport	Commercial Waste Service	0	0	0	0	1	1	0	1
Environment and Transport	Parking Control 06/07 (KS)	3	0	4	0	1	8	0	8
Housing	Housing Benefits 06/07 (KS)	2	2	0	0	1	5	1	4
Resources - Shared Services	Central Contract Monitoring	0	0	2	0	5	7	0	7
Corporate Governance - Community Protection Group	Municipal Elections	0	0	0	1	0	1	0	1
TOTALS		30	11	33	35	39	148	30	118
							% of total	20%	80%

AGENDA ITEM: 7

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Meeting	Audit Committee
Date	5 December 2007
Subject	Referral from the Supporting the Vulnerable In Our Community Overview and Scrutiny Committee
Report of	Democratic Services Manager
Summary	The Committee is requested to consider a referral from the scrutiny committee on an item of work listed on scrutiny forward work programme for the Supporting the Vulnerable In Our Community Overview and Scrutiny Committee.
Officer Contributors	Bathsheba Mall , Overview and Scrutiny Officer
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A – Extract from the Decisions of the Supporting the Vulnerable In Our Community Overview and Scrutiny Committee, 18 July 2007
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A
Contact for further information	Bathsheba Mall, Overview and Scrutiny Officer Telephone 020 83597034

1 RECOMMENDATIONS

- 1.1 That the Committee consider the report and determine whether to include the referral made by the Supporting the Vulnerable In Our Community Overview and Scrutiny Committee, as set out in section 9, Background Information within its forward work programme.
- 1.2 If the Committee decide to take this forward the Head of Internal Audit and Ethical Governance report on the issue to a future meeting

2 RELEVANT PREVIOUS DECISIONS

- 2.1 The Supporting the Vulnerable In Our Community Overview and Scrutiny Committee meeting held on 18 July 2007 agreed to make a referral to the Audit Committee, details of which are set out in section 9 of this report.

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 None.

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.

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 summaries of specific internal audit reports as requested” and “To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale”.

9 BACKGROUND INFORMATION

- 9.1 The Supporting the Vulnerable In Our Community Overview and Scrutiny Committee met on 18 July 2007 to consider its forward work programme for period 2007/08. The Committee noted that one of the items from the Committee’s work programme for 2006/07 included an item on Social Services Invoice Processing arrangements. Members considered that this item could be more effectively addressed by the Audit Committee and agreed that a referral should be made accordingly. An extract of the decisions is attached at Appendix 1, with the relevant decision set out below:

“(ix) That the item on Social Services Invoicing Process Arrangements be referred to the Audit Committee for further consideration.”

10 LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MB
CFO: HG

Extract from Supporting the Vulnerable In Our Community Overview and Scrutiny Committee, 18 July 2007

6. SUPPORTING THE VULNERABLE IN OUR COMMUNITY OVERVIEW AND SCRUTINY COMMITTEE'S DRAFT FORWARD WORK PROGRAMME 2007/08

The Committee received a report from the Democratic Services Manager which presented suggested items for inclusion in the forthcoming Work Programme for the forthcoming year, 2007/08. Members discussed the attached appendices at length. It was recognised that the CSCI (Commission for Social Care Inspection) report attached at appendix 2 was dated 2005/06 and members expressed concern that this had not been considered by the committee previously. Members requested that this be included in the Work Programme and that the anticipated CSCI report for 2007 (expected in October 2007) be reviewed.

With the assistance of the Assistant Director of Performance and Strategy, Adult Social Services, Members discussed the commissioning strategies, the Vision plan and the implementation strategy, and the way in which members would like to scrutinise them. It was recognised that it was helpful to consider the Vision plan and three of the commissioning strategies relevant to the Committee were on the areas of mental health, learning disabilities and older peoples services. Members agreed that they would like to view executive summaries detailing progress on the implementation of the strategies and retain this in the Work Programme.

Members briefly discussed improving the health of the local population, within the context of managing the health impacts of regeneration and major developments. It was acknowledged that this area had already been identified by the item taken on GP Lists at the June meeting of the committee.

RESOLVED –

1. That the Democratic Services Manager be instructed that the draft Work Programme be agreed, subject to the following amendments:

- (i) That the item on maternity services for September 2007 be refined to place less emphasis on the Clinical Negligence Scheme for Trusts and to provide further information about women in labour who may have been referred to another trust and the reasons for this;
- (ii) That the schedule of visits to care homes and a subsequent follow up report on the Fremantle Trust to the September 2007 meeting be postponed and placed in the Long List;
- (iii) That following the recent Improvement Notice to Barnet and Chase Farm NHS Trust, a report is prepared detailing the reasons

- for the notice and what is being done to address this; and that Barnet PCT be invited to attend and comment on any remedial action required;
- (iv) That following the Cabinet Referral considered by the Committee on 20 June 2007, a report on breast screening be included in the Work Programme;
 - (v) That the remainder of the suggested topics within the Cabinet Referral be referred back to the Cabinet Member for Public Health;
 - (vi) That the suggested item on Disabled Women's Experiences be removed from the Work Programme;
 - (vii) Under Part B, Adult Social Care, that items on the Provision of Intensive Home Care Services and Social Services Client Assessment Times, be included in the Adult Social Care performance indicator commentary, to be received and considered in conjunction with Quarter 2 and Quarter 4 corporate monitor reports for 2007/08;
 - (viii) That the item on Home care Arrangements for Supporting People with Physical Disabilities be removed from the work programme;
 - (ix) That the item on Social Services Invoicing Process Arrangements be referred to the Audit Committee for further consideration;
 - (x) That the Committee receive a report on Choice and Independence – A Vision for Adult Social Services and further, executive summary style reports on three of the five commissioning strategies:
 - Physical and Sensory Impairment Services
 - Adult Mental Health
 - Learning Disability Services;
 - (xi) That, in respect of amendment (x), the Commissioning Strategy for Physical and Sensory Impairment Services and with reference to Appendix 3, a delegated powers report, be scrutinised jointly with the First Class Education and Children Overview and Scrutiny Committee with due regard to supporting young carers across all age groups;
 - (xii) That the Committee considers the implementation of Choice and Independence – A Vision for Adult Social Services and the commissioning strategies in the forthcoming year, in order to evaluate the outcomes and subsequent impact;
 - (xiii) That the Committee, in considering Quarter 2 and Quarter 4 performance data, also develops a focus on selected indicators in order to conduct more in-depth evaluation;
 - (xiv) That consideration of post offices closures are removed from the Work Programme, following the referral to Cabinet;
 - (xv) That the Work Programme is review and updated at each meeting of the committee.

2. That the Work Programme 2007/08 be reviewed and updated at every meeting of the Committee.

AGENDA ITEM: 8 Page nos. 51-56

Meeting	Audit Committee
Date	5 December 2007
Subject	Internal Audit Annual Report 2006-7 – Rent Deposit Scheme
Report of	Head of Housing and Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the update on implementation of agreed actions to mitigate the risks identified in the Internal Audit of the Rent Deposit Scheme.

Officer Contributors	Nigel Hamilton, Head of Housing Michael Bradley, Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	None
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 20 September 2007, resolved that ‘a further report on the implementation of the actions agreed by management during the follow up audit of the Rent Deposit Scheme be submitted by the Head of Housing and Head of Internal Audit and Ethical Governance for the next meeting to be held on 5 December 2007’.

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 Without effective mitigating action to address the risks identified in the audits of this area, the objectives of the Rent Deposit Scheme may not be met efficiently, effectively or economically.

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.
- 5.2 While there are not routine equalities monitoring of the RDS, detailed equalities data about the homelessness service is collected and reviewed by the Housing Equalities Group. It is evident that homelessness is experienced disproportionately by members of BME groups and vulnerable people. It is also apparent from the data and research at local and national level that temporary accommodation is associated with adverse outcomes for the well-being of families in general and the health, educational attainment and development of children in particular. Policies which prevent homelessness and admission to temporary accommodation are therefore of particular benefit to BME groups, children and vulnerable people. In 2006/07 the RDS assisted 434 such households either to move out of TA or by providing a housing solution before they became homeless.

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 objective of the Rent Deposit scheme is to prevent homelessness and to reduce the overall use of more expensive temporary accommodation by assisting clients in housing need to move into the private sector in a cost effective manner. This is achieved through the payment of the deposit on a property and a rent advance payment equal to the first month's rent.
- 9.2 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 2005-06 when our follow up review concluded that the risk exposure had increased from medium to high.
- 9.3 A further audit review in 2006/7 also concluded that no assurance could be provided that the service would achieve its objectives. The follow up review in August 2007 confirmed no significant progress in management action toward mitigation of the reported risks. Audit reported to the Audit Committee in September 2007 no change to the assurance already provided.
- 9.4 The service provided a further revised action plan to audit on 12 November 2007 which included details of progress on implementation of agreed actions. Audit had been providing advice and guidance on the actions being taken in the development of this action plan.
- 9.5 Internal Audit then conducted further independent testing to verify the adequacy and effectiveness of the action taken to mitigate the risks.
- 9.6 As a result of this testing we can report that, of the 10 reported risks, two were fully mitigated. Implementation of three risks is on track for completion in November 2007. Five risks were partly mitigated.

9.7 Our assessment (of the assurance that management can have that objectives will be met) can be moved from 'no' to 'limited' assurance. We are satisfied that there is a much fuller understanding of the risks and processes required to mitigate them. Audit and service management have agreed on the importance of concluding the implementation of the outstanding actions

9.8 The two 'priority 1' risks that remain partly mitigated are:

- Financial loss to the Council due to:
 - lack of an effective process for debt recovery;
 - lack of an initial reconciliation from the Rent Deposit financial records to SAP (and, in the past, other accounting records) to identify the status of debts / receivables and then subsequent quarterly reconciliations, and
 - lack of timely identification and recovery of debt.
- Management may be unable to assess whether the scheme has met its objectives in the absence of initial reconciliations and effective periodic monitoring.

One priority 1 risk that is on target for completion during November 2007 is:

- Inappropriate dealings with the public causing a loss to the council in the absence of a service specific code of conduct for declaration of interests.

RDS Incentive Scheme

9.9 During the first four months of the financial year 2007-08, the Rent Deposit Scheme was run in parallel alongside a pilot scheme which offered landlords an incentive, equal to the amount of deposit, which was not subject to repayment or recovery. This was in response to this practice being increasingly adopted by neighbouring boroughs who have been effectively out-bidding Barnet in securing private sector accommodation in this borough for their clients. The scheme was run as a pilot on an entirely temporary basis using grant secured from the department of Communities and Local Government for the purposes of piloting initiatives to tackle homelessness. No core Barnet funding was involved, although a total of £99,679 (for 110 tenancies) was disbursed in the form of Rent Deposit incentives from the CLG grant. The pilot was terminated when this grant was spent and is currently being evaluated. While highly successful in delivering service outcomes such a scheme can only be seen to offer value for money, and possibly be funded by a virement from the TA budget, if it can be demonstrated that reduced expenditure on TA can be directly linked to the increased take up of private sector options delivered by the scheme. Service management and audit are discussing audit's role in the evaluation process and will include a formal review in the audit plan should the scheme re-start.

SAFFRON replacement

9.10 A project has been initiated to consider a replacement for the SAFFRON system. Many of the difficulties identified by audit arise from missing functionality for this purpose in that system. As a result, implementation of actions to mitigate the risk of loss of efficiency and effectiveness in service delivery has been delayed. However a modern fit-for-purpose IT system will be the most effective way of mitigating the outstanding risks. Audit will be providing advice and guidance on the governance and risk management arrangements for the delivery of this project.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – JEL

CFO – HG

AGENDA ITEM: 9

Page nos. 57-66

Meeting	Audit Committee
Date	5 December 2007
Subject	Annual Governance Statement
Report of	Director of Corporate Governance
Summary	This report advises the Committee on the arrangements for preparing an Annual Governance Statement

Officer Contributors	Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix of Charts
For decision by	Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

1. RECOMMENDATIONS

- 1.1 That the Committee note and approve the arrangements for preparing an Annual Governance Statement.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Under the Council's Corporate Plan 2007/8 to 2010/11, one of the corporate priorities is "More Choice Better Value" and a key objective within this priority is "enhancing and further developing corporate governance".

4. RISK MANAGEMENT ISSUES

- 4.1 Referred to in the body of the report.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Good governance arrangements are necessary to ensure that the Council is meeting its equalities and diversity obligations and objectives.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 None.

7. LEGAL ISSUES

- 7.1 Referred to in the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 The Audit Committee's responsibilities include "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

9. BACKGROUND INFORMATION

9.1 Background to the Annual Governance Statement

- 9.1.1 Regulation 4 of the Accounts and Audit Regulations (2003) required a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.
- 9.1.2 The purpose of the SIC is to provide and demonstrate that there is a continuous review of the effectiveness of an organisation's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

- 9.1.3 The SIC is to be compiled in accordance with “proper practice”, a framework which was subsequently published in April 2004 by CIPFA based on similar frameworks operating in central government departments.
- 9.1.4 Amendment Regulations required the findings of the review of the system of internal control to be considered by a committee or by the Council. They also required a review of the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee or by the Council.
- 9.1.5 The new CIPFA/SOLACE governance framework requires an AGS and CIPFA has also confirmed that the AGS will replace the SIC with effect from 2007/8 reporting year. The FAN (Financial Advisory Network which is affiliated to CIPFA) issue what they term Rough Guides on a number of topics and they issued one this year (that has been published on the CIPFA website) in support of the revised Regulations.
- 9.1.6 The Department for Communities and Local Government issued further guidance to clarify what they deemed as “proper practice”. Section 7 of Circular 03/2006 stated that “proper Practice” in relation to internal control relates to guidance contained in the following documentation:
- Statement on Internal Control in Local Government meeting the requirements of the Accounts and Audit Regulations 2003, published by CIPFA in 2004.
 - Corporate Governance in Local Government: A Keystone for Community Governance (Framework and Guidance Note), produced by CIPFA/SOLACE in 2001 (recently updated).

The governance framework itself remains a discretionary code and is offered to organisations as good practice. It outlines six core principles of good governance focusing on the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. The degree to which the Council follows these principles should be declared in its AGS. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations from 2007/8.

- 9.1.7 The Rough Guide states that for those organisations, such as Barnet, that had already considered and compiled their SIC as a corporate document the transition to an AGS should not be a great one. An Appendix to the Rough Guide provides 30 pages of suggested evidence and areas of assurance for the statement in accordance with the framework’s governance principles.

9.2 Comments from the Audit Commission

- 9.2.1 As a member of the CIPFA/SOLACE working party that developed and published the revised governance framework, the Audit Commission is said to fully support the requirement for an AGS. The Commission is also said to

welcome the Rough Guide as “it provides a helpful, practical approach to preparing an AGS”.

- 9.2.2 In the Commission’s view, the arrangements required for gathering assurances for the preparation of the AGS provide an opportunity to authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the AGS is not just to be “compliant”, but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. This will also demonstrate to stakeholders what those arrangements are.
- 9.2.3 As part of their use of resources assessments auditors will consider the arrangements in place to enable the preparation of the AGS, including the degree to which the authority recognises the corporate ownership of its governance arrangements.

9.3. **Corporate Ownership & Responsibilities**

- 9.3.1 CIPFA’s original proper practice relating to the SIC required the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent) to sign the statement – and this is also required by the CIPFA/SOLACE framework for the AGS. Clearly the signatories must be satisfied that the document is supported by reliable evidence. The AGS should also accurately reflect the corporate governance environment as described in an authority’s Local Code of Corporate Governance (produced in line with guidance contained within the CIPFA/SOLACE document “Delivering Good Governance in Local Government”).
- 9.3.2 The new CIPFA/SOLACE governance framework clearly sets out the fundamental principles of corporate governance, these are:
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 5. Developing the capacity and capability of members and officers to be effective.
 6. Engaging with local people and other stakeholders to ensure robust accountability.

9.3.3 In essence, the AGS is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the framework. It is a statement which has now subsumed the SIC just as the SIC subsumed the statement on internal financial control from 2003/4.

It is because of the closeness of links between the SIC and the AGS that CIPFA/SOLACE are keen to keep faith with the same "assurance gathering process" (first introduced by CIPFA's earlier proper practice document in relation to the SIC) as the template around which the new governance statement should be compiled.

The assurance gathering process is the well-established and structure link between the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered. It requires the identification of key controls that are deemed critical to the delivery of these objectives and expects a formal review and risk assessment for the management and delivery of these key controls.

Possibly the most notable changes are the assurance and evidence relating to joint working arrangements and partnerships that have now clearly become much more prevalent and high profile for local authorities.

9.3.4 Like the SIC, the AGS is a key corporate document. The most senior member and the most senior officer have joint responsibility as signatories for its accuracy and completeness.

As a corporate document, the AGS should be owned by all senior members and senior officers of the authority. It is essential that there is a buy-in at the top level of the organisation; otherwise there is a risk that the preparation of the AGS is not perceived as the important task that it is by managers and other staff.

The signatories need to ensure that the AGS accurately reflects the governance framework for which they are responsible. The Rough Guide states that in order to achieve this they are likely to rely on many sources of assurances, such as:

- members;
- directors and managers;
- the responsible financial officer
- the monitoring officer;;
- the head of internal audit
- performance and risk management
- third parties, e.g. partnerships;
- external audit and other review agendas.

The Rough Guide advises that the statement should be continuously reviewed throughout the year, but observes that in practice, authorities with well-developed arrangements will find that it will emerge from the routine

governance and managerial processes (which necessarily operate continuously).

9.4 Process

- 9.4.1 The Rough Guide does not prescribe a process which it says is less important than the value the organisation gains from going through the process and from the assurance that it gives to the organisation and its stakeholders.

It counsels that authorities should build on the process employed for compiling the SIC and determine who should be involved, when should they be involved and what should be included or evidenced.

- 9.4.2 The Rough Guide envisages that at the centre of the review process will be a corporate group who are given ultimate responsibility for drafting the AGS, evaluating assurances and the supporting evidence. This group should review whether or not there is a consistency with existing policies and the authority's governance framework. The Guide is clear that risk management should feature strongly in the AGS process. It is also recommended that the Head of Internal Audit should provide a written annual report to those charged with governance timed to support the AGS and that this report should, amongst other matters, include an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment.
- 9.4.3 The Guide emphasises that compiling an AGS should not be done in a vacuum. Comments evidence and feedback can come from many places, including reports from inspectorates, internal and external audit on specific service areas, or corporate reviews on performance and risk management.
- 9.4.4 Reference is made to the need for a review body in the process, such as an audit committee or scrutiny role, who should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

9.5. Timetabling

- 9.5.1 The Guide says that the AGS should be reviewed at least once a year but should not be seen simply as an end of year activity to comply with legislation and, for this process to add value to the organisation, assurances on the effectiveness of controls over key risks should be obtained throughout the year.

Once an authority has agreed the process involved in compiling an AGS, "it needs to consider an appropriate timeline that allows input into the document in a timely fashion".

Flowchart 1, Flowchart 2 and Chart 1 taken from the Guide set out how the document could be compiled over the year.

- 9.5.2 Authorities will be required to include the AGS document in the approval process of the statement of accounts, the statutory deadline for which was brought forward by the Accounts and Audit Regulations to the end of June from the 2005/6 financial year.

The statutory reporting requirement for the AGS, however, is linked to the publication of the authority's statement of accounts which is 3 months after the deadline for approval (i.e. end of September).

- 9.5.3 The AGS should be approved at a Council or Committee meeting, but there is no statutory timetable for approval. Where an authority publishes the statement with its financial statements, therefore, it should be satisfied that the AGS is still current in relation to its formal approval (i.e. the greater the delay between approval of the AGS and publication with the statement of accounts, the greater the need for the authority to challenge its adequacy at that point in time).

9.6. **Next Steps**

- 9.6.1 A Corporate Group of relevant officers has been formed to work on the preparation of the Annual Governance Statement. Amongst others, the Group would include Director of Corporate Governance and Monitoring Officer; Deputy Director of Resources and Chief Finance Officer; Head of Internal Audit and Ethical Governance; Head of Strategic Finance; the Head of Corporate Services Policy and Performance Manager and the Governance Manager.
- 9.6.2 The Group will provide informal progress reports to the Chief Executive and other Senior Officers and to the Cabinet Member for Policy and Performance.
- 9.6.3 It is anticipated that the Audit Committee will receive a report and will be asked to consider the robustness of the Council's governance arrangements and to approve the Annual Governance Statement at its meeting in June 2008 (subject to confirmation and approval of the Council diary of meetings).

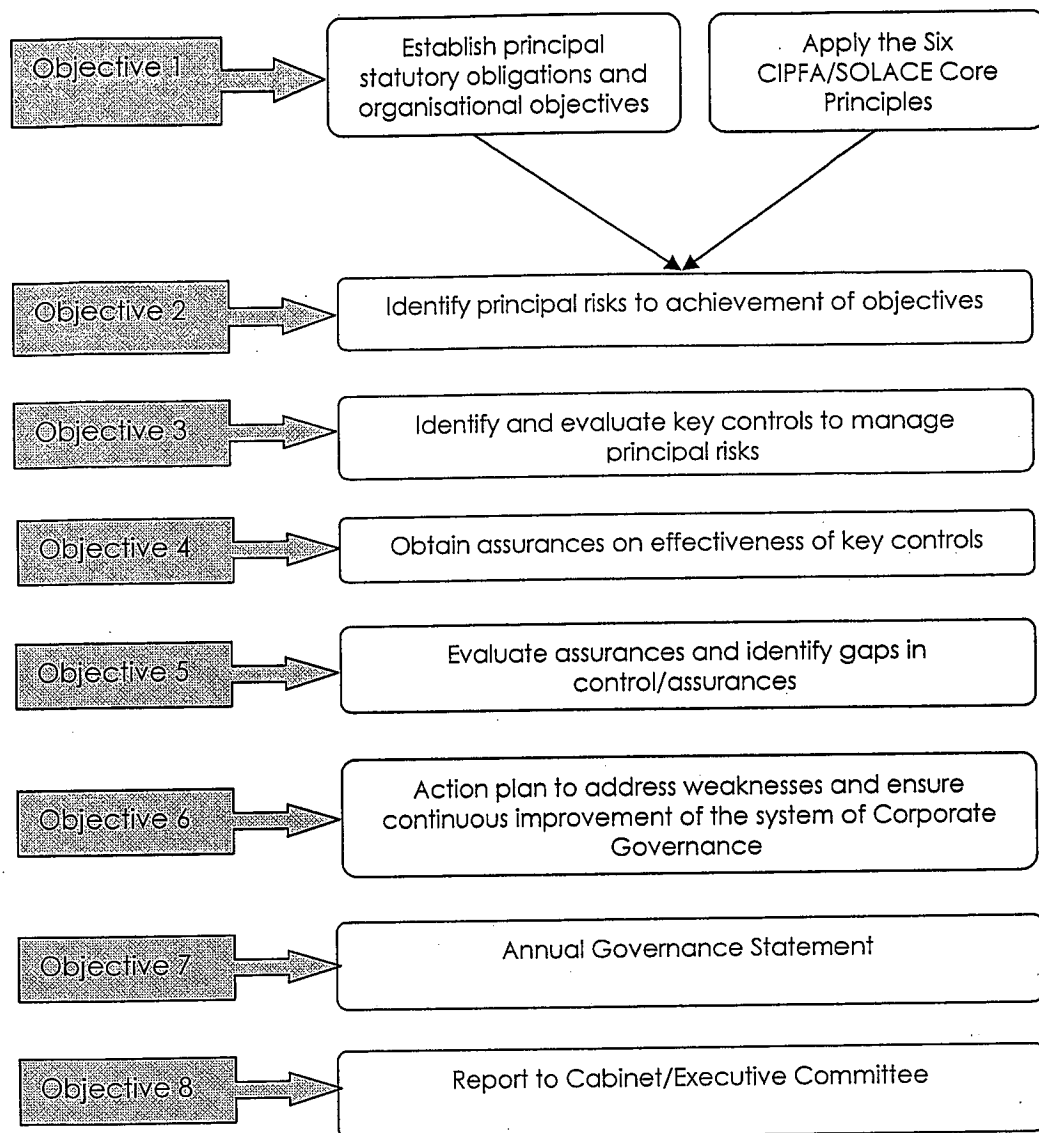
10. **LIST OF BACKGROUND PAPERS**

- 10.1 Financial Advisory Network Rough Guide.
- 10.2 Any person wishing to view the background paper should telephone Jeff Lustig, Director of Corporate Governance – Telephone: 020 8359 2008.

Legal: MM

CFO: CM

Flowchart 1: Review of Annual Governance Statement and the Assurance Gathering Process



ANNUAL GOVERNANCE STATEMENT FRAMEWORK (FLOWCHART 2)

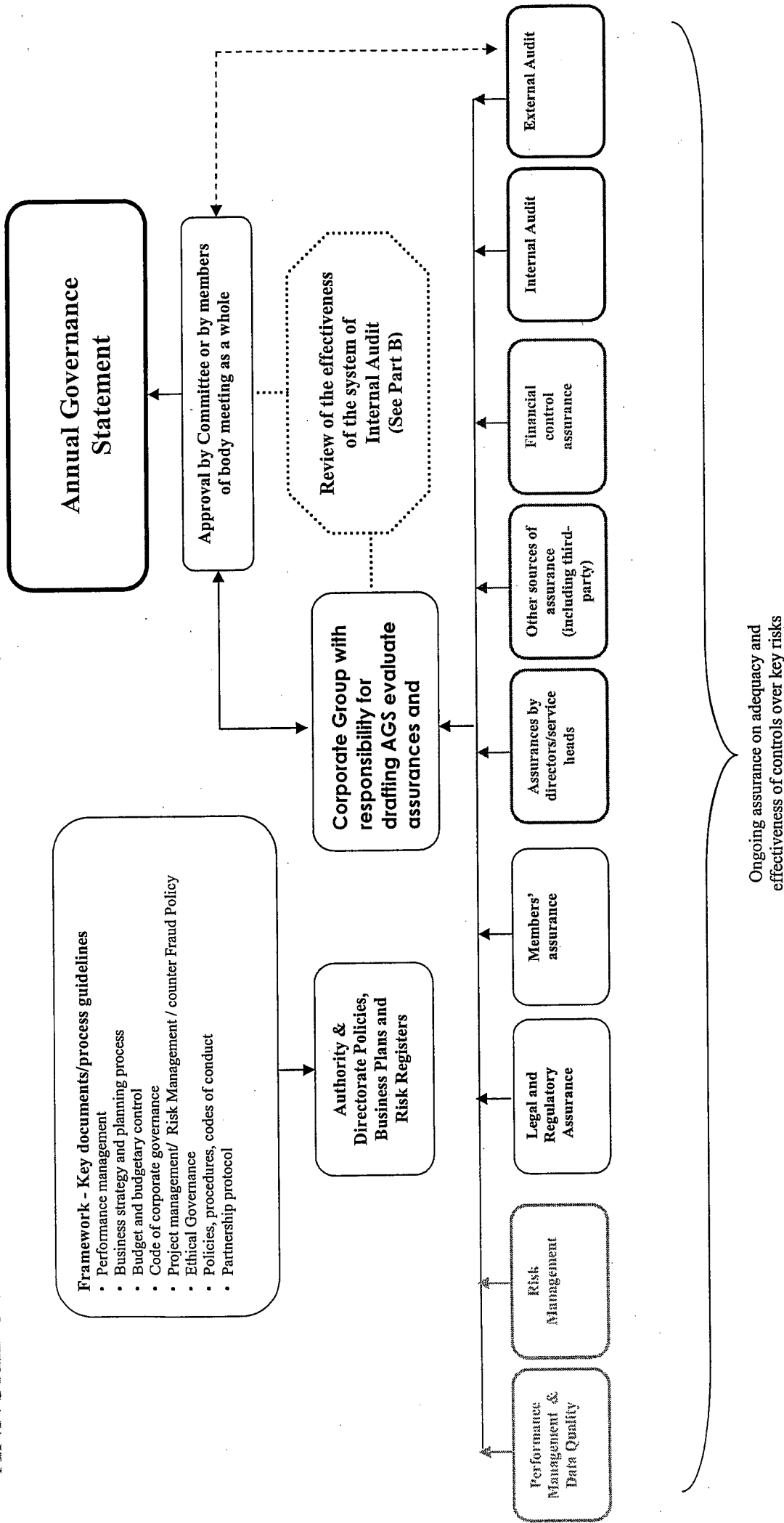


Chart 1:
Possible sequence of preparation and
reporting for the Annual Governance
Statement.

