

MEETING
AUDIT COMMITTEE

DATE AND TIME
WEDNESDAY, 27 FEBRUARY 2008 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

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AGENDA ITEM: 5

Page nos. 1 – 3

Meeting	Audit Committee
Date	27 February 2008
Subject	Member's Item – Invoices for Meals at Home
Report of	Democratic Services Manager
Summary	This report informs the Sub-Committee of a Member's Item and requests instructions from the Committee.

Officer Contributors	Katy Lam, Democratic Services Officer
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Katy Lam, Democratic Services, 020 8359 2015.

1. RECOMMENDATIONS

1.1 The Committee's instructions are requested.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The matter raised relates to the corporate priority of 'Supporting the Vulnerable'.

4. RISK MANAGEMENT ISSUES

4.1 None in the context of this report.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 To allow members of the Sub-Committee to bring a wide range of issues to the attention of the Committee in accordance with the Council's Constitution.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

6.1 None.

7. LEGAL ISSUES

7.1 None.

8. CONSTITUTIONAL POWERS

8.1 Constitution Part 3 – Responsibility for Functions – Audit Committee perform functions of the Council including to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

8.2 Council Procedure Rules Section 2 – Committees and Sub-Committees – 7.1 – A member will be permitted to have one matter only (with no sub-items) on the agenda for a meeting of a committee or sub-committee on which he/she serves.

8.3 The Democratic Services Manager must receive written notice of a Member's item, at least seven clear working days before the meeting. A working day is deemed to end at 4pm. Any item received after 4pm will be recorded as received on the next working day. The item must be signed by the Member and delivered by hand, fax or e-mail.

9. BACKGROUND INFORMATION

9.1 Councillor Geof Cooke has submitted a Member's Item in the following terms:
"Why invoices for meals at home and other social care were not correctly issued to vulnerable residents and the way in which payment for the resulting accumulated debts were requested?"

10. LIST OF BACKGROUND PAPERS

10.1 Email from Councillor Geoff Cooke dated 20 January 2008.

10.2 Any person wishing to inspect the background paper above should telephone 020 8359 2015.

Legal – JEL
CFO – CM

AGENDA ITEM: 6

Page nos. 4 – 8

Meeting	Audit Committee
Date	27 February 2008
Subject	Use of Resources – Internal Control Update
Report of	Executive Director for Resources
Summary	To update the Committee on planned actions for the improvement of the Internal Control key line of enquiry within the Use of Resources judgement.

Officer Contributors	Executive Director for Resources Deputy Director for Resources & Chief Finance Officer Head of Internal Audit & Ethical Governance Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	n/a
Enclosures	Appendix A – Key actions for improvement
For decision by	The 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, 0208 359 7249.

1. RECOMMENDATIONS

- 1.1 That the Committee note the improvement in the Use of Resources judgement and particularly the achievement relating to Risk Management.**
- 1.2 That the Committee note the action plan for the improvement of the Internal Control key line of enquiry under the Comprehensive Performance Assessment Use of Resources judgement attached at Appendix A, and consider whether there are any areas on which they require additional action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 28 February 2007 (Use of Resources – Internal Control Update).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 A strong system of internal control, risk management, and anti fraud activity is a significant aspect of a strong and supportive corporate governance framework, contributing towards the Corporate Plan priority of More Choice, Better Value.

4. RISK MANAGEMENT ISSUES

- 4.1 Failure to achieve a higher or maintain the existing Use of Resources score could impact on the overall Comprehensive Performance Assessment for the Council.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 A strong internal control system provides assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 None.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 The terms of reference for the Audit Committee include consideration of the external auditor's annual letter, relevant reports and report to those charged with governance (paragraph 5), to monitor the effective development and operation of risk management and corporate governance in the Council (paragraph 12) and to consider the Council's compliance with its own and other published standards and controls (paragraph 15).

9. BACKGROUND INFORMATION

- 9.1 The Use of Resources assessment forms part of the Comprehensive Performance Assessment and is one of the level one assessment blocks, alongside children and young people and social care (adult), as part of the overall judgement for the authority. As a result the Use of Resources judgement has a very significant impact on the overall star rating that the authority can achieve.

- 9.2 The assessment focuses on financial management but links to the strategic management of the Council to ensure resources are allocated to council priorities and is carried out annually by the Council's external auditor, Grant Thornton UK LLP. The judgement is currently split over five key lines of enquiry (KLOE):
- Financial reporting
 - Financial management
 - Financial standing
 - Internal control
 - Value for money
- 9.3 This Committee has a specific remit to consider the internal control arrangements for the authority and should therefore receive an update on progress and planned improvements on that area. The overall internal control KLOE is concerned with 'how well the Council's internal control environment enable it to manage its significant business risks', i.e. are there sufficient arrangements, systems and processes in place to mitigate the risk exposure of the authority, and three more detailed areas are reviewed:
- Management of significant business risks
 - Arrangements to maintain a sound system of internal control
 - Arrangements to promote and ensure probity
- 9.4 Each KLOE and sub KLOE are assessed between level 1 (below minimum requirements – inadequate performance) and level 4 (well above minimum requirements – performing strongly). The individual and overall scores for internal control are detailed below:

Key Line of Enquiry	2005	2006	2007
Management of significant business risks	2	2	3
Arrangements to maintain a sound system of internal control	1	3	4
Arrangements to promote and ensure probity	2	3	3
Internal Control Overall	2	3	3

Whilst there has been no increase in the overall score for internal control, it should be highlighted that it has moved from a 'steady' score of 3 in 2006 to a very strong '3' in 2007. This is particularly pleasing as the requirements to achieve each level is tightened year on year to ensure Councils are seeking to continuously improve, i.e. an authority has to have better arrangements to achieve level 3 in 2007 than it did in 2006.

- 9.5 The most significant achievement has been the level 4 judgement for the arrangements for internal control, an area where the Council was not even able to demonstrate meeting minimum requirements in the 2005 assessment. This has been achieved through the improved documentation of key procedures, stronger arrangements for partnership working and the internal control checklist process for producing the Statement of Internal Control. This latter process has been recognised as 'best practice' by Grant Thornton.
- 9.6 As part of the judgement received, the external auditor identified potential areas for improvement ahead of the 2008 assessment. These suggestions have been combined with the work of officers reviewing the revised requirements for the next assessment, which is a significant further enhancement of the requirements, and the key actions are detailed in Appendix A. This action plan is monitored by officers as part of the overall Use of Resources monitoring.

10. LIST OF BACKGROUND PAPERS

10.1 Use of Resources report from Grant Thornton UK LLP. Anyone wishing to inspect the report should contact Jonathan Bunt on 020 83597249.

Legal – MM

CFO – CM

Appendix A – Key Actions for Improvement

Task	Lead Officer	Target Date	Progress
The quality of working papers provided is exemplary. (Need to ensure all working papers are available electronically)	Jonathan Bunt (Head of Strategic Finance)	June 2008	Approach agreed with external auditors.
All Members receive risk management awareness training appropriate to their needs and responsibilities.	Jonathan Bunt (Head of Strategic Finance)	Ongoing	Risk management briefings provided to the Audit Committee as part of ongoing training and development programme. Risk management covered in Members induction briefing.
Reports to support strategic policy decisions, and initiation documents for all major projects, require a risk assessment including a sustainability impact appraisal.	Jonathan Bunt (Head of Strategic Finance)	March 2008	Risk management section established in all committee reports. Guidance provided to officers in what is required in this section.
The council can demonstrate that its members and staff exhibit high standards of personal conduct.	Michael Bradley (Head of Internal Audit and Ethical Governance)	Ongoing	Very low levels of investigation or breaches of the code. Recent review of register of interests. Training sessions to members on Code of Conduct. Low levels of fraud by staff.
The council can demonstrate corporate involvement in/ownership of the process for preparing the governance statement.	Jeff Lustig (Director of Corporate Governance)	June 2008	Project group established that includes representation from across the authority. Statement will be reviewed by Council directors and approved by the Audit Committee.
The council has an effective scrutiny function to ensure constructive challenge and enhance performance overall.	Jeff Lustig (Director of Corporate Governance)	Ongoing	Members receive ongoing training. There is also a review of scrutiny going on.

AGENDA ITEM: 7

Page nos. 9 – 31

Meeting	Audit Committee
Date	27 February 2008
Subject	External Audit report on Data Quality
Report of	Deputy Director of Resources and Chief Finance Officer
Summary	To inform the Committee of the key findings of the external audit data quality review and report on the external auditor's action plan

Officer Contributors	Shahin Farjami, Head of Business Improvement
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix 1 – Robson Rhodes Data Quality Audit Report 2006-2007
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Shahin Farjami, Head of Business Improvement, 020 8359 7019 or Isabelle Apcher, Performance Officer, 020 8359 7853.

1. RECOMMENDATIONS

1.1 That the committee note the recommendations of the external auditor's report and the agreed action plan.

1.2 That the Committee consider whether they have any views on the external auditor's recommendations and action plan.

2. RELEVANT PREVIOUS DECISIONS

2.1 The Corporate Plan Technical Appendix was agreed at Council on 20 March 2007.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

4.1 Poor data quality opinions from the external auditors may ultimately impact on the Council's reputation and rating under various inspectorates. Robust data quality is essential to the Council's Use of Resources score.

5. EQUALITIES AND DIVERSITY ISSUES

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

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

6.1 None.

7. LEGAL ISSUES

7.1 None.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

9.1 Audit activity on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA).

- 9.2 In addition to the programmed data quality review, external auditors also followed up their work last year on BV 215a, BV 215b, private sector properties unfit made fit, percentage of planned to responsive repairs and services users who have moved on in a planned way.
- 9.3 The external auditors concluded that the council's overall management arrangements for ensuring data quality are demonstrating adequate performance in respect of the financial year 2006/7. The Council has a long-term focus on improving data quality and have introduced a number of significant improvements, the full benefit of which will be realised in 2007/8.
- 9.4 The auditor's report notes that recommendations raised in prior years and arrangements for securing data quality have improved in 2006/07. Given the improved performance in data quality, no recommendations have been raised in respect of the detailed Stage 3 audit.
- 9.5 A formal, approved data quality policy was not in place at the end of 2006/7; and although the informal policy sets out broad corporate requirements and expectations in relation to data quality, it is not clear if / how subsequent compliance with these requirements is mandated.
- 9.6 An analytical review of the Audit Commission's specified Best Value Performance Indicators (BVPIs) and non-BVPIs was carried out. All PIs were within the plausible and permissible values defined by the Audit Commission; therefore no concerns were noted at Stage 2 with regard to whether or not these specified indicators were fairly stated.
- 9.7 The external auditors have made a number of recommendations. These recommendations are being tackled through a planned programme of work, which is referred to in the report action plan.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – MM
CFO – JB

Data Quality Audit Report 2006/07

October 2007

The Audit Committee
London Borough of Barnet Council
North London Business Park
Oakleigh Road South
Southgate
N11 1NP

30 October 2007

Dear Sirs

LONDON BOROUGH OF BARNET COUNCIL - DATA QUALITY AUDIT REPORT 2006/07

This Data Quality Audit Report 2006/07 has been prepared in order to record the key matters arising from our audit. We have discussed our report with Shahin Farjami, Business Improvement Manager, who confirms its factual accuracy, although the views expressed are those of Grant Thornton. The scope and objectives of this report are further detailed in Section 2.

We would like to take this opportunity to thank the business improvement team and other staff and directors for the co-operation and assistance afforded to us during the course of our audit.

Yours faithfully

Grant Thornton UK LLP

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Appendix

Action plan

1 Background

Public bodies are accountable for the public money they spend: they must manage competing claims on resources to meet the needs of the communities they serve, and plan for the future. The financial and performance information they use to account for their activities, both internally and externally, to their users, partners, commissioners, government departments and regulators, must be appropriate for these purposes, providing the level of accuracy, reliability and consistency required.

Considerable weight is attached to published performance indicators as the basis for reducing the burden of regulation and awarding freedoms and flexibilities. This has made reliable performance information, and the quality of the underlying data, significantly more important. Regulators and government departments need to be assured that reported information reflects actual performance. This will provide confidence that they are focusing on the key areas for improvement.

Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA). This delivers the commitment to reduce significantly the level of service inspection required.

Introducing the comprehensive area assessment (CAA) framework from 2009 will make reliable performance information even more important. The CAA will place greater emphasis on assessments that are proportional to risk. Councils will also be required to use information to reshape services, and to account to the public for performance.

The responsibility for securing the quality of the data underpinning performance information can only rest with the bodies that collect and use the data. Producing data which is fit for purpose should not be an end in itself, but an integral part of a body's operational, performance management, and governance arrangements. Organisations that put data quality at the heart of their performance management systems are most likely to be actively managing data in their day-to-day business, and turning that data into reliable information.

This is the second year in which we have undertaken work on data quality in local government. Our work is complemented by the Audit Commission's paper, *Improving information to support decision making: standards for better quality data*. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality.

The expected impact of our work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

2 Scope and objectives

The Audit Commission has developed a three-stage approach to the review of data quality comprising:

Table 1

Stage 1	Management arrangements A review to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the council's arrangements to secure value for money (the VFM conclusion).
Stage 2	Analytical review An analytical review of 2006/07 BVPI and/ non-BVPI data, and selection of a sample for testing based on risk assessment.
Stage 3	Data quality spot checks In-depth review of a sample of 2006/07 PIs, all of which come from a list of specified BVPIs and non-BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice.

All three stages of the review have been carried out at this council.

We have also followed up our work last year on BV 215a, BV 215b, private sector properties unfit made fit, percentage of planned to responsive repairs and services users who have moved on in a planned way non-BVPI indicators where we found data quality issues.

3 Conclusions

Stage 1 – Management arrangements

The council's overall management arrangements for ensuring data quality are demonstrating adequate performance in respect of the financial year 2006/7. The Council has a long-term focus on improving data quality and have introduced a number of significant improvements, the full benefit of which will be realised in 2007/8. The Council's main strengths include:

- Clear leadership and accountability for improving data quality at a senior level, and an overall strategic approach to this area;
- A policy framework which defines expectations and requirements in relation to data quality and a good level of support for staff across the Council in following them;
- Good corporate systems for the collection, recording, analysis and reporting of performance data; and
- Good arrangements for the use and challenge of corporate performance data to drive service improvement.

Areas in which the Council can improve include the following;

- The Council has plans to implement formal mechanisms for monitoring and reviewing the quality of corporate performance indicators, although this has not been completed to date;
- A formal data quality policy is under development;
- There is still some scope for increased sophistication within the first-stat data collection process, and rationalisation of the parallel collection processes for first stat indicators and BVPIs. Systems are still largely manual and require repetitive cleansing and manipulation to produce reports; and
- It is not clear that all corporate plan indicators are supported by adequate audit trails or are approved at a departmental level before publication.

Stage 2 – Analytical review

Our analytical review work at stage 2 identified that the PI values reviewed fell within expected ranges.

Stage 3 – Data quality spot checks

Our review and spot checks of the cost per library visitor and percentage of total private sector homes vacant for more than six months indicators and BV199a-c found that all of these indicators were fairly stated.

Our follow up work from last year on BV 215a, BV 215b, private sector properties unfit made fit, percentage of planned to responsive repairs and services users who have moved on in a planned way non-BVPI indicators found that all indicators were fairly stated, with the exception of BV215a and 215b. It was noted that for these two indicators that data held on the old Mayrise system included data that should be excluded from the calculation of this indicator.

We are pleased to note that recommendations raised in prior years and arrangements for securing data quality for these indicators have improved in 2006/07.

Given the improved performance in data quality in this area, and also that there were no concerns over the quality of data for BV215a and b generated by the new system in place at the Council, no recommendations have been raised in respect of our Stage 3 audit.

4 Management arrangements (Stage 1)

Overall, the council's corporate arrangements for data quality are demonstrating adequate performance.

Governance and leadership

The Council has made progress in the following areas:

Responsibility for data quality is clearly defined:

- The Council has formally assigned responsibility for DQ at a senior level;
- The Council have implemented an enhanced performance framework and have prepared informal data quality guidance for service managers and performance staff. Within these, responsibility for data quality is assigned to service directors and "their representatives". Responsibility for DQ at senior management level is therefore clearly and formally assigned, however accountability at lower levels still remains unclear; and

- There is a short statement on data quality preceding the performance tables within the Council's corporate plan, which reiterates the corporate commitment to DQ and explains the importance of high-quality data.

The Council takes a strategic approach to data quality and has a delivery plan:

- Last year's workshop with a number of service-based performance staff suggested that there is a clear top-down focus on data quality, although this was not enshrined in a formal data quality strategy;
- The Council has two key objectives for data quality, both set out within the corporate plan; (1) to "secure recognition from external audit of improved direction of travel in relation to data quality", and (2) to ensure that the corporate plan is supported by high-quality data in order to support strategic planning and decision-making. The importance of and a commitment to DQ is emphasised within the corporate plan and enhanced performance management framework;
- In this way, there is evidence of a strategic approach to DQ and informal objectives for DQ are clear;

- The Council have adopted a modified version of the action plan arising from last year's DQ review as the delivery plan for these informal objectives. A range of activity is set out from 2006-8, and the Council is on-track with delivery so far;

The Council has adequate arrangements in place for monitoring and review of data quality, with further improvements planned;

- There was little change in the way the Council monitors and reviews data quality for 2006/7, although it is noted that changes are planned in two significant areas for 2007/8. Specifically;
 - All services will be required to record their arrangements for securing high-quality data within their internal control checklist. The Council asserts that this is equivalent to a risk-management approach;
 - Internal audit are to provide some assurance on First Stat data tables as an item in the 2007/8 internal audit plan; and
 - The business improvement team also undertook pre-audit checks on a sample of 2006/7 BVPIs on the basis of a risk assessment.
- The Council has demonstrated that action is being taken to address the results of last year's data quality review.

However;

- Accountability for data quality is only implicitly assigned at an operational level, although the Council has plans to address this during 2007/8 through policy development; and
- The Council has clear plans to implement formal mechanisms for monitoring and reviewing DQ, although this has not been achieved to date.

Policies

The Council has made progress in the following areas;

The Council has put a basic data quality policy framework in place and is working on improving this;

- The Council is in the process of preparing a formal data quality policy, with the aim of going live in April 2008. This will cover arrangements for collecting, recording, analysing and reporting corporate performance information, as well as addressing other aspects of data quality such as criteria for shared data, formal assignment of accountability and training arrangements;
- As an interim arrangement for 2006/7, the Council developed and distributed some informal guidance for managers and performance staff. Although informal, this provides useful guidance on the first stat data collection process, and sets out broad corporate expectations for the quality of the data;

- The business improvement team has also distributed procedure notes and guidance by email to performance contacts across the Council; and

The Council have provided adequate support to staff who follow these policies in practice;

- The Council have put informal policy arrangements in place, including guidance for managers, a workshop training session and ongoing communications and support.

However;

- A formal, approved data quality policy was not in place at the end of 2006/7; and
- Although the informal policy sets out broad corporate requirements and expectations in relation to data quality, it is not clear if / how subsequent compliance with these requirements is mandated.

Systems and processes

The Council has made progress in the following areas;

Good corporate performance systems are in place for the collection, recording, analysis and reporting of performance data;

- The Council continues to operate two parallel systems for data collection (corporate plan indicators and BVPIs), although key features of both have been overhauled;

- The level of control over the collection of corporate plan indicators has been increased significantly;

- The BVPI data collection process remains substantially unchanged, although the business improvement team have undertaken pre-audit checks on the basis of a risk assessment;

- The introduction of the "lock down" approach for collection of corporate plan indicators reinforces the expectation that data is submitted right first time. Amendments are approved by the corporate performance team;

- BVPIs are subject to sign-off and checks, with a clear expectation that data is "right first time"; and

- Data collected through both mechanisms is integrated directly into planning processes (e.g. KPP development and preparation of the corporate plan) and challenge / review processes e.g. First Stat and F&PR.

These systems provide an adequate level of control;

- As above, controls have been strengthened for the collection of corporate plan indicators. The Council's proactive efforts in this area are evidence of an ongoing review process;
- The corporate guidance on data quality sets out a clear requirement that data should be subject to approval by service management before submission to the corporate centre; and

Adequate arrangements are in place for the security and continuity of business-critical performance information systems;

- Security and business continuity arrangements for performance systems are adequate; revised first stat tables provide an increased level of security control i.e. password protection. Electronic data forms are backed up on secure network drives.

However;

- There is still some scope for increased sophistication within the first-stat data collection process, and rationalisation of the parallel collection processes for first stat indicators and BVPIs;
- Systems are still largely manual and require repetitive cleansing and manipulation to produce reports;
- A high-priority recommendation from last year's review, which impacts a number of KLOEs, was the formalisation of audit trails for corporate plan indicators which are not already covered by the

Council's BVPI collection process (i.e. local indicators). This is essential to ensure that ownership of and accountability for the indicator are clear, calculation methods and definitions are transparent, and that source systems are identified along with relevant reports and instructions for re-running them. This would also assist internal audit in undertaking the planned assurance work on corporate plan indicators;

- The resources team has developed informal guidance for managers in the collection, recording, analysis and reporting of corporate performance information, but formal procedure notes are yet to be developed in line with the corporate data quality policy; and
- The Council has not yet developed a set of formal criteria to be applied to all shared data. The Council intends to address this in line with policy development as above.

People and skills

The Council has made progress in the following areas;

Roles and responsibilities for data quality have been effectively communicated;

- Responsibility for data quality is only defined informally and implicitly as being the responsibility of "service directors and their representatives";

- An informal data quality guidance note has been prepared for staff which does a good job of broadly setting out corporate requirements and expectations in relation to data quality;
- Through the preparation of a formal DQ policy, the Council intends to provide additional guidance and support for managers in ensuring that staff are appraised in the context of corporate data quality objectives, however this has not been completed to date;

Arrangements are in place to ensure that staff have appropriate skills and support;

- The business improvement team provide a good level of support to performance staff across the Council, and ways to access support have been communicated effectively;
- The business improvement team have delivered a data quality workshop for relevant performance staff, including First Stat leads. This included information on the Audit Commission's approach to assessing DQ, as well as the specific findings from last years' review at Barnet. There was some workshop discussion around the proposed contents of the Council's DQ policy;
- There is evidence that the business improvement team provides a good level of support to service staff in using corporate performance information systems e.g. First Stat performance tables; and.

- The Council has a good track record of addressing identified problems with DQ, including use of training where appropriate. The workshop undertaken in 2006 showed that service-based performance leads are effective in stimulating local improvements to DQ.

However;

- Roles and responsibilities are not yet clearly defined and documented. The Council plans to address this with the development of a formal DQ policy. There are some examples of staff being set DQ targets, but it is not clear that this is consistently implemented across the organisation at this stage; and
- The corporate DQ guidance note, although useful, remains informal at this stage. The DQ workshop, which was also a useful event, was a one-off and not a formal programme of DQ training as such. The Council should take the opportunity to consider the ongoing provision of DQ training when formulating policy in this area.

Data use and reporting

The Council has made progress in the following areas;

Corporate performance information is used for day-to-day management through a variety of mechanisms;

- Performance reports are clear and focussed, and key strategic documents have carefully-set targets;

- There is clear evidence to show that corporate performance data informs business planning at departmental and corporate levels. The corporate plan is data-driven, and is informed by more detailed key priority plans;
- Performance data is reviewed and challenged through a number of mechanisms, including First Stat, Finance and Performance Review, ongoing member challenge through formal star-chamber reviews and on an ad-hoc basis, and reports to the cabinet resources and overview and scrutiny committees. Members attend these where appropriate. Actions arising from First Stat and F&PR are tracked by the business improvement team; and
- All departments are also required to put in place local arrangements for managing budgets and performance.

The Council has adequate procedures for checking the validity of reported performance indicators, although there are some specific weaknesses;

- All BVPIs are subject to a complete audit trail and sign off by senior managers, however corporate plan indicators are not subject to the same level of control. Although first stat data inputters are requested to obtain approval from heads of service before submitting figures, it is not clear if or how this is mandated in practice;
- A sample of BVPIs are subject to pre-audit checks on the basis of a risk analysis which includes consideration of relevance to CPA performance;

- Definitions are usually applied correctly, however stage 3 in 2006 and 2007 have identified a small number of instances where reported figures have required amendment based on cleansing of the underlying data; and
- The Council has a strong track record of acting on, and resolving problems with data quality where these have been identified through internal or external reviews.

However;

- There are some concerns over the quality of performance data provided to members, and the level of engagement from them in making resource allocation decisions on the basis of this; and
- Some corporate plan indicators are not clearly defined and do not have concrete audit trails. Only a sample of BVPIs are subject to departmental checks.

5 Analytical review (Stage 2)

An analytical review of the Audit Commission's specified BVPIs and non-BVPIs was carried out. All PIs were within the plausible and permissible values defined by the Audit Commission; therefore no concerns were noted at Stage 2 with regard to whether or not these specified indicators were fairly stated.

6 Data quality spot checks (Stage 3)

A number of PIs were reviewed using a series of detailed spot checks and audit tests. Our findings are shown below.

Table 1

Performance indicator	Assessment
Culture Cost per library indicator	Fairly stated
Environment BVPI 199a-c BVPI 215a and b	Fairly stated Amendment required.
Housing Percentage of total private sector homes vacant for more than six months Private sector unfit properties made fit Percentage of planned to responsive repairs Services users who have moved on in a planned way	Fairly stated Fairly stated Fairly stated Fairly stated

It was noted that for BVPI 215a and b that data held on the old Mayrise system included data that should be excluded from the calculation of this indicator. The Council changed systems in May 2006, and data held on the new system was appropriate for the calculation of these indicators.

The impact of the amendments was to change the outturn of BVPI 215a from 2.82 days to 2.64 days, and the outturn of BVPI 215b from 13.25 days to 12.29 days.

We had to revise our approach to the audit of the private sector unfit properties made fit indicator, as the Council had chosen to collect data on direct action taken by the Council to remove Category 1 hazards from private sector properties. We are pleased to note that the data the Council collected was fairly stated, and did not require amendment.

Given the improved performance in data quality in this area, especially as no reservations were recommended over systems to collect data, and also that there were no concerns over the quality of data for BV215a and b generated by the new system in place at the Council, no recommendations have been raised in respect of our Stage 3 audit.

Action Plan

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 1.1 Responsibility for data quality is clearly defined					
1	<p>At an operational level, responsibility for data quality is assigned informally at the discretion of heads of service. Services should ensure that staff to whom responsibility is delegated in this way have appropriate skills and support.</p> <p>Not sure there is anything to fix here, it's really just more of the same.</p>	2	Responsibility for DQ is formally assigned to service policy and performance leads. This group of officers work with each other and the Business Improvement Team to ensure continuous improvement. Workshops, regular briefings and timely dissemination formal internal policy updates and national guidance ensure these officers are able to deliver robust DQ.	Head of Business Improvement	Ongoing
KLOE 1.2 The body has clear data quality objectives					
2	In order to meet level 4 criteria, the Council would need to demonstrate that it has developed a formal data quality strategy, and that challenging data quality objectives have been put in place for services. Furthermore, the Council would have to demonstrate that delivery of these objectives was being monitored.	3	The instructions issued alongside the DQ guidance requires all services to manage data in line with the data quality guidance. The Internal Audit Service plan to review levels of compliance with the data quality guidance.	Head of Business Improvement	March 2008

KLOE 1.3 Arrangements for monitoring and securing data quality					
3	The Council already has plans for 2007-8 to improve the level of internal assurance over corporate plan indicators, for example through inclusion of DQ within the mini-SIC and increased involvement from internal audit. These improvements should be implemented in such a way that corporate plan data is demonstrably robust.	2	The 2007/08 Internal Control Checklist has been amended to reflect the increased levels of data quality demonstrated last year. The corporate plan performance tables are reviewed annually to ensure the indicators contained are relevant and quarterly submissions are challenged to set criteria by the Business Improvement Team.	Head of Business Improvement	Ongoing
KLOE 2.1: Policy for data quality					
4	The Council has already developed a revised performance management framework for 2007-8 and is working on a formal data quality policy. In order to meet level 3 criteria next year, the Council will need to show that these have been effectively implemented and are being followed by staff across the organisation.	2	Agreed	Head of Business Improvement	March 2008
KLOE 3.1: Performance systems					
5	The Council should review its corporate processes for collecting, recording, analysing and reporting performance information with the aim of (a) rationalising the separate data collection systems currently used for corporate plan indicators and BVPIs and (b) reducing the amount of manual administration and data cleansing / handling currently required.	3	We do not agree that this action is required. These are two separate processes but this does not cause additional manual administration or data cleansing. Corporate Plan indicators are collated by the Business Improvement Team to allow effective tracking, challenge and support to drive delivery of the corporate priorities. Although BVPI data is challenged annually by the Business Improvement Team, it remains the services' responsibility as data owners to collate regular quality data in relation to	N/A	N/A

			BVPI's. Not all BVPIs are in the Corporate Plan.		
KLOE 3.2: Performance system controls					
6	<p>The Council should be in a position to demonstrate that all corporate plan indicators are supported by an appropriate audit trail (e.g. as currently used for BVPIs). This is to ensure that;</p> <ul style="list-style-type: none"> ➤ ownership of and accountability for the indicator are clear ➤ calculation methods and definitions are transparent ➤ source systems are identified ➤ relevant reports are identified along with instructions for re-running them ➤ indicators are auditable <p>The planned work of internal audit will be useful here.</p>	2	An exercise is being coordinated to assess the robustness of a wide range of quarter 2 performance data. The process currently used for BVPI testing will be applied to a sample of other data. This sample will include data in relation to CAA, the 198 National Indicators and other local indicators.	Head of Business Improvement	March 2008
KLOE 3.4: Data sharing					
7	<p>The Council has not yet developed a set of formal criteria to be applied to all internally or externally shared data. The Council should either take the opportunity to address this as a part of its formal data quality policy, or demonstrate that all significant instances of data sharing are covered by existing arrangements. This area will become increasingly important as we move towards the implementation of Comprehensive Area Assessment (CAA).</p>	2	Criteria to be applied to data sharing is included in the formal data quality policy.	Head of Business Improvement	March 2008

KLOE 4.1: Communication of data quality responsibilities					
8	Ensure that responsibility for data quality (for example ownership of performance indicators or responsibility for key systems) is consistently reflected in job descriptions and that data quality targets are set in personal appraisals wherever appropriate (the Council has undertaken to complete this in 2007-8)	2	Agreed	Head of Business Improvement	March 2008
KLOE 4.2: Data Quality training					
9	Review the ongoing level of provision of data quality training to assess its adequacy in the light of the findings of this review	2	Agreed	Head of Business Improvement	Ongoing
KLOE 5.1: Reported performance information is actively used in the decision making process					
10	In order to meet level 4 criteria, the Council would need to demonstrate that it has successfully addressed the concerns raised in the Corporate Assessment of October 2006, with regard to the quality of performance information received by members and their engagement in making resource allocation decisions based on this.	3	The revised corporate performance framework and emerging actions from the review of the council's overview and scrutiny process is demonstrating improved member engagement.	Head Of Business Improvement And Director of Corporate Governance	Ongoing

AGENDA ITEM: 8

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Meeting	Audit Committee
Date	27 February 2008
Subject	Review of the Effectiveness and Terms of Reference of the Audit Committee
Report of	Director of Corporate Governance
Summary	To review the Committee's effectiveness, as required annually by its terms of reference, and to review the terms of reference.

Officer Contributors	Jeff Lustig, Director of Corporate Governance Michael Bradley, Head of Internal Audit and Ethical Governance Clive Medlam, Deputy Director for Resources and Chief Finance Officer
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Review of Effectiveness Appendix B – Statement of Purpose and Terms of Reference
For decision by	The Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Michael Bradley, HIAEG, 020 8359 7151.

1. RECOMMENDATIONS

- 1.1 The Committee's views are sought on the review of the effectiveness of the Committee in 2007/8, attached at Appendix A.**
- 1.2 That the Committee identify any additional development requirements of its Members, collectively or individually.**
- 1.3 That the Committee consider the Committee's terms of reference as set out in the Constitution and at Appendix B and instruct the Director of Corporate Governance to make any recommendations for change to the Special Committee (Constitution Review).**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 20th March 2007 resolved that:

(1) .. the review of effectiveness of the Committee over the past year 2006-7, ..., be noted and,

(ii) the Head of Internal Audit and Ethical Governance be instructed to re-instate the reporting of summaries of quality questionnaires from managers reviewed to the Committee.

(2) That the Committee had no further development requirements for its Members, beyond those identified at its last meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

- 4.1 Failure to ensure that the Audit Committee is fully effective could have a negative impact on the Authority's Corporate Governance and Risk Management arrangements.

5. EQUALITIES AND DIVERSITY ISSUES

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

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 None.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 Attached at Appendix A is a review of effectiveness for 2007-8, using the recommended template from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on model audit committees. This shows that the Audit Committee has substantially operated in line with recommended practice. Members are asked to consider the review. The Committee has undertaken a full body of work during the year including agreeing and monitoring the annual plans and reports of the Internal Audit and CAFT units as well as receiving reports from the Council's external auditors.
- 9.2 In response to the large number of new Members joining the Committee in May 2006, including a new chairman being appointed, a training event was scheduled for the Committee ahead of some of the meetings during 2006/07. In 2007/8 briefing sessions have been conducted on PSCIP, Payroll and on changes to Accounting requirements. Attendance at these sessions has ranged from two or three attendees to a majority of members attending. Members are invited to consider what further training they would like considered during 2008/09, either for the Committee as a whole, or individually.
- 9.3 In reviewing the Committee's effectiveness it makes sense to also review its terms of reference, which are set out in Appendix B. These have been previously reviewed in 2006 and again in 2007. There are no recommendations for changing any of the terms of reference, but the Committee are asked to consider the matter.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – JEL
CFO – CM

Measuring the Effectiveness of the Audit Committee

Issue	Yes / No	Comment
Terms of Reference		
Have the committee's terms of reference been approved by full council?	Yes	As part of Constitution review that was completed in 2007. This annual effectiveness review also includes a short review of terms of reference.
Do the terms of reference follow the CIPFA model?	Yes	The Chief Finance Officer conducted the 2007 review against these.
Internal Audit Process		
Does the committee approve the strategic audit approach and the annual programme?	Yes	Annual plan agreed in March/April every year.
Is the work of internal audit reviewed regularly?	Yes	Annually by External Audit and in 2007/8 also via a peer review by Surrey CC and a further internal review.
Are summaries of quality questionnaires from managers reviewed?	Yes	They are reported in interim and annual reports to the Committee
Is the annual report, from the head of audit, presented to the committee?	Yes	Interim and annual reports are presented to the Audit Committee by the Head of Internal Audit & Ethical Governance. Reports incorporate a review against the Internal Audit work plan agreed at the start of the year.
External Audit Process		
Are reports on the work of external audit and other inspection agencies presented to the committee?	Yes	The Chairman of the Audit Committee also reviewed the full range of External Audit reports received during the year with the Head of Strategic Finance.
Does the committee input into the external audit programme?	Yes	The committee receives a report on the External Audit plan, which it is able to make recommendations on.
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	Yes	Response from officers and subsequent action plans form part of the Internal Audit reports to the committee. Where the Committee is not satisfied with the response by senior managers, the Committee can request the managers to attend its meetings to give an explanation.
Does the committee take a role in overseeing: <ul style="list-style-type: none"> • risk management strategies • internal control statements • anti-fraud arrangements • whistle-blowing strategies? 	Yes Yes Yes Yes	The Committee will approve the corporate Annual Governance Statement (AGS) and receives an annual report from the Corporate Anti Fraud Team (CAFT), which includes information on whistle blowing activity.
Membership		
Has the membership of the committee been formally agreed and a quorum set?	Yes	Approved by Council

Is the chair free of executive or scrutiny functions?	Partially	The 2006 Constitution review introduced the requirement for the chairman to be from an opposition party. The Chairman has no executive functions but is a substitute for two Scrutiny Committees. Additionally, the Chairman should not be permitted to serve in that role for more than four consecutive years.
Are members sufficiently independent of the other key committees of the council?	Yes	None of the Audit Committee members have any executive function. Other Committee memberships are non executive and relate to the scrutiny and planning functions.
Have all members' skills and experiences been assessed and training given for identified gaps?	Partly	Training events and a number of presentations have been provided to the Committee. Individual assessments have not been conducted.
Can the committee access other committees as necessary?	Yes	However, it was envisaged when the Audit Committee was established that it would be informed of all service inspection reports received from the perspective of reviewing any internal control weaknesses that these might be highlighting. This has not formally occurred to date.
Meetings		
Does the committee meet regularly?	Yes	Meetings are also planned around the dates for key reports being produced, e.g. Statement of Accounts, AGS, Annual Audit Letter.
Are separate, private meetings held with the external auditor and the internal auditor?	Yes	The Chairman meets regularly with the HIA&EG and the representatives of the external auditor. These meetings cover, inter alia, discussions of major risk areas, audit coverage and the Committee's information and reporting requirements.
Are meetings free and open without political influences being displayed?	Yes	Meetings are also open to the public.
Are decisions reached promptly?	Yes	
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	Yes	
Does the committee have the benefit of attendance of appropriate officers at its meetings?	Yes	
Training		
Is induction training provided?	Yes	See earlier answer.
Is more advanced training available as required?	Yes	See earlier answer.
Administration		
Does the authority's Section 151 officer or deputy attend all meetings?	Yes	
Are the key officers available to support the committee?	Yes	

Audit Committee Statement of Purpose & Terms of Reference

Statement of Purpose

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

Terms of Reference

Audit Activity

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

Regulatory Framework

10. To maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations.
11. To review any issue referred to it by the chief executive or a director, or any Council body.
12. To monitor the effective development and operation of risk management and corporate governance in the Council.
13. To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.

14. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
15. To consider the Council's compliance with its own and other published standards and controls.

Accounts

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

Review of Effectiveness

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

AGENDA ITEM: 9

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Meeting	Audit Committee
Date	27 February 2008
Subject	External Audit Report on Grants Submission Process
Report of	Deputy Director for Resources & Chief Finance Officer
Summary	To consider the report from the external auditor on matters arising from certification of the Council's 2006/07 grant claims.

Officer Contributors	Ade Olagbaju, Finance Manager Closing & Compliance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Grants Report (February 2008) Appendix B – CFO Signature Request Form
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None
Contact for further information:	Ade Olagbaju, Finance Manager Closing & Compliance, 020 8359 7184.

1. RECOMMENDATIONS

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

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 20 March 2007 (External Audit Report on Grants Submission Process).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan includes an objective for a 'strong and supportive governance framework' within 'More Choice Better Value'.

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 To secure and maximise funding for services which benefit the whole community, it is essential that the Council meets all the terms and conditions attached to grant funding.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

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

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The Council receives substantial funds from external bodies that are used to support service delivery. As part of the process of receiving these funds, the Council is required to submit to the grant paying bodies periodic returns detailing how funds received have been utilised.

9.2 Under Audit Commission guidance Grant Thornton LLP, the Council's external auditor, reviews and certifies all claims in excess of £100,000 after verifying that all expenditure funded from grant received qualifies under the terms and conditions of the grant, to provide assurance to grant paying bodies. Claims and returns under £100,000 no longer have to be certified and only minimal procedures are performed on those between £100,000 and £500,000.

9.3 In 2006/07 11 claims valued at over £170 million were certified.

	Financial Year 2004-05	Financial Year 2005-06	Financial Year 2006-07
Number of claims certified	23	20	11
Value of claims certified	£156,237,000	£165,236,000	£170,409,000

9.4 All claims bar one (Staff related inherited liabilities) were certified within the certification deadline. The delay in submitting Staff related inherited liabilities claim relates to the Council recruiting a Pensions Manager. The return will be certified once this position has been recruited to.

9.5 The table below summarises performance in 2006-07 against best practice targets:

Performance Target	Best Practice Target	Performance in 2004-05	Performance in 2005-06	Performance in 2006-07
Claims submitted on time	100%	70%	65%	55%
Claims amended	0%	57%	44%	60%
Claims qualified	0%	22%	25%	40%
Net (over) under spend	£000	£8,000	-£10,000	£250
Certified within deadline	100%	100%	80%	91%

9.6 Performance appears to have deteriorated considerably over the last three years. This is mainly due to the significant reduction in the number of claims requiring external audit certification. From 2004/05 to 2005/06 there was a 13% reduction in the number of claims requiring external audit certification and 45% from 2005/06 to 2006/07.

9.7 Five of the eleven claims submitted for audit and certification were submitted late and four were qualified in 2006/07. This is a slight improvement on the seven claims submitted late and five qualified in 2005/06. Two of the four qualified claims were qualified due to changes in Audit Commission certification instructions that were not picked up. The other two claims were qualified because supporting files were misplaced as a result of office reorganisations. One important point to note is that the Council's fee for BEN01 claim has reduced from the prior year and was certified without qualification, the latter being rare for this claim. In future, the grants co-ordinator will ensure that copies of certification instructions are forwarded to all officers responsible for compiling audited grant claims. Further details including action that will be taken to ensure performance is improved for future years are detailed in Appendix A.

9.8 The grant fee for 2006/07 was approximately £85,000, a reduction of £10,000 compared to 2005/06. This reduction is due to the reduction in the total number of grants audited. Total fees charged for the eleven claims audited in 2006/07 is more or less the same as was charged in 2005/06 although there were some significant variations in fees charged for a number of individual claims. The most significant variations in fees have been in Pooling of Housing Capital Receipts CFB06 (65% increase), General Sure Start grant EYC02 (37% increase), and Housing Base Data Return HOU02 (32% reduction).

The higher fees charged for CFB06 was due to time lost through the unavailability of key contacts and amendments and re-certification of workings, for EYC02 funding previously certified separately was amalgamated into this claim.

- 9.9 It is now mandatory for responsible budget holders / service managers and Service Finance Managers to review the quality and completeness of supporting working papers and the arithmetical accuracy of claims and returns before they are submitted to the Chief Finance Officer for certification. For each grant claim, this check must be evidenced by completion of the Chief Finance Officer Signature Request Form recently introduced.
- 9.10 Appendix A is the report of the external auditor and incorporates the actions agreed by officers to the issues raised. Appendix B is the Chief Finance Officer Signature Request Form that must be completed for all audited grant claims and returns. Improvements to the grant audit process are being implemented as agreed; generally there will be a lead in time before these improvements are reflected in external audit report.
- 9.11 There will be further reductions in grants requiring external audit certification as all grants delivered via Area Based Grants are non-ring fenced and do not require audit certification. Children's Fund EYC06 and Mental Health Grant HC08 are included in Area Based Grant from 2008/09.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – MM
CFO – CM

Appendix A

London Borough of Barnet Grants Report

February 2008

Grant Thornton 

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- C Claims and returns certified during 2006-07
- D Fee analysis against previous years

1 Executive Summary

1.1 Scope

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

1.2 Background

The Council received 11 grants from Government Departments and other bodies, that required auditor certification, in 2006 -07, representing income for the Council in excess of £170 million; this is highlighted below with a comparison to the 2004 -05 and 2005 -06 financial years.

Table One: Number and value of certified claims

	Financial Year 2004 -05	Financial Year 2005 -06	Financial Year 2006 -07
Number of claims certified	23	20	11
Value of claims certified	156,237,000	165,236,000	170,409,000

1.3 Overall conclusion

Overall there has been an improvement in quality and a major reduction in audit fees since we first certified grants at Barnet in 2002/03. The challenge for the Council is to embed further improvements in the arrangements for preparing grant claims and returns for audit certification, particularly in respect of timely submission of claims and returns. More details have been included in section three and recommendations raised to help the Council achieve this in Appendix A.

We note that the Council has been pro-active in addressing some of these weaknesses already. Training workshops have been provided to relevant

staff with the aim of improving the quality of working papers provided to auditors as part of the certification process and to promote awareness of officers of auditor requirements for grant and return certification. Furthermore the grants co-ordinator is to receive the index of grant claims and returns requiring auditor certification.

There were five claims that were submitted late to the auditor in 2006-07 (seven in 2005-06). There were four claims that were qualified in 2006-07 (five in 2005-06). Two of these claims were qualified due to changes in the certification instructions issued to auditors by the Audit Commission not being picked up by the Council. The other two claims were qualified as a result of supporting files being misplaced as a result of office re-organisations.

Details of which claims were qualified, amended and submitted on time and the reasons are noted in Section Three and Appendix B.

One important point to note is that the Council's fee for the BEN01 claim has reduced from the prior year and was certified without qualification, the latter being rare for this claim. Amongst London Borough's the Council's performance in this area remains relatively strong, and the fee for this claim represents about one third of the total grants fee.

The table below summarises performance in 2006-07 against best practice targets:

Table Two: Performance against best practice targets

Performance Target	Best Practice Target	Performance in 2004-05	Performance in 2005-06	Performance in 2006-07
Claims sub on time	100%	70%	65%	55%
Claims amended (Note 1)	0%	57%	44%	60%
Claims qualified (Note 1)	0%	22%	25%	40%
Net (over) under spend (Note 2)	£000	£8,000	£-10,000	£250
Certified within Audit Commission deadline (Note 3)	100%	100%	80%	91%

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

Note 2: Further details of the over and under spend against the prior year have been included in Appendix D.

Note 3: Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

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

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

- As the Council continues to re-organise its structure, there may be further changes in grant compilers and potentially with the grants co-ordinator; and
- Audit Commission changes in the certification arrangements for grant claims and returns as further explained in section four below.

1.4 Acknowledgements

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

Grant Thornton UK LLP
February 2008

2 Approach and context

2.1 Introduction

In carrying out work in relation to government grant claims and other returns, Grant Thornton as the Council's Appointed Auditor are acting as agents of the Audit Commission, on behalf of the grant paying body.

The work that we are required to undertake in respect of each claim is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussions with the grant paying body. Each Certification Instruction details a programme of work which we are required to follow, this programme of work is split into two areas, firstly an overall risk assessment of the control environment in place for the particular claim or return in question and then a series of specific detailed tests.

Following the introduction of the Audit Commission's think piece entitled 'Reducing the Burden' the risk assessment of the overall control environment (referred to above) is clearly linked with the resulting volume of specific detailed tests, which we are required to perform on all claims and returns with eligible expenditure over £500,000.

We are no longer able to perform any certification work on claims and returns under £100,000 and are required to perform only minimal procedures on those between £100,000 and £500,000.

For those claims and returns where a risk assessment is required we consider (amongst others) the following factors:

- The size and complexity of the claim and the relevance of each test to transactions at the Council;
- The history of the claim at the Council and whether there had been any significant issues or concerns;
- The quality of working papers produced by the Council to support entries on the claim; and
- The extent to which Internal Audit has been used to verify entries in the claim and the extent to which we are able to rely on that work.

Where little or no reliance can be placed on the control environment then we would undertake detailed testing on each grant claim. For grant claims where reliance can be placed on the control environment then less detailed

testing can be undertaken. This level of testing would be consistent with testing undertaken on claims between £10,000 and £500,000, and is very much a ‘light touch’ approach.

There are clearly fee implications for the Council under ‘Reducing the Burden’ as smaller fees would be expected on those claims and returns where we are satisfied that the Council can demonstrate a strong control environment.

‘Reducing the burden’ has not yet had an impact on fees in 2006-07, due to the control weaknesses noted elsewhere in this report. We would have expected a reduction in fees as a result of ‘Reducing the burden’, especially as central government departments are less inclined to issue a certification requirement on some smaller claims and returns, which has resulted in a smaller number of claims and returns being certified.

2.2 Roles and Responsibilities

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

Table three: Summary of respective roles and responsibilities

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

2.3 Scope

The scope of this report covers our assessment of the Council’s arrangements for the submission of grant claims for audit purposes. It has not covered the overall arrangements put in place by the Council to:

- Ensure that it makes a claim for every area of eligible expenditure;
- Maximise grant income received;
- Commit resources to manage the grant income cash-flow in an effective manner; and
- To performance manage both internal staff and third parties charged with these responsibilities.

3 Summary of findings

3.1 Grants history at the Council

The value and volume of claims at the Council is historically large reflecting the range of grant receiving services provided by the Council. The most significant claims are:

- Housing & Council Tax Benefits Scheme
- Housing subsidy claims and returns
- National Non-domestic Rates.

Based on our previous certification work and Audit Commission notifications we were able to accurately identify the grant claims and returns requiring certification in 2006–07. We identified a total of 11 grant claims and returns to be certified.

3.2 Internal Audit

Historically, the Annual Audit Plan issued by Internal Audit has not specifically covered the grant scheme process. As a result, we planned to place no direct reliance on the work of Internal Audit.

Any arrangements between Internal Audit and us with regards to certification work going forward would need to be built into our 2007-08

Grants Plan and we will revisit this after the completion of the 2006 -07 certification process.

We do note that internal audit have been involved in providing assurance statements to the Chief Finance Officer for some grant claims and returns where external audit certification is not required. This process could be extended to grant claims and returns where external auditor certification is required, as this would meet the requirements of an independent review of the claim working papers prior to external auditor certification.

3.3 Performance in 2006-07

Overall, the Council's arrangements for the timely and accurate submission of grant claims leaves some room for improvement. The table overleaf summarises performance against best practice targets:

Table Four: Performance against best practice targets for the current year and previous years

Performance Target	Best Practice Target	Performance in 2004-05	Performance in 2005-06	Performance in 2006-07
Claims sub on time	100%	70%	65%	55%
Claims amended (Note 1)	0%	57%	44%	60%
Claims qualified (Note 1)	0%	22%	25%	40%
Net (over) under spend (Note 2)	£000	£8,000	£-10,000	£250
Certified within Audit Commission deadline (Note 3)	100%	100%	80%	91%

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

Note 2: Further details of the over and under spend against the prior year have been included in Appendix D.

Note 3: Within 12 weeks of receipt of claim or return with all supporting working papers required for certification.

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

The areas where further improvement should be made are in the accuracy and timeliness of claims being submitted for certification.

Taking each target in turn:

- **Claims submitted on time:** The Council has scope for improvement in submitting grant claims and returns on time to the auditors, as 55% of all claims and returns were submitted to the auditor on time. There is a risk of late certification should grant claims and returns not be submitted on time to the auditor. Late certification can lead to the grant paying body withholding or withdrawing funding. We note that the authority was unable to submit the Housing Subsidy base data return on time due to problems with the LOGASnet system used to submit certain housing claims and returns. Excluding this claim performance was roughly the same as in 2005-06. An analysis of which claims and returns were submitted on time is given in Appendix B to this report.
- **Claims amended:** Grant claims and returns are amended as and when errors or omissions are found during the course of the certification process. Although some minor human errors are

inevitable whilst compiling claims and returns, and that the Council has improved its performance in this area, we would expect to have to amend less than 60% of claims and returns. There were significant amendments arising from the Housing and Council Tax Benefit subsidy claim ('BEN01') as a result of amendments being made to the claim form, which were not saved prior to the claim being submitted for certification. We do recognise that some of the amendments to claims and returns certified were minor by nature and that the absolute number of claims and returns amended has fallen. An analysis of the other claims and returns that were amended is given in Appendix C to this report.

- **Claims qualified:** We note that we qualified five grant claims and returns in 2005-06, and four grant claims and returns in 2006-07. We are required to qualify whenever we feel that based on the certification work which we have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is actually correct. Government departments are entitled to either withhold or withdraw payment to the Council of any monies that they feel, based on our qualification letters, are not adequately supported. Firstly, the Teachers' Pensions return ('PEN05') was qualified as a result of the Council not being able to check that only pensionable pay has been used to calculate pension contributions for schools using externally provided payroll systems, as external payroll providers do not provide corroborative data for fear of breaching the Data Protection Act 1998. Secondly, the Disabled Facilities grant claim ('HOU21') was qualified as two files

supporting grants made could not be located after an office re-organisation. Thirdly, the Housing Subsidy base data return ('HOU02') was qualified for two reasons. The first qualification was that two files supporting housing stock re-lets could not be located after an office re-organisation. Also, a historic qualification issue was noted as a result of the certification instruction definition of long-term leases, whereas the Council has a continual rolling six monthly lease for HRA properties rented from Transport for London. Finally, the Housing Revenue Account subsidy claim was qualified due to a mis-interpretation of the guidance to calculate one cell, where equity share dwellings were incorrectly excluded, and a change in a cell on the claim form arising from a Special Determination from the Secretary of State which could not be changed on LOGASnet due to the set up of this system. Both of the qualifications of the HOU01 are due to 'technical' reasons.

- **Total of net fee over-runs:** Even with the introduction of the Audit Commission's 'Reducing the Burden' think piece, grant certification remains a significant element of the Council's non-code Audit and Inspection fee. Overall the grant fee for 2006-07 was approximately £85,000, with a further claim and return to be billed. This represents a nominal decrease in fees based on comparative information for last year. The most significant increases have been in General Sure Start grant ('EYC06'), Pooling of Capital Housing Receipts ('CFB06') and National non-domestic rates ('LA01'). The increase in the fee for the EYC06 claim was due to the amalgamation of funding previously certified separately into this claim. There were amendments and re-certification of workings

that took more time in the CFB06 claim, and for this claim and the LA01 claim there was time lost through unavailability of key contacts. It should be noted that in percentage terms the increase in the LA01 is relatively small. Appendix D to this report shows details of fees for grants and returns certified for 2006-07 and the equivalent grants billed in 2005-06.

- ***Certified within the Audit Commission's deadline:*** As the Council's auditors we are required to certify all claims and returns within 12 weeks of receipt of both the claim and a full set of supporting working papers. It should be noted that it is the Council's responsibility to ensure that all statutory deadlines are met. This year we were able to certify all schemes bar the Staff related inherited liabilities ('PEN04') within the certification deadline. We understand that the delay in submitting this claim for external auditor certification relates to the Council recruiting a Pensions manager. Once this position has been recruited to, we understand that this return will then be certified.

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

- Improvements made in prior years appear not to have continued. However, one reason for this may be that as a result of the reduction in the number of claims and returns certified, the more technically difficult claims and returns require certification. This would increase the risk of amendment and qualification.

- A reduction in the number of claims being amended and qualified, although in percentage terms there has been an increase in the proportion of claims and returns amended and/or qualified.
- Over runs have been noted on a small number of claims and returns, and implementation of the recommendations in Appendix A should lead to a reduction in grant fee.
- One other point to note is that the Council's fee for the BEN01 claim has reduced from the prior year and was certified without qualification, the latter being rare for this claim. Amongst London Borough's Council performance in this area remains relatively strong, and the fee for this claim represents about one third of the total grants fee.

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

3.4 Wider implications and the way forward

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

This report has only covered the 'back-end' arrangements in respect of grant claims but weaknesses in this part of the process are often indicative of structural weaknesses from the beginning of the grant claims process. The following are areas where the Council may consider looking at:

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

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

3.5 Staffing at the Council

Firstly, we have been informed that Ade Olagbaju is to be the lead audit contact for grant claims and returns in 2007-08. The grants co-ordinator has been in contact with the audit manager for grants to obtain copies of auditor certification instructions and we hope that we can work with the grants co-ordinator to improve performance against best practice targets. To this extent Grant Thornton, internal audit and the grants co-ordinator have run two joint workshops on grant claims and returns in January 2008.

Secondly, we noted that in 2006-07 there were changes in the finance contacts for a variety of grant claims and returns. This does increase the risk of error and delay in the certification process due to there being different people involved in the preparation of the claims and returns and the certification of those claims and returns. This is an unavoidable consequence of the re-organisation that the Council has undertaken.

4 Changes to grant certification arrangements in 2007-08

The Audit Commission have proposed to not to change the de minimus and threshold limits which determine the level and scope of work that auditors are required to do when certifying grant claims and returns.

We are no longer able to perform any certification work on claims and returns under £100,000 and are required to perform only minimal procedures on those between £100,000 and £500,000.

Assuming that there this limited change to the amount of work that we need to do on individual grant claims and returns and no significant changes in eligible expenditure, then we would expect 10 claims and returns to have eligible expenditure of over £500,000 in 2007-08.

Due to the Council achieving a '3 star' rating in the latest corporate assessment the amount of claims and returns that are required to be certified may fall for 2007-08. This has not been taken into account in the analysis above, but could result in a reduction in the number of claims and returns that are subject to auditor certification.

Following the merger between the Audit Commission and the Benefits Fraud Inspectorate, a more risk-based approach is to be undertaken in the certification of the Housing and Council Tax Benefits subsidy claim. Likely changes to our work are expected to be no certification work on cells of low value to the overall claim, and work to be completed proportionate to the risk of error for high value cells.

Therefore we would expect reduced fees for grants and returns in 2007-08 as a result of these revised arrangements.

Finally, it is likely that the certification deadline for the NNDR3 return will be aligned with the accounts signing deadline of 30 September 2008.

A Action plan

Our priority system grades the most significant recommendations as priority 1.

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
Arrangements for managing and administering grant schemes					
1	All working papers should be reconciled back to the claim or return, prior to the claim or return being signed by the Chief Finance Officer. Each cell within the claim form should be referenced back to the supporting working paper as part of this check.	1	It is now mandatory for the budget holder or service Finance Manager to check and ensure this has been done by the compiler before completed claims / returns are submitted for CFO signature.	Compiler Budget Holder / Service Finance Manager	Prior to submitting completed claim form for CFO signature.
2	Arithmetic checks should be undertaken on the claim or return to ensure that transposition or other calculation errors are identified prior to certification.	1	Attendees at the January Grants Briefing Sessions have been informed that this is now a mandatory check to be completed and must be evidenced on CFO Signature Request Form	Budget Holder / Service Finance Manager	Prior to submitting completed claim form for CFO signature.
3	As there are officers now responsible for grant claims and returns without prior experience and training in the preparation of claims and returns for audit, the Council should provide training on the certification process.	2	Training on the certification process was provided at the January grants briefing session and all officers involved in completing grant returns were invited. Grants co-ordinator to	Grants co-ordinator	As and when necessary or requested.

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
			provide on-going training & guidance as required on grant certification process.		
4	The grants co-ordinator should ensure that the Council's grant register is kept up to date, including details of key deadlines to improve the timeliness of submission of grant claims and returns for auditor certification.	2	Grants Register currently being updated for 2007/08 and will include key deadlines.	Grants co-ordinator	Mid - February
5	The grants co-ordinator should ensure that as well as the key finance contact; details of the officer administrating the detail of the grant claim and return are included on the grants register. This would minimise the risk of key contacts not being available during agreed audit dates.	2	Revised Grants Register to include all key contacts	Grants co-ordinator	Mid - February
6	The grant compiler should be responsible for ensuring that supporting documentation, including invoices and client files are available for auditor inspection during the certification visit.	1	This was emphasised at January Grant Briefing Sessions. Grants co-ordinator will reiterate when liaising with compilers.	Grant Compilers and Service Finance Managers	One week before due date to audit
Specific grant claims and returns					
7	Children's Fund – EYC06 As part of monitoring performance of projects, visits should include verifying spend included on quarterly claim forms to prime documentation. This would improve the control environment in monitoring expenditure undertaken by partners.	3	Sample number of invoices are checked against claims as all organisations accounts are subject to external audit. External audit certification will no longer be required from 2008/09	Barnet Voluntary Services Council	On-going
8	Teachers' Pensions (TP) – PEN05 The HR Quality Control Manager should obtain letters of assurance from schools with external payroll providers to verify that the external payroll providers are only including pensionable items in the	2	Letter to go out to all schools that use external payroll providers asking them to complete a "Statement of Correctness" for their TP figures	Quality Control Manager (HR/Payroll)	Signed "Statement of Correctness" to be completed by 15 th March 2008

Reference	Issue and Recommendation	Priority	Management Response	Implementation	
				By who:	By when:
	actual contributory salary figure.				

B Claims and returns submitted on time

CI ref.	Claim	Claim received on time Yes - No
BEN01	Housing Benefit & Council Tax Benefit Subsidy	No
CFB06	Pooling of Housing Capital Receipts	Yes
EYC02	General Sure Start	Yes
EYC06	Children's Fund	No
HC08	Mental Health grant	Yes
HOU01	Housing Revenue Account Subsidy	Yes
HOU02	Housing Subsidy Base Data Return	No
HOU21	Disabled Facilities grant	Yes
LA01	National non-domestic rates return	No
PEN04	Staff related inherited liabilities	No
PEN05	Teachers Pension return (x3)	No

C Claims and returns certified during 2006-07

Grant Claim	Grant Title	Value of claim	Amended	Value of Amendment (£) (Note 1)	Qualified
BEN01	Housing Benefit & Council Tax Benefit Subsidy	164,221,510	✓	1,547,246	
CFB06	Pooling of Housing Capital Receipts	7,900,650	✓	-5,997	
EYC02	General Sure Start	3,708,588	✓	-120	
EYC06	Children's Fund	617,142		N/a	
HC08	Mental Health grant	1,013,859		N/a	
HOU01	Housing Revenue Account Subsidy	-9,494,154	✓	Note 3	✓
HOU02	Housing Subsidy Base Data Return	N/a	✓	Note 3	✓
HOU21	Disabled Facilities grant	835,389		N/a	✓
LA01	National non-domestic rates return	84872670		N/a	
PEN04	Staff related inherited liabilities	(No claim received yet)		Note 2	
PEN05	Teachers Pension return (x3)	17,767,111	✓	-133,197 Note 4	✓

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

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

Note 3 - The financial impact of amendments to these two claims are not obvious to the auditor. The amendments to the HOU01 may have a financial impact as the amount of subsidy repayable may require adjustment. The HOU02 return amendments will have an impact on the housing revenue account subsidy payable in 2008/09.

Note 4 – One of the three claims was amended and qualified. In both cases this was the main claim.

D Fee analysis against previous years

Billed	CI ref.	Claim	Total fee (Current Year)	Total fee (Prior Year)	Variance (Fav/Adv)
Oct 2006	EYC02	General Sure Start Grant	5,000	3,660	(1,340)
	EYC06	Children's Fund	3,562	3,330	(232)
	HOU02	Housing Subsidy Base Data Return	8,750	12,810	4,060
	HOU21	Disabled Facilities Grants	5,250	5,490	240
	LA01	NNDR3 return	13,625	11,160	(2,465)
	PEN05	Teachers' Pensions Returns (x3)	6,250	7,440	1,190
Nov 2007	BEN01	Housing and Council tax benefits	28,063	28,650	587
	CFB06	Pooling of Capital Housing Receipts	5,750	3,480	(2,270)
	HC08	Mental Health Grant	3,188	3,540	352
Dec 2007	HOU01	Housing Revenue Account Subsidy	5,312	5,340	28
Total – see Notes 1 and 2 below			84,750	84,900	250

Note 1 - No fee has been charged for the staff related inherent liabilities return ('PEN04'), as certification work is yet to be completed.

Note 2 – The total fee for grants in 2005/06 was £97,470. The difference is due to the Teachers Pay Grants (£810), Discretionary Housing Payments (£1,440), Education Special Grant (£1,860), AIDS Support Grant (£1,920), London Recycling Fund (£3,060), Improving Information Management Grant (£1,410), Quality Protects (£1,260) and Teenage Pregnancy Grant (£810) not being included on the prior year fee analysis as the requirement for auditor certification ceased in 2006/07.

Appendix B: Chief Finance Officer (S.151 Officer) Signature Request Form

Grant Claim Description	
Submission Deadline	
Grant Allocation (if any)	
Claim Value £	
Variation on Previous Claim £	
Reason for Variation	
Audit Certification required If yes, Internal or External Deadline for submission to Audit	
Details of any audit amendments and/or qualifications in the last claim, and actions taken since	
Claim Entries Referenced to Supporting Working Papers (Y/N)	
Arithmetical Accuracy Checked (Name)	
Service Contact(s)	
Do grant conditions allow admin costs to be included in the claim	
Admin costs included £	
Changes in grant conditions since last claim	
Changes in accounting treatment since last claim (both SORP and locally driven)	
Location of working papers	
Problems experienced in completing the claim	
Estimated time taken to complete return	
Claim completed by (name & signature)	
Completed in accordance with grant terms & conditions (Finance Manager or Budget Holder check) Name & signature	
Date submitted for CFO signature	

AGENDA ITEM: 10

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Meeting	Audit Committee
Date	27 February 2008
Subject	Internal Audit Annual Report 2006-7 – Rent Deposit Scheme
Report of	Deputy Chief Executive and Executive Director for Environment and Regeneration
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	Brian Reynolds, DCE & Executive Director for Environment & Regeneration Hem Savla, Audit Manager, Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: Follow up Review
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Hem Savla, Audit Manager, Internal Audit and Ethical Governance, 020 8359 7154.

1. RECOMMENDATIONS

1.1 That the Committee note the contents of the report and the actions taken to address previously reported 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 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’.

2.2 The Audit Committee on 5th December 2007 resolved that a further update report on the implementation of the actions agreed by management be submitted by the Head of Housing and Head of Internal Audit and Ethical Governance for the next meeting to be held on 27 February 2008.

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 is no routine equalities monitoring of the Rent Deposit Scheme, 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 Black and Minority Ethnic 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 Black and Minority Ethnic groups, children and vulnerable people.

In 2006/07 the Rent Deposit Scheme 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 The Audit Service 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. In December 2007, Audit reported that sufficient actions had been implemented to allow the assurance level to be raised to 'medium'. As detailed above the Committee requested a further update report.
- 9.4 The service provided a further revised action plan to audit on 24 January 2008 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, 7 were fully mitigated. Implementation of 3 risks is on track for completion. A copy of the audit report is attached to this report (appendix A).

- 9.7 Our assessment (of the assurance that management can have that objectives will be met) can be moved to 'satisfactory' assurance. We are satisfied that there is a much fuller understanding of the risks and processes required to mitigate them.
- 9.8 The Deputy Chief Executive and Executive Director for Environment and Regeneration will attend the meeting to address any questions.

10. LIST OF BACKGROUND PAPERS

- 10.1 Any person wishing to view any of the background papers should telephone 020 8359 7154.

Legal – JEL
CFO – CM

Appendix A - Follow Up Review Rent Deposit Scheme

Risk	Implem. Date	Resp. Officer	Current Status
<p>Risk 1 Priority 1</p> <p>Password and systems access permissions</p> <p>Fraud or irregularity may not be prevented or detected.</p>	NA	NA	Implemented
<p>Risk 2 Priority 1</p> <p>Database integrity</p> <p>Incorrect information is available for decision making purposes and allocation of housing.</p>	October 2007	Senior PSTS	Implemented
<p>Risk 3 Priority 2</p> <p>SAFFRON Module</p> <p>Loss of efficiency in service delivery from shortcomings in the system, replication of data and continuing with manual processes.</p>	October 2007	Advice and Options Manager	<p>Implementation on Track</p> <p>Funding for the Saffron replacement project has been identified and agreed by CAG. This has been included in the 08/09 capital programme and budget to be presented to Council on March 3rd. Procurement is proceeding in accordance with council procedures and European regulations, as advised by the corporate procurement team.</p> <p>Anticipated contract award date – October 2008</p>
<p>Risk 4 Priority 1</p> <p>Recovery and reconciliation</p> <p>Financial loss to the Council</p>	October 2007	Housing Options Team Leader	<p>Implementation on track – effective procedures completed and approved, reconciliation using agreed procedures proceeding to programme</p> <p>1. Reconciliation:</p>

<p>resulting from lack of effective processes for recovery of debts.</p>			<p>Procedures for reconciliation of payments and refunds have been developed and approved. Also achieved:</p> <ul style="list-style-type: none"> - for the Financial year 2007-08 (up to 31 December 2007) Reconciliation of refunds and recoveries for this period is in progress. Issues with 20 cases have been identified which are being individually resolved in line with the agreed procedures. - For the period of 10+ years up to 31st March 2007- Reconciliation for financial years 1994-95 to 2002-03 only has commenced and will be carried though as planned. However priority has been given to the most recent cases. - Information gaps are being identified and efforts to resolve being undertaken. <p><u>Audit Advice</u></p> <p>Going forward, in view of the volume and complexity of entries, consider building in management review for the initial period, at least as a minimum.</p> <p>2. Recovery:</p> <p>Invoicing and recovery procedures have been developed and agreed. Relevant training has been provided to the Sr. PSTO to raise invoices on the SAP financial system. Priority has been given to recovery relating to cases since 31 March 2007, while older cases (£286K, 346 cases according to service records as at Nov 07) will follow as part of the programme of work. Occupancy checks under way (but not yet completed) for tenancies expected to end during the financial year 2007-08 to identify additional amounts to be invoiced. Since Nov 2007, £3214 in repayments due has been recovered.</p> <p>3. Housing Benefits: reconciliation and recovery</p> <p>Significant progress in reconciliation achieved for the financial years 2006-07 and 2007-08. However, early indications from a small sample indicate that there are discrepancies between HB records and service records. This reconciliation relates to the proper accounting of monies received from DWP in HB subsidy rather than money yet to</p>
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			temps or trainee interns on work experience programmes. There are different issues which local management are seeking to resolve around exactly how this works for staff who are not council employees.
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Previous Assurance : **Limited**
Current Assurance : **Satisfactory**