

MEETING
AUDIT COMMITTEE

DATE AND TIME
TUESDAY, 10 MARCH 2009 AT 7PM

VENUE
BARNET HOUSE, 1255 HIGH ROAD,
WHETSTONE, N20 0EJ

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Jeremy Davies
Vice Chairman: Councillor Daniel Webb

Councillors:

Danish Chopra	Geof Cooke	Tom Davey
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.

David Seabrooke, Democratic Services Manager
Democratic Services contact: Nazyer Choudhury 020 8359 2031

CORPORATE GOVERNANCE DIRECTORATE

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

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Meeting	Audit Committee
Date	10 March 2009
Subject	2009/10 Internal Audit Annual Plan
Report of	Director Corporate Governance
Summary	The Committee is asked to consider the Internal Audit annual plan for 2009/10.

Officer Contributors	Hem Savla, Acting Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: 2009/10 Internal Audit Draft Annual Plan
For decision by	Audit Committee
Function of	Council
Reason for urgency/ exemption from call-in (if appropriate)	Not applicable
Contact for further information	Tel No 020 8359 7154

1 RECOMMENDATIONS

- 1.1 **That the Audit Committee approve the Draft 2009/10 Internal Audit Annual Plan.**

2 RELEVANT PREVIOUS DECISIONS

- 2.1 None

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4 RISK MANAGEMENT ISSUES

- 4.1 The purpose of this report is to seek approval for the annual Internal Audit plan for 2009/10. This plan should focus audit resources on the highest risk areas facing the organisation.

5 EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Audit Plan will support the council in meeting its corporate priorities and promoting community choice.

6 USE OF RESOURCES IMPLICATIONS (FINANCE, PROCUREMENT, PERFORMANCE & VALUE FOR MONEY, STAFFING, IT, PROPERTY, SUSTAINABILITY)

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

7 LEGAL ISSUES

- 7.1 None

8 CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "Satisfying the Council that the internal auditor carries out sufficient

systematic reviews of the internal control arrangements, both operational (relating to effectiveness, efficiency and economy) and financial”.

9 BACKGROUND INFORMATION

2009/10 Draft Annual Audit plan

- 9.1 Attached as an Appendix A to this report is a draft annual audit plan for 2009/10 prepared by the Acting Head of Internal Audit and Ethical Governance after a detailed risk assessment of the Council’s systems and consultation with key stakeholders. The audit plan for 2009/10 is presented to the Committee for comment and approval.
- 9.2 The Committee should be satisfied that it can make an appropriate assessment of the internal control environment based on the programme of work outlined in Appendix A.

10 LIST OF BACKGROUND PAPERS

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

Legal:

CFO: HG

London Borough of Barnet

Internal Audit Service

Audit Plan 2009 - 2010

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Internal Audit Service 2009-2010 Audit Plan

Introduction

Background

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

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

External Audit

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

Internal Audit Performance Standards

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

Internal Audit Resources

The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account the available resources within the section. We will be working jointly with our audit partners to deliver the annual plan. Changes to the annual plan may be necessary during the year to reflect changing priorities and risk environment in light of macro economic changes affecting the Council.

Follow-up audits

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

Assurance Levels

All internal audit projects result in a statement of assurance of either 'full', 'satisfactory', 'limited' or 'no' assurance. These conclusions are based on the number of 'priority 1' and 'priority 2' risks identified in the report. The 'no' assurance statement indicates that, in the auditor's opinion, there is significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity will not be prevented or detected.

Deferrals

Occasionally it is necessary to defer (or sometimes delete) audits which have been included in the agreed plan. During the normal reporting cycle the Audit Committee will be informed of the reasons for the cancelled audits or audits that are deferred in year or to the following financial year.

The 2009-2010 Internal Audit plan

Key denoting the Corporate Priorities:

BFCYP = A Bright Future for Children and Young People

CGS = Clean, Green and Safe

SV = Supporting the Vulnerable

SH = Strong and Healthy

SS = A Successful Suburb

MCBV = More Choice, better value

CORPORATE GOVERNANCE

Directorate

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
ICC & Mini SIC	A follow-up of the 2008-09 systems review.	DCG	2	All
Governance	A follow-up of the 2008-09 systems review.	DCG & HIAandEG	3	All

Community Protection Group

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Anti Crime Agenda (incl. Crime Data)	A follow-up of the 2007-08 systems review.	DDCG	3	CGS
Trading Standards and Licensing	A follow-up of the 2008-09 systems review.	DDCG	2	CGS
Drug and Alcohol (VfM)	A follow-up of the 2008-09 systems review.	DDCG	3	CGS
Money Laundering	A systems review on the effectiveness of Council arrangements to identify and prevent money laundering activity and to ensure compliance with the Proceeds of Crime Act 2002.	DDCG	2	CGS

Corporate Anti-Fraud

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Corporate Anti-Fraud	A full systems review of the efficiency and effectiveness of processes to prevent and detect fraud (this area was last audited in 2004/5).	DDCG	1	CGS

Democratic Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Members Allowances	A systems review on the efficiency and effectiveness of processes for the management by the Council of the Members Notional Allowance.	DCG & DSM	R	MCBV

Electoral Registrations and Elections

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Registration of Electors	A systems review of the efficiency and effectiveness of processes to ensure that all residents are recorded on the Register of Electors.	DCG	1	All

Internal Audit and Ethical Governance

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Data Protection	A follow-up of the 2008-09 systems review.	DCG & HIAandEG	3	All

Legal

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Regulation of Investigatory Powers Act 2000 (RIPA)	A systems review to on the effectiveness of processes to promote awareness of RIPA and ensure controlled and the appropriate use of surveillance activity by the Council	DCG/HL/DDCG	3	CGS

DCG =Director of Corporate Governance
 DDCG =Deputy Director of Corporate Governance
 HIAandEG =Head of Internal Audit and Ethical Governance
 DSM =Democratic Services manager
 HL =Head of Legal

R =In reserve, subject to available audit resource during the year.

STRATEGY

Local Partnerships and Policy

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
	Audits to confirm compliance to partnership took-kit are recorded under selected service areas.			

ENVIRONMENT AND REGENERATION

Planning Housing and Regeneration

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Internal Control Checklist (ICC)	A review to ensure compliance with the corporate ICC arrangements particularly the extent to which areas of identified weakness are addressed within the Directorate.	DPHR	2	ALL
Section 106 Payments	A systems review to assess current responsibility for managing, monitoring Section 106 income and that benefits identified are delivered under Section 106 Agreements.	DPHR	1	SS
Grants	A follow-up of the 2008-09 systems review.	DPHR	2	SS
Strategic Planning	A follow-up of the 2008-09 systems review.	DPHR	1	SS
Grahame Park Regeneration Scheme	A full systems review of the processes for capturing and mitigating risks arising from the macro economic changes, identifying and recovering costs and ensuring continued service delivery to service users during changes in the programme delivery.	DPHR	3	SS

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Regeneration Skills Development Partnership Group	Undertake a high level review to assess compliance against the corporate partnership toolkit.	DPHR	3	SS
Regeneration	A follow-up of the 2008-09 systems review.	DPHR	4	All
Housing Systems Review	Project: Review the robustness of the project governance arrangements and provide risk and control advice and guidance during the redesign of business processes.	DPHR	1	SV & SS
Data Quality	A review to assess compliance of the data quality arrangements against the corporate data quality guidance.	DPHR	3	SS
Homelessness	A follow-up of the 2007-08 systems review.	DPHR	1	SS
Barnet House Monitoring	A follow-up of the 2008-09 systems review.	DPHR	2	SS

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Temporary Accommodation	A follow-up of the 2007-08 systems review.	DPHR	4	SV & SS

DPHR =Director of Planning, Housing and Regeneration

Environment and Transport

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Street Lighting PFI contract	A systems review of the processes for monitoring the implementation of the PFI contract to ensure an effective delivery of the service objective of reducing fear and crime through improved street lighting.	DET	R	CGS
Use of Consultants in Environment and Transport	A follow-up of the 2008-09 systems review.	DET	2	CGS
Public Transportation and Traffic Management	A follow-up of the systems review deferred from 2007-08 to 2008-09.	DET/ADH	2 (est)	CGS
Parking Pay and Display maintenance	A follow-up of the 2008-09 systems review.	DET/ADH	4 (est)	CGS
Parking Control	A follow-up of the 2007-08 systems review.	DET/ADH	1	CGS
Cashless Parking	Project: Provide advice and guidance during pilot stage for introducing cashless payment of parking charges.	DET/ADH	1	CGS

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Transport	A follow-up of 2007-08 project work concluded in 2008-09.	DET/ADE	2	CGS
Data Quality	A systems review to assess compliance of the data quality arrangements against the corporate data quality guidance.	DET/ADP	3	CGS
Internal Control Checklist (ICC)	A systems review of compliance with corporate ICC arrangements particularly the extent to which areas of identified weakness are addressed.	DET/ADP	2	CGS
Administration of Term Contracts	A follow-up of the 2008-09 systems review.	DET/ADP	1 (est)	CGS
Final Accounts	A follow-up of the 2007-08 systems review.	DET/ADP	2	CGS

DET =Director of Environment and Transport

ADH =Assistant Director Highways

ADE =Assistant Director Environment

ADP =Assistant Director Performance

R =In reserve, subject to available audit resource during the year.

MAJOR PROJECTS

Construction

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Capital Expenditure	Key systems: A systems review of the effectiveness of processes for the approval of, budget allocation to, delivery of and accounting / recording (including valuation where applicable) of capital projects (property and non-property). The audit will include a review of the vetting arrangements for capital projects within the Capital Asset Group (CAG).	MPD/HSF/ AD-AM/ HPS	2	All
Primary Schools Capital Investment Programme (PSCIP)	A follow-up of the 2008-09 project review.	MPD	1	BFCYP
Primary Schools Capital Investment Programme – 2009/10	Project: A review on the effectiveness of delivery of phase 1 of the Programme (the completion of Whittings Hill School).	MPD	3	BFCYP
Depot Replacement Project	A follow-up of the 2008-09 project review.	MPD	1	All

Corporate Procurement

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Cleaning contract – Safeguarding Children	A follow-up of the 2008/9 systems review.	HSP/DCS	4 (EST)	All
Leisure Management	A systems review of monitoring and price approval arrangement to ensure effective delivery of expected outcomes through the Leisure Partnership (between the Council and the Greenwich Leisure Partnership).	MPD/ HCP	3	SH

Infrastructure and Organisational Delivery

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Electronic Document Record Management System – EDRM (Phase 2)	Project (deferred from 2008/9): A review to ensure that arrangements are effective to deliver outcomes in key areas of the Project such as records retention, legal admissibility, security, scanning, and integration.	MPD	2	All

Project Consultancy

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Project Support	A review of the internal processes within the unit to ensure that Council projects receive effective advice and support from the unit, where applicable, including ensuring that outputs e.g. appropriate Business cases and feasibility studies facilitate effective decision making by the Capital Asset Group.	MPD	3	All

MPD =Major Projects Director
 HCP =Head of Corporate Procurement
 HSHR =Head of Strategic HR
 DCS =Director of Children’s Service
 HSF =Head of Strategic Finance
 AD-AM =Assistant Director, Asset Management
 HPS =Head of Property Service

COMMUNITIES

Children's Services

Inclusion

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Individual Budgets	A systems review of the pilot project to trail individual budgets on service users and to follow up any advice and guidance given in 2008-09 on the project.	ADI	3	BFCYP, SV
Exclusion	A systems review for ensuring that the level of permanent exclusions are monitored and managed effectively.	ADI	2	BFCYP, SV
Connexions	A follow-up of the 2008-09 audit review.	ADI	1	BFCYP

Safeguarding and Social Care

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Children's Centre Service	A systems review of the monitoring processes to ensure effective delivery of the service objectives.	DDSSC	2 (3)	BFCYP, SV
Common Assessment Framework	A systems review of the implementation of Common Assessment Framework to ensure effective delivery of early intervention, thus reducing number of referrals into social care and preventing children coming into care.	DDSSC	3	BFCYP, SV
Procurement and Contracts	A systems review of the process for procurement of care for children, including standard contracts and management arrangements for monitoring contracts.	DDSSC	1	BFCYP, SV
Integrated Children's System	A systems review of Integrated Children's System examining the data capture and data quality arrangements to deliver enhanced information sharing and information management in social care practice.	DDSSC	2	BFCYP, SV
Looked after Children	A follow-up of the 2008-09 systems review.	DDSSC	4	BFCYP, SV

Partnerships Performance and Planning

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Children's Service ICC	A systems review of compliance with corporate ICC arrangements particularly the extent to which areas of identified weakness are addressed.	ADPPP	2	BFCYP
Contact Point	Project: Advice and guidance on the pre-implementation for Contact Point database to ensure adherence to Data Protection requirements when allowing access to information.	ADPPP	1	BFCYP, SV

Schools and Learning

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Challenge and Intervention	A systems review examining the processes to deliver the Local Authority's statutory function for school improvement.	DDSL	3	BFCYP, SV

DCS =Director of Children's Services
 ADI =Assistant Director Inclusion
 DDSSC =Deputy Director Safeguarding and Social Care
 ADPPP =Assistant Director Partnership Performance and Planning
 DDSL =Deputy Director Schools and Learning

Adult Social Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Procurement	A systems review of the process for procuring services, over the required financial thresholds, to deliver VFM and compliance with the Council's Contract Procedure Rules.	AD-P&SM	3	SV
Appointeeship	A systems review of the processes for safeguarding financial affairs of clients who are subject to Court of Protection orders.	ADASS	1	SV
Adult Protection	A systems review of processes to protect vulnerable adults.	ADASS	4	SV
Mental Health Partnership with MIND	Undertake a high level review to assess compliance against the corporate partnership toolkit.	DDASS	3	SV
Internal Control Checklist (ICC)	A systems review to assess compliance with the corporate ICC arrangements particularly the extent to which areas of identified weakness are addressed.	AD-P&SM	3	SV
Blue Badge Scheme	A full systems review of the processes to achieve desired objectives of the service around maximising people's independence.	ADASS	1	SV

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Choice & Independence Programme Governance	A follow-up of the 2008-09 review.	AD-P&SM	1	SV
Choice & Independence - Supply Management	A follow-up of the 2008-09 review.	AD-P&SM	3	SV
Fairer Pricing Tool.	A follow-up of the 2008-09 systems review.	DDASS	4	SV
Integrated Community Equipment Service (ICES)	A follow-up of the 2008-09 systems review.	AD-P&SM	4	SV
Data Quality BVPI (KC)	A follow-up of the 2007-08 systems review.	AD-P&SM	3	SV
Respite Care	A follow-up of the 2007-08 systems review.	ADASS	4	SV
Telecare	A follow-up of the 2008-09 systems review.	ADASS	4	SV

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Business Continuity	A follow-up of the 2008-09 systems review.	AD-P&SM	1	SV

DDASS – Deputy Director of Adult Social Services
ADASS – Assistant Director of Adult Social Services
AD-P&SM – Assistant Director, Performance & Supply Management

The following audits proposed by Internal Audit and Ethical Governance are not included in the work plan for 2009/10 for the reasons outlined below.

Audit Title	Scope	Client Comments
Meals Service	An 'end to end' systems review of the meals service provided through contractual arrangements with LB of Enfield for the effective delivery of meals to clients.	Deputy Director: There is no need for this audit as there are robust contract monitoring arrangement in place to mitigate risks in this service area.
Reviewing	A systems review of the current processes to assess that client's ongoing needs are being reviewed regularly, met promptly and effectively.	Assistant Director - Performance and Supply Management: There is no need for this audit in 2009/10 as there will be a major review of the current Reviewing arrangements. The Audit should be scheduled in 2010/2011.

Audit Title	Scope	Client Comments
Home Care	An 'end to end' systems review of the new introduced enablement and homecare service will be undertaken to ensure that processes are in place to delivery the required service to meet clients' needs effectively and on time.	Deputy Director - There is no need for this audit in 2009/10 as there will be a major review of the current homecare arrangements and standards will not be in place to audit. The Audit should be scheduled in 2010/2011.
Day Care	An 'end to end' systems review of day care will be undertaken to ensure that there are consistent processes in place across the directorate to delivery the required service to meet clients' needs effectively and on time.	Director - There is no need for this audit in 2009/10 as there will be a major review of the current daycare arrangements.

ORGANISATIONAL DEVELOPMENT

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
	None			

RESOURCES

RESOURCES: STRATEGIC SERVICES

Strategic Finance

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Insurance	A full systems review of the process to assess the effectiveness of the effectiveness of the Council's insurance arrangements.	AD-StS/ HSF/Hi	1	All
Business Continuity	A follow-up of the 2007/8 systems review.	AD-StS/ HSF/Hi	1	All
Milly Apthorp (2009/10)	An annual audit of accounts.	AD-StS/ HSF	2	All
Local Area Agreement Grant	A follow-up of the 2007-08 systems review.	AD-StS/ HSF	1	All
Accommodation Strategy	A follow-up of 2007-08 systems review.	AD-StS/ HSF	1	All

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Treasury Management (Icelandic Banks)	A full systems review on the effectiveness of arrangements for investing in riskier assets in the light of any lessons learned following the failure of Icelandic banks which affected Council's nationally. The scope will be agreed during planning.	AD-StS/ HSF	1	All

Property and Valuations Service

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Disposals and Capital Receipts	A systems review to ensure that property disposals are appropriate and correctly recorded, including a review processes to prevent money laundering.	HPS	1	All
Income from Property and Industrial Estate	A follow-up of the 2008-09 systems review.	HPS	3	All

Business Improvement

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Data Quality (KLOEs)	A follow-up of the 2008-09 systems review.	AD-SS/HBI	2	All

RESOURCES: SHARED SERVICES

Infrastructure and IS Operations

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Self Service	A full systems review on the effectiveness of the self service security arrangements.	AD-SS/HIS	1	MCBV
Remote Access	A full systems review on the remote access security arrangements and operation i.e. performance.	AD-SS/HIS	2	ALL

Strategic IT

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Data Security and Data Handling	A full systems review of the effectiveness of processes to ensure that personal and confidential data is held securely and protected against loss, including a review of access to shared folders, particularly the T-Drive.	AD-SS/HIS	2	STV
Working with Partners (Access to and exchange of electronic data)	A follow-up of the 2008-09 systems review.	AD-SS/HIS	2	All
Electronic Document Record Management EDM (Phase 1)	A follow-up of the 2008-09 project review.	AD-SS/MPD	2	All

Finance Support

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
VAT	A full systems review around the effectiveness of arrangements to ensure compliance under the new VAT regime and the provision of assurances that there are no errors and to address the possible impact on the 5% partial exemption limit owing to outsourcing.	AD-SS	2	MCBV
Procurement, Contracts and Accounts Payable	A follow-up of the 2008-09 systems review.	AD-SS/ HSP/MPD	1	ALL

Revenues

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
NNDR / Business Rates	Key system: A full systems review of the NNDR system.	AD-SS/ HRS	3	MCBV
Council Tax	Key system: A full systems review of the Council Tax system.	AD-SS/ HRS	3	SV / MCBV

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Housing Benefit	Key system: A follow-up of the 2008-09 systems review.	AD-SS/ HRS	1	SV
Cashiers	A systems review to ensure effective, efficient and economic collection, receipting, safeguarding and banking of monies received by the Council by hand, postal remittances in the form of cash/cheques or debit/credit cards. The audit will include a review of the PayPoint processes.	AD-SS/ HRS	3	All

Shared HR Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
LG Pension Administration and Pension Fund	A follow-up of the 2008-09 systems review.	AD-SS	3	ALL
HR Support	A systems review of processes within HR to ensure effective service delivery to clients and statutory compliance where applicable, including HR file maintenance, CRB checking and renewal of work permits.	AD-SS	R	ALL

Shared Service Centre

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
SAP Compliance Calibrator	A follow-up of the 2007-08 review.	AD-SS	1	ALL

RESOURCES: CUSTOMER SERVICES and LIBRARIES

Customer Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
West of Borough 2008-09	A follow-up of the 2008-09 project review. (Project within Customer Access Programme)	AD-CS&L	1	All
Library Management System (LMS)	A systems review on how effectively the new LMS is being used to deliver key areas of library service delivery and operation e.g. income collection, debt management, access security, stock control, bookings. The key areas for review will be identified and agreed during the detailed planning of the audit.	AD-CS&L	3	All

AD-StS =Assistant Director Strategic Services
HSF =Head of Strategic Finance
HI =Head of Insurance
AD-AM =Assistant Director of Asset Management
HPS =Head of Property Services
MPD =Major Projects Director
AD-SS =Assistant Director of Shared Services
HBI =Head of Business Improvement
HIS =Head of Information Systems
HRS =Head of Revenues Services
HCP =Head of Corporate Procurement
AD-CS&L =Assistant Director of Customer Services and Libraries

R =In reserve, subject to available audit resource during the year.

KEY SYSTEMS AUDITS

Purpose

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

Approach and Regularity

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

Protocol

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

Reporting

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

We have agreed that these key systems should be subject to regular review and have therefore put together a programme, which will ensure that each system is regularly audited. The following table summarises our plans. Key systems audits for 2008/9 are included in the above list.

Key Systems	Main Client	2009/10	20010/11	2009/10	20010/11
Sales, Invoicing, Income and Debt Management	CFO	None	Full Review	Follow-up	None
Procurement, Contracts and Accounts Payable	CFO	Follow-up	None	Full Review	Follow-up
LG Pension Administration and Pension Fund	CFO	Follow-up	None	Full Review	Follow-up
Capital Expenditure and Property Asset Management (Fixed Assets)	CFO	Full Review	Follow-up	None	Full Review
Cash Collection, Banking, Reconciliation and Treasury Management	CFO	None	Full Review	Follow-up	None
Recruitment, HR and Payroll	HoSS	None	Full Review	Follow-up	None
Council tax (Income and Expenditure)	HoSS	Full Review	Follow-up	None	Full Review
NNDR	HoSS	Full Review	Follow-up	None	Full Review
Housing Benefits	HoH	Follow-up	None	Full Review	Follow-up

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Meeting **Audit Committee**
Date **10 March 2009**
Subject Code of Corporate Governance
Report of **Director of Corporate Governance**
Summary **This report presents the proposed Code of Corporate Governance for the Council.**

Officer Contributors **Director of Corporate Governance (Monitoring Officer),
Governance Manager**

Status (public or exempt) **Public**

Wards affected **All**

Enclosures **Appendix A – Proposed Code**

For decision by **Audit Committee**

Function of **Council**

Reason for urgency /
exemption from call-in (if
appropriate) **N/A**

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1. RECOMMENDATIONS

- 1.1 That the Audit Committee agree the proposed Code of Corporate Governance, which will then form a basis for the Annual Governance Statement in 2008/09 and beyond;
- 1.2 That, if agreed, the committee note that the Code of Corporate Governance will be considered by the Special Committee (Constitution Review) for inclusion in the Council's Constitution;

2. RELEVANT PREVIOUS DECISIONS

- 2.1 25 September 2008 – The Audit Committee agreed the Council's first Annual Governance Statement for the year 2007/08.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Under the Council's Corporate Plan for 2008/09 to 2011/12, one of the corporate priorities is 'More Choice, Better Value' and a key objective within this priority is 'enhancing and further developing corporate governance'. Improvements to the Annual Governance Statement and the Council's Constitution meet this objective.

4. RISK MANAGEMENT ISSUES

- 4.1 As having a Code of Corporate Governance is advocated by CIPFA/SOLACE's "Delivering Good Governance in Local Government" guidance and framework, not having one could lead to the Council being assessed less favourably.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 All the means by which the Council will meet the requirements of the Code shall operate in accordance with the Council's equalities and diversity responsibilities.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The Code has been developed within existing resources and will not require further resources to maintain it.

7. LEGAL ISSUES

- 7.1 Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) required a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements. The requirement for an authority to produce a SIC was replaced with effect from 2007/08 by a requirement to prepare an Annual Governance Statement (AGS).
- 7.2 A Code of Corporate Governance is not required as part of the AGS but is recommended by the guidance designated as 'proper practice' by the Department for Communities and Local Government. This being the

CIPFA/SOLACE framework, revised and re-issued in 2007, entitled “Delivering Good Governance in Local Government”.

8. CONSTITUTIONAL POWERS

8.1 The terms of reference of the Audit Committee include,

- “to monitor the effective development and operation of risk management and corporate governance in the Council”; and
- “to oversee the production of the authority’s Annual Governance Statement and to recommend its adoption”; and
- “to consider the Council’s compliance with its own and other published standards and controls”.

9. BACKGROUND INFORMATION

9.1 The AGS is the formal statement that recognises, records and publishes the authority’s governance arrangements as defined in the CIPFA/SOLACE framework. It is a statement which has now subsumed the SIC just as the SIC subsumed the statement on internal financial control from 2003/4 and reflects an increasing widening of emphasis from simply financial controls to ensuring good governance across the Council.

9.2 The Council produced its first AGS for 2007/08 and it was agreed by this committee in September 2008. Work has begun on producing the AGS for 2008/09 with the intention of improvement following the learning from the first year both within the Council and nationally.

9.3 The CIPFA/SOLACE framework places significant emphasis on six core principles of good governance. These principles have been taken from ‘The Good Governance Standard for Public Services’ (2004) developed by the Independent Commission on Good Governance in Public Services with support from the Office Public Management and CIPFA. The principles have been adapted to local government purposes for the framework.

9.4 The six core principles of good governance are:

- A - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- B - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- C - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- D - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- E- Developing the capacity and capability of members and officers to be effective.
- F - Engaging with local people and other stakeholders to ensure robust public accountability.

9.5 The framework and guidance set out supporting principles for each of the six core principles and requirements for satisfying these. The framework then states in a section entitled 'The Principles of Good Governance – Application' that:

“To achieve good governance, each authority should be able to demonstrate that it is complying with the core and supporting principles contained in the framework and should therefore develop and maintain a local code of governance appropriate to its circumstances comprising the requirements for best practice outlined...”

9.6 Thus this report proposes a Barnet Code of Corporate Governance (see appendix A). This code comprises the core and supporting principles as well as the requirements from the framework, together with how the Council meets the requirements. The intention is that this Code will only require periodic and not annual review. The AGS can be viewed as being in part an assessment of how, and to what extent, the Council is fulfilling the Code that we have set.

9.7 Once a Code is agreed by this committee the Special Committee (Constitution Review) will be asked to make a recommendation to the Council as to whether the Code of Corporate Governance should be included in the Constitution (Part 5).

10. LIST OF BACKGROUND PAPERS

10.1 CIPFA/SOLACE “Delivering Good Governance in Local Government” guidance and framework.

BARNET CODE OF CORPORATE GOVERNANCE

Annual Governance Statement

As with all Local Authorities, the Council operates through a governance framework. This is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes. This operates across the Council but the Council has a Corporate Governance Directorate with a stated aim *“to promote the highest standards of conduct, accountability and transparency in the way the Council and its partnerships operate”*.

The governance framework must conform to principles of good governance and this Code of Corporate Governance aims to demonstrate how the Council does this.

The Council concurs with view that “Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk...and governance arrangements should not only be sound but also be seen to be sound.”¹

This Code has been drafted in line with the CIPFA/SOLACE guidance documents “Delivering Good Governance in Local Government” and is based on the six core principles taken from the Good Governance Standard for Public Services (2004). These were developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and adapted for local government purposes.

The core principles are as follows:

- (A) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- (B) Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- (C) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- (D) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- (E) Developing the capacity and capability of members and officers to be effective.
- (F) Engaging with local people and other stakeholders to ensure robust public accountability.

¹ CIPFA/SOLACE – Delivering Good Governance in Local Government:: Framework

'Governance' is defined many ways but for these purposes as, "how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The Council's Code of Corporate Governance can be viewed as being embodied in various policies, procedures and other documents. These are reviewed biennially as part of the Council's Ethical Governance Assessment within the following categories.

<ul style="list-style-type: none"> • Access to Information • Annual Governance Statement • Audit • Committees - Specific Governance • Complaints Framework • Constitution • Consultation • Corporate Plan • Counter Fraud Framework 	<ul style="list-style-type: none"> • Democratic Services • Human Resources • Member Guidance • Partnership Arrangements • Registers of Interests • Risk Management & Emergency Planning • Senior Officer arrangements • Training
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The Code provides a summary of how, through these policies, procedures and documents, the Council complies with the core and supporting principles within the "Delivering Good Governance in Local Government" framework. Compliance is regularly tested through means including but not limited the internally conducted Ethical Governance Assessment and the audit plan. The Ethical Governance Assessment findings, in particular, can be referenced for more detailed information such as how and when the various elements of the Code of Corporate Governance are reviewed.

The following table identifies the supporting principles and the requirements associated with them and, most importantly, the means through which the Council achieves these.

Principle A – Community Focus and Vision		
The Council will focus on the purpose of the authority and on outcomes for the community and create and implement a vision for the local area.		
Supporting Principles	Requirements	How the Council meets the Requirements
exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users	<ul style="list-style-type: none"> • Develop and promote the authority's purpose and vision • Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners • Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance 	<ul style="list-style-type: none"> • Corporate Plan and Sustainable Community Strategy based on the needs/requirements of the residents and promoting the Council's vision and report on planned activities also communicated through a variety of mechanisms; • Annual refresh of the Corporate Plan and the three year Sustainable Community Action plan (including this years Local Area Agreement (LAA)) and the flexibility to update these plans where necessary; • Partnership arrangements are consistent; • Corporate Plan Annual Report and Community Strategy action plan performance reported on Barnet Online.
ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning	<ul style="list-style-type: none"> • Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available • Put in place effective arrangements to identify and deal 	<ul style="list-style-type: none"> • Corporate Plan and Sustainable Community Strategy contain clear and effective arrangements for defining how the quality of service is to be measured and for identifying and addressing any failure in service delivery; • FirstStat (where services present and are challenged by Officers across the council), Finance and Policy Review meetings and Member Challenge Events are mechanisms for monitoring and challenging performance

	with failure in service delivery	<p>around delivery of the Corporate Plan. The Sustainable Community Strategy Action Plan is monitored and challenged through the Local Strategic Partnership;</p> <ul style="list-style-type: none"> • The Council wide appraisal process also supports performance management with guidance emphasising the need to link appraisal objectives to Corporate Plan priorities and objectives; • A de-centralised complaints process contributes to service delivery with all complaints, comments and compliments logged on one system and categorised in line with Local Government guidance.
ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> • Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions 	<ul style="list-style-type: none"> • The Corporate Plan includes a clear definition of how value-for-money will be measured; • Responsibility for addressing value-for-money delivery is clearly allocated to Officers with the necessary skills and clear guidance is available; • The Council's External Audit arrangements are a key part of the process to review value for money and performance. • The Council's Internal Audit arrangements, including the Internal Audit Code of Practice based on CIPFA guidance, the Internal Audit Charter also helps ensure the authority makes the best use of resources through efficient performance.
<p>Principle B – Functions and Roles</p> <p>Members and officers will work together to achieve a common purpose with clearly defined functions and roles.</p>		
Supporting Principles	Requirements	How the Council meets the Requirements
ensure effective leadership	<ul style="list-style-type: none"> • Set out a clear statement of the 	<ul style="list-style-type: none"> • The Constitution defines roles and responsibilities of the

<p>throughout the authority and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p>	<p>respective roles and responsibilities of the Executive and of Executive Members individually and the authority's approach towards putting this into practice</p> <ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers 	<p>Executive and individual Executive members;</p> <ul style="list-style-type: none"> • The Constitution defines the roles and responsibilities of all Council Committees.
<p>ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard</p>	<ul style="list-style-type: none"> • Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for the collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required • Make a Chief Executive responsible and accountable to the authority for all aspects of operational management • Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and 	<ul style="list-style-type: none"> • Job descriptions and the clearly define the roles and responsibilities of senior officers; • Article 12 of the Constitution sets out the functions of the Council's statutory Officers and protocols are disseminated in the organisation • Proper Officer arrangements are established; • A scheme of delegation exists in the Constitution and separately in certain Service Areas (based on the Constitution) to ensure the appropriate exercise of powers in the Council; • Member/Officer protocols in the Constitution ensure effective communication between Members and Officers, including the Leader and the Chief Executive.

	<p>objectives is maintained</p> <ul style="list-style-type: none"> • Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control • Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with 	
<p>ensure relationships between the authority and the public are clear so that each knows what to expect of the other</p>	<ul style="list-style-type: none"> • Develop protocols to ensure effective communication between members and officers in their respective roles • Set out the terms and conditions for the remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel • Ensure that effective mechanisms exist to monitor service delivery • Ensure that the organisation's vision, strategic plans, priorities and targets are developed through 	<ul style="list-style-type: none"> • Appropriate employment policies are in followed including the Joint National Council for Chief Executives, Joint National Council for Chief Officers, National Joint Council for Local Government Services as well as Local Agreements; • The appraisal process, various meeting forums, one to one sessions focussing on delivery issues and progress and Programme and Project Boards addressing the delivery of projects are all effective mechanisms to monitor service delivery; • The vision and priorities within the Corporate Plan and Community Strategy are developed in consultation with the community and are communicated (disseminated) to ensure that both the public and Council officers are aware of Council obligations under the vision;

	<p>robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p> <ul style="list-style-type: none"> • When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority • When working in partnership: <ul style="list-style-type: none"> ○ ensure that there is clarity about the legal status of the partnership ○ ensure that representatives of organisations both understand and make clear to all other parties the extent of their authority to bind their organisation to partner decisions 	<p>aware of Council obligations under the vision;</p> <ul style="list-style-type: none"> • Partnership guidance refers to the importance of defining roles and responsibilities for partner members and outlining the need for clarifying the legal status of the partnership.
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Principle C – Values and Standards of Conduct

The Council will promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles	Requirements	How the Council meets the Requirements
ensure authority members	<ul style="list-style-type: none"> • Ensure that the authority's 	<ul style="list-style-type: none"> • The Constitution contains codes of conduct and

<p>and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p>	<p>leadership sets a tone for the organisation by creating a climate of openness, support and respect</p> <ul style="list-style-type: none"> • Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols • Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice 	<p>protocols for members and officers, there is an embedded appraisal process, a corporate complaints process and an anti-fraud and corruption policy;</p> <ul style="list-style-type: none"> • There is a counter fraud framework meeting statutory requirements and according with best practice guidelines. This framework includes the whistle-blowing Policy, Fraud Policy, Prosecution Policy RIPA Policy as well as an annual report to the Audit Committee and an annual work plan; • The Code of Conduct for Members provides effective arrangements for ensuring that Members are not influenced by prejudice, bias or conflicts of interests, which are implemented through training and the existence of processes to obtain details of personal interests: <ul style="list-style-type: none"> ○ the Director of Corporate Governance compiles the Register of Interests and conducts a mid-term review; ○ all Council and Committee meetings have declaration of interests as a standard agenda item; ○ registered and declared interests are publicly available; ○ the arrangements for registration and declaration of interests includes gifts and hospitality; • The Code of Conduct for Officers sets out arrangements for ensuring that Officers are not influenced by prejudice, bias or conflicts of interest and includes the registration of interests; • Officer Expenses Procedures encompass statutory requirements and best practice with records kept as part of standard accounting procedures;
<p>ensure that organisational</p>	<ul style="list-style-type: none"> • Develop and maintain shared 	<ul style="list-style-type: none"> • Codes of Conduct for Members and Officers, which are

<p>values are put into practice and are effective</p>	<p>values including leadership values both for the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners</p> <ul style="list-style-type: none"> • Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice • Develop and maintain an effective standards committee • Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority • In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively 	<p>publicly available facilitate the development and maintenance of shared values reflecting public expectations;</p> <ul style="list-style-type: none"> • The Standards Committee operates in line with a clear terms of reference, with members have received training and who are monitored/advised, where necessary, by the Governance Manager and the Monitoring Officer; • There are person specifications for Independent Members of the Standards Committee as a key aspect of ensuring its effectiveness. • There is an annual report to the Council on the activities of the Standards Committee further to its annual work programme; • Decision making practices are publicly available and include decision-making principles supporting high standards of conduct; • Processes for reporting complaints relating to Member conduct to the Standards Committee are clearly set out on Barnet Online.
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Principle D – Decision-making

The Council will take informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles	Requirements	How the Council meets the Requirements
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<p>be rigorous and transparent about how decisions are taken and listen and act on the outcome of constructive scrutiny</p>	<ul style="list-style-type: none"> • Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice • Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee • Ensure that effective, transparent and accessible arrangements are 	<ul style="list-style-type: none"> • A reviewed scrutiny function ensures constructive challenge through the various Overview and Scrutiny Committees (with committee roles defined in the Constitution) including the call-in process; • Report-writing guidance and templates are used by all Officers writing reports; • The Corporate Plan includes performance measures and targets in relation to Scrutiny; • The corporate performance-monitoring processes related to the Corporate Plan and Sustainable Community Strategy (see above) scrutinise performance and address weaknesses in delivery; • An Audit Committee, independent of Executive and Scrutiny functions, with a clear terms of reference, cross-party membership and Members who have received the necessary training in this role, has and exercises the power to challenge officers responsible for audit areas where assurance levels have not improved to satisfactory; • A de-centralised complaints process contributes to informed decision-making; • The Corporate Complaints Policy ensures consistent and effective complaints handling across the Council.
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	in place for dealing with complaints	
have good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> • Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose - relevant, timely and gives clear explanations of technical issues and their implications • Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately 	<ul style="list-style-type: none"> • Decision making protocols are publicly available and set out the criteria on which decisions are based; • The Forward Plan and minutes of meetings are publicly available and provide records of decisions planned and taken; • Clearance processes ensure that decisions are based on correct (fit for purpose) information and that information is available for timely review, including the availability and recording of legal and financial advice.
ensure that an effective risk management system is in place	<ul style="list-style-type: none"> • Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs • Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access 	<ul style="list-style-type: none"> • A Risk Management Strategy informed by best practice and both service and corporate risk registers ensure that risk management processes are embedded in the culture of the authority; • There is a Business Continuity Framework and toolkit with Business Continuity Plans regularly reviewed to enable efficient continuation of service through incidents; • There is a generic major incident plan to fulfil the responsibilities to have appropriate arrangements in place in case of significant national or local incidents; • A whistle-blowing policy is available to officers.
use their legal powers to	<ul style="list-style-type: none"> • Actively recognise the limits of 	<ul style="list-style-type: none"> • Officers and members operate lawfully through the

<p>the full benefit of the citizens and communities in their area</p>	<p>lawful activity placed on the authority by, for example, the ultra vires doctrine but also strive to utilise its powers to the full benefit of the community</p> <ul style="list-style-type: none"> • Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the authority by public law • Observe all specific legislative requirements placed upon the authority, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice - into its procedures and decision making processes 	<p>existence of mechanisms including:</p> <ul style="list-style-type: none"> ○ decision-making through the Monitoring Officer role (identifying and addressing non-compliance with statute); ○ the Internal Audit function and Corporate Anti-fraud function ensure compliance with relevant statute e.g. Social Care legislation in Children’s Service and Adult Social Services (supported by an embedded Council wide appraisal process to identify such training needs in relation to compliance with statute where necessary).
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Principle E – Capacity and Capability

The Council will develop the capacity and capability of members and officers to be effective.

Supporting Principles	Requirements	How the Council meets the Requirements
<p>make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p>	<ul style="list-style-type: none"> • Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis 	<ul style="list-style-type: none"> • Member Training, including induction training and specific training in relation to certain committees is provided and this includes non-councillor members of committees; • Officers advise Members as required in addition to specific guidance being provided at induction and on

	<ul style="list-style-type: none"> • Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority 	<p>Members' correspondence for example;</p> <ul style="list-style-type: none"> • The informal Member Development Panel (one member for each party), supported by Democratic Services assesses skills required by Members and identifies, advises on and promotes Member training and development; • The Workforce Development Plan incorporates a training policy for Officers, including induction training, is available.
develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group	<ul style="list-style-type: none"> • Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively • Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed • Ensure that effective arrangements are put in place for reviewing the performance of the Executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs 	<ul style="list-style-type: none"> • The corporate appraisal process (with appraisals recorded and monitored) is the main basis for identifying and addressing training needs, including addressing the skill and support requirements of the statutory officers; • Training in relation to an Officer's area of responsibility is given and for financial and other cross-cutting systems with training needs assessed at appraisals; • The Overview and Scrutiny Procedure Rules and Operational practices ensure the performance of the Executive.
encourage new talent for	<ul style="list-style-type: none"> • Ensure that effective arrangements 	<ul style="list-style-type: none"> • Representatives from the community engage with the

<p>membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal</p>	<p>are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</p> <ul style="list-style-type: none"> • Ensure that career structures are in place for members and officers to encourage participation and development 	<p>work of the Council through various structures such as the Citizen's Panel, the Resident's Forums and consultation surveys conducted corporately and at service level;</p> <ul style="list-style-type: none"> • The Remuneration Strategy includes career progression guidelines; • The Talent Management Strategy encourages Officer participation and development.
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Principal F – Accountability

The Council will engage with local people and other stakeholders to ensure robust public accountability

Supporting Principles	Requirements	How the Council meets the Requirements
<p>exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</p>	<ul style="list-style-type: none"> • Make clear to itself, all staff and the community to whom it is accountable and for what • Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required • Produce an annual report on the activity of the scrutiny function 	<ul style="list-style-type: none"> • The Sustainable Community Strategy and the Corporate Plan have been disseminated resulting in a clear understanding by staff and the community as to what the Council is accountable for and to whom; • The Local Strategic Partnership Terms of Reference are based on best practice and guidance and LSP arrangements apply as far as possible to all its sub-partnerships; • Various performance management structures scrutinise the effectiveness of relationships with partners, monitor delivery, identify and address concerns and report outcomes publicly; • The Use of Resources requirements are met using the performance indicators from the Corporate Plan; • An Overview and Scrutiny annual report to the Council

		and available to the public, sets out planned activity and outcomes of scrutiny functions.
<p>take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</p>	<ul style="list-style-type: none"> • Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively • Hold meetings in public unless there are good reasons for confidentiality • Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands • Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result 	<ul style="list-style-type: none"> • Residents Forums, corporate and local consultation exercises, ‘Leader Listens sessions, Overview and Scrutiny Committees and initiatives to engage specific groups are examples of a variety of consultation and engagement mechanisms to engage with all sections of the Community. • Consultations are conducted with residents, Members and staff utilising best practice principles including the Market Research Code of Practice; • The Annual Residents survey on the place and council services is conducted with a representative sample of residents of the borough; • There is a Citizen’s Panel which consists of 1250 residents representative of the borough often used for service specific consultations; • Corporate publications (including Barnet First), the ‘Barnet Online’ Website, electronic news letters, controlled media pitches and campaigns to target specific areas are clear channels of communication with the public (both at corporate and at service level); • Council and committee meetings are held entirely in public and their reports and minutes are public unless confidentiality is specifically required in accordance with the Access to Information Procedure Rules in the Constitution; • Partnership arrangements for consultation are in line with and refer to consultation guidance; • There is an annual report of outcomes and

	<ul style="list-style-type: none"> • On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period • Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so 	<p>achievements in relation to the Council's vision to Council and therefore public;</p> <ul style="list-style-type: none"> • The Council is open and accessible to the public through: <ul style="list-style-type: none"> ○ the above processes for communicating vision and outcomes to the public; ○ the complaints process available to the public, ○ the publicly available Constitution, which sets out a commitment to openness and transparency and defines processes for public participation at Committee meetings; ○ various projects to improve public accessibility. • The Freedom of Information Policy and Publication Scheme ensure openness and accessibility as well as compliance with the requirements of the Freedom of Information Act. • The Data Protection Policy, Records Retention and Disposal Scheme and Fair Processing Notice ensure that confidentiality is preserved properly and appropriately; • The Partnership Register records all sub partnerships and groups reporting to the Local Strategic Partnership.
<p>make best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	<ul style="list-style-type: none"> • Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making 	<ul style="list-style-type: none"> • There are clear policies for consultation with staff and their representatives.

AGENDA ITEM: 9 Page nos. 59 - 82

Meeting	Audit Committee
Date	10 March 2009
Subject	Use of Resources Update
Report of	Director of Resources
Summary	To update the committee on planned actions for the improvement of the Use of Resources arrangements.

Officer Contributors	Jonathan Bunt, Assistant Director of Resources Gregory Pike, Finance Manager (Strategic Projects)
Status (public or exempt)	Public
Wards affected	n/a
Enclosures	Appendix (i) – Use of Resources report from Grant Thornton 2008
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, Assistant Director of Resources on (020 8359 7249) or Gregory Pike, Finance Manager (Strategic Projects) on (020 8359 7235).

1. RECOMMENDATIONS

- 1.1 That the committee note the overall Use of Resources judgement, in particular the achievement of a top score in the Internal Control theme.**
- 1.2 That the committee note the suggested actions for improvement detailed in Appendix (i), and consider an appropriate plan of action.**
- 1.3 That the committee note the changes to the Use of Resources assessment as detailed in this report (paragraphs 9.12 to 9.14)**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 27 February 2008 (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 As an integral part of Comprehensive Performance Assessment (Comprehensive Area Assessment from 2009), failure to maintain the existing Use of Resources score would have an adverse impact on the overall organisational assessment.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Strong Use of Resources arrangements provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 None direct, though the report itself reflects the external auditors assessment of the Council's Use of Resources during 2007/08.

7. LEGAL ISSUES

- 7.1 None in the context of this report

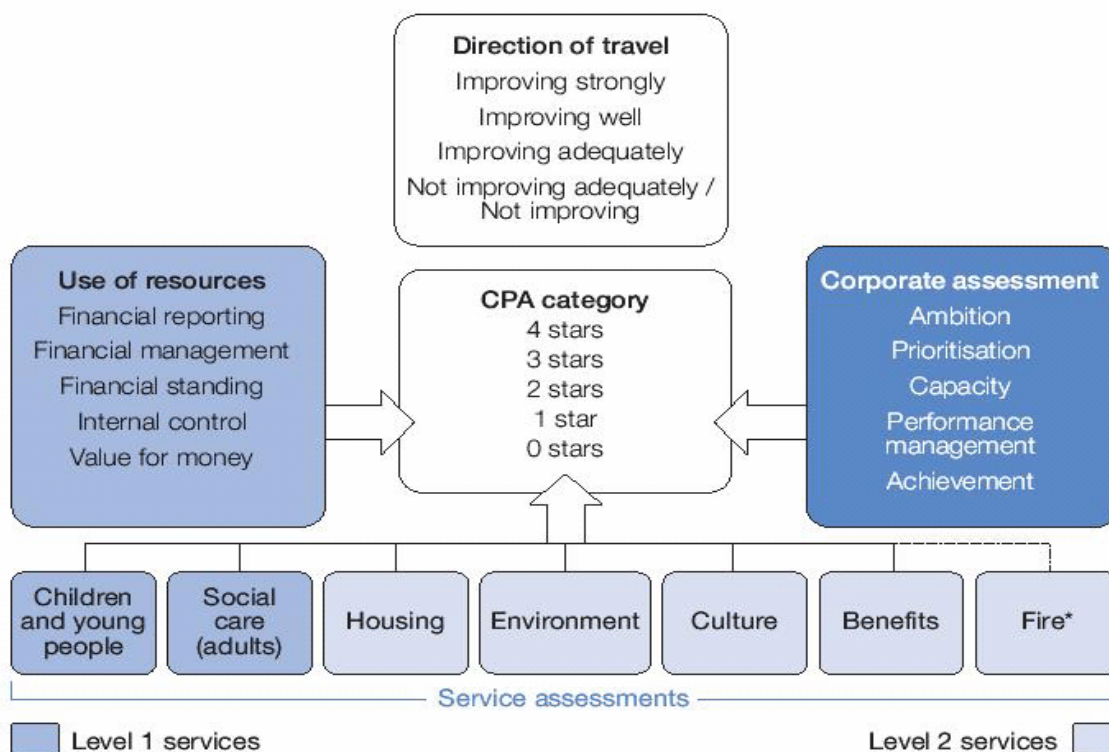
8. CONSTITUTIONAL POWERS

- 8.1 Responsibilities for Functions – Paragraph 2: The purpose of the 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.

9 BACKGROUND INFORMATION

- 9.1 The 2008 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 (adults), as part of the overall judgement for the authority (see Figure 1 below).
- 9.2 As a result the Use of Resources judgement has a very significant impact on the overall star rating that the authority can achieve.

Figure 1 CPA framework



*Note: Fire and Rescue service assessment – applicable to those 16 councils with responsibility for fire and rescue.

9.3 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

9.4 Each KLOE and sub KLOE is assessed between level 1 (below minimum requirements – inadequate performance) and level 4 (well above minimum requirements – performing strongly).

9.5 The Council has improved its Use of Resources arrangements during 2007/08 with the main improvement being in the theme of Internal Control. The table below demonstrates the improvement in the authority's use of resources assessment over the last three years:

Theme and KLOE	Score 2006	Score 2007	Score 2008
Financial Reporting	3	3	3
Annual accounts	3	3	3
External accountability	3	4	4
Financial Management	2	3	3
Medium term financial planning	2	3	3
Managing performance against budgets	2	3	4
Managing assets	2	2	2
Financial standing	2	3	3
Internal control	3	3	4
Managing significant business risks	2	3	4
Maintaining a sound system of internal control	3	4	3
Ensuring probity	3	3	4
Value for money (VfM)	3	3	3
Current achievement of VfM	3	3	3
Managing and improving VfM	2	2	3

9.6 Overall the Council is assessed as performing well, which indicates the continued success the Council has had in embedding processes and achieving outcomes.

- 9.7 The score for Internal Control has increased from a 3 to a 4. The key improvements noted were in relation to risk management becoming engrained within the senior management level and further embedding of arrangements for anti-fraud and corruption. One area, however, that still requires attention is asset management. The details of this and the suggested improvements can be found in Appendix (i).
- 9.8 The Council's Financial Standing is praised in the Auditor's report:
"the Council has made some real improvements against the financial standing criteria, which we feel should be commented upon."
- 9.9 The report goes on to note the Council's significant strengthening of its reserves, strong financial management processes and improvements in debt recovery. The report also notes that the Council has demonstrated it is forward looking, most notably by promoting alternative infrastructure funding; specifically the Barnet Financing Plan.
- 9.10 The Council was initially scored as 4 for Financial Standing, but was marked down to a 3 by the Audit Commission because the Council has deposits in Icelandic banks. The Council requested a review of the score, but it was rejected. The Council continues to write to the Commission on this issue.
- 9.11 Whilst identifying the potential areas for improvement the external auditors have taken the planned changes to the assessment criteria (points 9.12 to 9.14 below) into consideration and have reported areas for development that will be important for the Council to demonstrate in 2009.

USE OF RESOURCES 2008/09

- 9.12 For 2008/09 there have been significant changes to the Use of Resources assessment criteria as part of the new Comprehensive Area Assessment. The new assessment framework is more demanding than the current one, broader in scope and embraces wider resource issues such as people and workforce planning, and the use of natural resources. The Key Lines of Enquiry are more strategic and focus explicitly on value for money achievements rather than the emphasis being on process.
- 9.13 The assessment will be structured into three themes:
- Managing finances
 - Governing the business
 - Managing resources
- 9.14 Each theme is comprised of a number of KLOE. These are set out in more detail on page 13 of the Grant Thornton report (Appendix i) and will also be the subject of a separate presentation to this committee at a future meeting.

10 LIST OF BACKGROUND PAPERS

10.1 Use of Resources report from Grant Thornton UK LLP (attached to this report [Appendix (i)])

Legal: MM
CFO: HG



London Borough of Barnet

Use of Resources 2008

2 December 2008

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1 Executive Summary

Background and purpose of the report

- 1.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').
- 1.2 We described in our Annual Report to those Charged with Governance (September 2008) the areas of audit work that provide us with the assurance, which contributes to our annual VFM conclusion. This report sets out our findings from our assessment of the Council's Use of Resources, using the Audit Commission's five themes and key lines of enquiry ('KLoE') criteria

Key messages

- 1.3 The Council has improved its Use of Resources arrangements during 2007/08 with main improvement in the individual theme of internal control. The theme scores for 2007 and 2008 are summarised in the table below.

Use of Resources theme	2007 score	2008 score
Financial reporting	3	3
Financial management	3	3
Financial standing	3	3*
Internal control	3	4
Value for money	3	3

Explanation of scores			
1	Inadequate - below minimum standards	2	Performing adequately - meeting minimum requirements
3	Performing well - above minimum requirements	4	Performing strongly - standard setting performance

* We understand that the Council has appealed to the Audit Commission regarding this score and we believe that their review will take place in January/February 2009.

- 1.4 Overall, the Council is assessed as performing well, which indicates the continued success the Council has had in embedding processes and achieving outcomes. The

one area, which still requires some attention, is asset management, and this is covered in detail under the financial management theme. The Council should continue to seek improvement, keeping in mind the changes to the assessment for 2009 as outlined in Appendix A..

- 1.5 Further details of work to support our 2008 Use of Resources assessment are given in section two

Way forward

- 1.6 As the Council is assessed as performing adequately or above in all areas of the Use of Resources assessment and because we have already agreed action plans for key areas requiring improvement, we have restricted our Use of Resources recommendations in this report to a few key areas.
- 1.7 However, there have been significant changes to the Use of Resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The new assessment framework is more demanding than the current one, is broader in scope and embraces wider resource issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on outcomes for local people and on partnership working. The Key Lines of Enquiry (KLoE) are more strategic and focus explicitly on value for money achievements rather than the emphasis being more on processes.
- 1.8 Therefore, in reporting areas for development identified from our 2008 assessment, we have highlighted those where it will be important for the Council to demonstrate effective arrangements in 2009.
- 1.9 We will continue to work with the Council during the year to help prepare for the 2009 Use of Resources assessment.

Use of this report

- 1.10 This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person.
- 1.11 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Acknowledgements

- 1.12 We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management, officers and members during the course of our audit.

2 Use of Resources

Introduction

- 2.1 In carrying out our audit work, we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.
- 2.2 The overall conclusion that we issued, in September 2008, was that the Council has adequate arrangements for ensuring value for money in its use of resources. This was derived from the conclusions that we reached on the Council's management arrangements in a number of areas. We described the components of the use of resources conclusion and reported key messages in our Annual Report to those Charged with Governance.
- 2.3 We therefore summarise in this section matters arising from our Use of Resources key lines of enquiry ('KLoE') assessment for 2008.

Approach to the audit

- 2.4 The assessment was carried out between July and October 2008. We reviewed the Council's arrangements against eleven KLoEs within the five themes prescribed by the Audit Commission.
- 2.5 Our work was based on review of the Council's self assessment and supporting evidence, meetings with senior management and other key officers. We also considered and updated the findings from our local risk based use of resources work carried out during the year and from our September 2008 value for money conclusion.

2008 KLoE scores

- 2.6 We have concluded our 2008 KLoE assessment and submitted the scores to the Audit Commission for national quality control. We expect these scores to be finally confirmed by the Audit Commission in early December, prior to them being formally released on 8 December.
- 2.7 The 2008 KLoE scores, with comparative 2007 scores, are shown in the table overleaf.

Theme and KLoE	Score 2007	Score 2008
Financial reporting		
Annual accounts	3	3
External accountability	4	4
	3	3
Financial management		
Medium term financial planning	3	3
Managing performance against budgets	3	4
Managing assets	2	2
	3	3
Financial standing	3	3*
Internal control		
Managing significant business risks	3	4
Maintaining a sound system of internal control	4	3
Ensuring probity	3	4
	3	4
Value for money (VFM)		
Current achievement of VFM	3	3
Managing and improving VFM	2	3
	3	3

* Subject to appeal by the Authority to the Audit Commission

- 2.8 The key findings in each of the themes, and areas for improvement, are set out below.

Financial reporting

Annual accounts

- 2.9 The Council had sound arrangements for production of the 2007/08 accounts as in previous years, and we also evidenced improvement in collection of the working papers to support the accounts which were largely in line with our detailed arrangements letter.

- 2.10 Overall, we have seen improvement in the Council's arrangements for financial closedown, but discretion was required for level 3 as the accounts originally approved by the Audit Committee in June 2008 contained a number of errors. Although these were not material to our accounts opinion, neither were they considered to be trivial in nature. We reported this to the Audit Committee in September 2008, through our annual report to those charged with governance the nature of these errors.
- 2.11 The Council should also endeavour to provide the audit team a copy of the accounts prior to audit committee approval in June, with a view of providing initial review and feedback on presentation and any obvious accounting errors.

External accountability

- 2.12 In terms of external accountability, the Council has maintained arrangements in the range of information made available to stakeholders, which is considered best practice (level 4).
- 2.13 The Council prepares the Annual Finance and Performance Report, which has been informed by a robust consultation process, and commentary was included in the final report which detailed the action taken on the consultation process.
- 2.14 By producing the Annual Finance and Performance Report, the Council has sought to set out the achievements against the corporate priorities in the 2007/08 Corporate Plan. This process has improved the transparency of the Council and evidences that the Council considers its progress against its corporate priorities on a regular basis. The content and style of presentation of the Annual Finance and Performance Report is considered accessible to the general public and the Report considers the environmental impact of the Council.
- 2.15 'Preparation of accounts' and 'publishing reports' are key components in the 2009 Use of Resources assessment (KLoE 1.3). It will remain important for the Council to:
- continue to improve the quality of its annual accounts and effectively implement revised accounting requirements, including those brought about by changes to the SoRP and the forthcoming introduction of International Financial Reporting Standards (IFRS)

Financial management

Medium term financial planning

- 2.16 The Council has continued to maintain its business planning arrangements this year (level 3). There are clear links from the overall business plans to the Medium Term Financial Strategy (MTFS), and there are also good processes in place, such as having each corporate objective linked to a Key Priority Plan (KPP) which feeds into associated budget decisions. The MTFS and the budget book constitute a comprehensive plan including stakeholder and partner consultation, funding variations, capital investment plans, risk assessments and contingency planning, sensitivity analysis and expected developments in services.

- 2.17 The Council can demonstrate that it has considered partnerships within its MTFS, but our work undertaken on reviewing health inequalities within the Borough demonstrated that the Council did not have a clear understanding of the total resources available to partners.
- 2.18 Additionally, whilst the Council could demonstrate that it met level 3 requirements for review of financial management arrangements, we were unable to assess what the impact of that review had contributed to overall improvements within financial management. The linkages of the results of the review to actions for improvement and their implementation could have been clearer.
- 2.19 The Council has demonstrated that it is monitoring its corporate objectives and has communicated delivery of these objectives through the Annual Finance and Performance report.

Managing performance against budgets

- 2.20 The Council has improved from the previous Use of Resources assessment and is considered to be performing strongly in the area of budget monitoring and management processes (level 4). The Council has introduced greater accountability at an officer and member level of the overall budget. Service directors now attend committee meetings where they are challenged by members, and this process has also improved the understanding of members.
- 2.21 The Council continues to report enhanced performance and budget information which has been clearly actioned throughout the year. This has been facilitated through a traffic light system. The system highlights the progress of achieving the target of efficiencies, budget reductions and contains budget increases within the monitoring reports. It also reports achievements clearly.
- 2.22 The Council has demonstrated that its processes for budget monitoring have had clear impact on reducing budget variances and improvements in accountability. As the new use of resources framework moves towards a focus on outcomes, this should help with the new assessment criteria.

Managing assets

- 2.23 The Council has maintained adequate arrangements for the maintenance of its asset base. However, as we were required to use auditor discretion to assess at 2, it precluded the Council from being considered for level 3. At level 2, discretion was used, as the Council did not have an up to date capital strategy (2005) and asset management plan (2003) by the end of March 2008. We appreciate that a draft Capital Asset and Property Strategy was taken to the July 2008 Cabinet meeting and this meant that we could use discretion to assess the Council at level 2.
- 2.24 During the accounts process, we also experienced a number of issues with the information recorded on the asset register and the information reported in the accounts. Although these were not significant, overall, they did not demonstrate that asset management processes had improved during the year.

- 2.25 To improve, the Council should ensure that it has the basics right in terms of an appropriate strategy, and monitors this strategy throughout the year to demonstrate achievement of objectives. It should also consider a solution to the current asset management software arrangements to ensure that the register is up-to-date and fully integrated with the accounts and the financial close process.

Financial standing

- 2.26 There has been significant consideration of the Council's arrangements for financial standing in light of the Icelandic Banks issue, following additional guidance from the Audit Commission. In light of the additional guidance, the Audit Commission highlighted that it was not appropriate that councils with substantial investments in Icelandic banks, defined as total deposits greater than or equal to 0.5% of Gross Revenue Expenditure (GRE), should be assessed as performing strongly (level 4) in the area of financial standing. As such, to maintain consistency with the Audit Commission and other firms (and to take an overview of the actual overall financial standing position at Barnet), we have assessed the Council at level 3 for financial standing. We comment on the Council's processes related to this area below.
- 2.27 Whilst the Council does have significant investments within Icelandic Banks (£27.4m), as part of our review, we were required to consider those investments as at 31 March 2008 against the Treasury Management Strategy. We found that at this time all investments complied with the member approved strategy.
- 2.28 Additionally, since September 2007 there has been active management of the credit crunch issue by Treasury management, and the Council has been managed its counterparty risk through limits based on credit ratings. Indeed, the credit ratings did not start to deteriorate until May 2008, after which no more deposits were made with Icelandic banks. Following the final downgrade in credit ratings, in October 2008, the Council made changes to its Treasury Management Strategy to ensure that its risk exposure is minimised in the current financial climate. One of the relevant issues for the Council for those investments remaining during the period of uncertainty was that there were significant penalties in place for early exits, and therefore this was an option which was considered but which the Council chose not to pursue.
- 2.29 Elsewhere, the Council has made some real improvements against the financial standing criteria, which we feel should be commented upon. The Council has improved its reserves position from the previous year, and reserves now stand at £17.4m compared with £0.9m in 2004. The approach to increasing reserves has been measured over the past four years and has been a result of strong financial management processes and beneficial use of prudential borrowing.

- 2.30 The Council continues to monitor debt collection rates and has stretch targets for debt recovery which are in place for all material income categories. The Council has improved its debt recovery through investment in systems aimed at increasing cash income and reducing the level of bad debt provision. The Council's budgeted collection fund deficit was managed and addressed by increased investment in staff resources in the area of collection.
- 2.31 The Council has also demonstrated that it is forward looking by:
- promoting alternative infrastructure funding avoiding the need for use of existing public resources; specifically the Barnet Financing Plan (formerly Barnet Bond) is seeking to utilise the financial benefits of regeneration growth to build new infrastructure to improve the lives of local residents;
 - investing in Council infrastructure systems and accommodation to improve both services to the public and support systems and generate efficiency savings; and
 - Lobbying government on the need and importance of funding successful city suburbs in partnership with similar authorities to sustain future funding needed to support successful economic centres such as London. This includes looking beyond deprivation as a means of grant allocation and considers new ways of funding that recognise sustainable economic growth
- 2.32 'Managing spending' forms part of KLoE 1.1 in the 2009 assessment. We will continue to assess the Council's financial standing, with an increased forward looking focus on management of financial balance along with the delivery of strategic priorities.

Internal control

Managing significant business risks

- 2.33 The Council has improved its performance in the area of risk management and is currently performing strongly in this area (level 4). The key improvements noted were in relation to risk management becoming engrained within the senior manager level. But, we do feel that there should be greater input and monitoring by Members (probably by the Audit Committee) and we began to discuss this at the last Audit Committee meeting.
- 2.34 There are a number of risk management processes within the Council, which have resulted in effective outcomes. A Key Priorities Board (KPB), which is led by the section 151 officer, considers risk when setting council budgets. This is a service manager group but the outputs from the Group are reported to and considered by the Council's Directors.

- 2.35 Supporting the KPB is the internal control checklist (ICC), a process whereby each service is required to answer ideal internal control environment questionnaires, that give an indication of whether it had the appropriate environment in place (green rating), whether it had work in progress to address concerns (amber) or whether there were serious concerns over the control environment in that particular service (red). From this process key risks were better understood and managed through each service. Where consistent red ratings are apparent within the Council, these are reported and action plans drawn up.

Maintaining a sound system of internal control

- 2.36 We have assessed the Council's arrangements for maintaining a sound system of internal control as performing well (level 3). The assessment for 2008 has included additional Key Lines of Enquiry (including Scrutiny Arrangements at the Council) and therefore has been a harder test than in 2007. The key issues we wish to highlight from the assessment this year and suggested further developments are:

- We noted that, during 2007/08, there was a lack of effective leadership in the internal audit department and there was slippage to the Internal Audit Plan for the year. This slippage also continued into 2008/09, with a number of projects being delayed internally. We recommend that the Internal Audit Department continues the current drive to reduce the slippage of its reviews. However, we still are of the opinion that, overall, Internal Audit meets the requirements of the CIPFA Code in terms of quality and, therefore, level 3 is still appropriate.
- During 2007/08, a number of internal audit reviews concluded that there was only limited assurance that the internal controls in the systems reviewed were operating properly. A number of these limited opinions related to financial systems. Although subsequent follow up audits have shown improvements to the majority of these reviews, and most have been moved to satisfactory assurance, there are still a number of systems with limited assurance. These have been identified by Internal Audit and the Audit Committee and further action is to be taken. We welcome this and will monitor the progress made.
- New criteria for 2008 assessment related to effective Scrutiny arrangements being embedded within the Council. We have undertaken a detailed review of Scrutiny, for which a report has been drafted. This indicates that the Council has taken a number of steps to address the criticism of the 2006 Corporate Assessment by undertaking several reviews into Scrutiny and improving the short term performance of the Scrutiny Committees. However, the recommendations of the fundamental reviews are still being implemented and, therefore, we have used some discretion to assess the impact of improvements within the Council.

- We also feel that there could be further improvement to the overall challenge the Audit Committee are giving to officers. For example, one of the reasons for slippage of the internal audit programme has been due to the delay experienced by internal audit from services,

which wish to postpone the start of the audit. As the content and timing of the internal audit programme is approved by the Audit Committee, a delay to the audit commencement could be for reasons of internal control instability and therefore the Audit Committee should seek to challenge those areas of the internal audit plan, which have slipped. We also suggest that the Committee receives a fuller planned programme of regular training and we would be pleased to be involved in this process.

- Whilst the process for informing the Annual Governance Statement (AGS) was considered notable (and the AGS overall was presented fairly in this, its first year), we felt that the AGS concentrated on the processes rather than focusing on the outcomes of these processes. In particular, the AGS described certain actions that the Council was undertaking, but we recommend that this is expanded in future and that there is clear description and link between the developments needed and the actions resulting.

Ensuring probity

- 2.37 Arrangements for anti-fraud and corruption and promotion of good conduct have become further embedded and we consider that the Council is performing strongly (level 4). The Council can demonstrate that it has a strong anti-fraud culture which is led by the Corporate Anti Fraud Team (CAFT)
- 2.38 The preventative arrangements at the Council, such as the whistle-blowing policy and anti-fraud and corruption policy, are given prominence on the Council's intranet site. Staff are provided with fraud training and the team publicises any frauds, which have been confirmed within the Council and externally.
- 2.39 The CAFT continues to report, on an annual basis, the success of its operations during the year and these are supported by the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle-blowing policy. The CAFT has also achieved significant monetary outcomes through its targeted approach to Housing Benefit and Council Tax benefit fraud.
- 2.40 'Principles of good governance,' 'ethical framework and culture,' 'partnership governance,' 'risk management,' 'counter fraud and corruption' and 'system of internal control' remain as key components in the 2009 Use of Resources assessment (KLoE 2.3 and 2.4).
- 2.41 We will continue to assess the Council on these and other aspects of internal control, but with an increased focus on the effectiveness and outcomes of arrangements, including the demonstration of a strong and improving culture of governance, conduct, risk management and internal control.

Value for money (VFM)

Current achievement of VFM

- 2.42 The Council is performing well in this area (level 3), and this is unchanged from the prior year. Net revenue spend on services per head of population is the second-lowest in the comparator group. Costs per head are below the median for most service areas, with the notable exceptions of children's services and adult social services, which are priority areas for the Council. Levels of local taxation are below the median when compared with nearest neighbours, and public satisfaction with the Council is in the second-best quartile.
- 2.43 Most Council services exhibit a positive relationship between benchmarked costs and outcomes. However, for the exceptions to this (as noted above), we have reviewed additional evidence to ensure that performance is in accordance with the level of costs incurred. We found that, for social care in adults in particular, there were additional considerations such as the positive assessment from CSCI, with excellent performance in some areas. There is a clear approach to reducing costs focusing on enablement, regular re-assessments, improved procurement and shaping customer expectations. The service also faces acute pressures from a growing and ageing population.
- 2.44 In the area of benefits, the increase in costs relates to process improvement work undertaken by the service in 2007/08, linked to the modernisation programme. This has contributed to significant performance indicator (PI) improvement in 2007/08, compared with the 2006/07 data in our benchmarking model.
- 2.45 This VFM criteria also require that the capital programme has been delivered on time throughout the year and within budget. We exercised discretion in relation to this criteria. The Council has an out of date capital strategy (2005), and the performance in the year for the capital programme was in 'red' on the final outturn position. There was an underspend of approximately £8m, just under 10% of the programme, most of which was attributable to slippage.

Managing and improving VFM

- 2.46 The Council's performance in this area has improved from the previous year from level 2 to level 3, and this was due to the following:
- demonstration of more effective arrangements for understanding and responding to diverse needs of the community, including establishing an information observatory using mosaic and GIS technology, and also development of a customer access strategy which has showed good implementation;
 - improved data quality management arrangements;
 - implementation of new integrated financial and performance management cycle, leading to cost and performance data being reviewed together through a variety of different mechanisms at officer and member level;
 - effective use of transaction and unit costs as management information to support service improvement; and
 - sustained good performance in delivering efficiencies.

- 2.47 Whilst the Council has been good at maintaining some level 3 individual criteria from the previous year, there were other areas, where auditor discretion was exercised in order to achieve level 3 overall, namely:
- some weaknesses continue in scrutiny arrangements;
 - there was a lack of clear quantification of the benefits derived from procurement; and
 - whilst there was evidence of good partnership working overall, there was not a sound understanding of the total resources available to partnerships.
- 2.48 There is no distinct VFM KLoE in the 2009 Use of Resources assessment as arrangements for, and achievement of, VFM will be measured across all of the KLoEs. The Council will, therefore, need to continue to demonstrate that it is improving VFM for the local community.

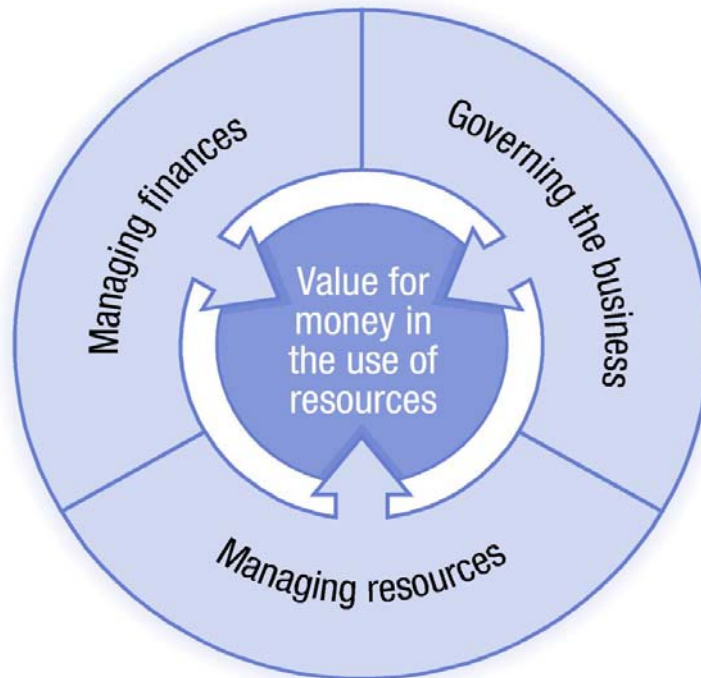
Use of resources 2009

- 2.49 From 2009, the use of resources assessment considers how well organisations are managing and using their resources to deliver better value for money and better and sustainable outcomes for local people. The assessment is structured into three themes; Managing Finances, Governing the Business and Managing Resources. These focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.
- 2.50 The assessment will use the Audit Commission's current four point scale and there will be clear expectations around the demonstration of good and improved outcomes in order to perform well.
- 2.51 Further details of the 2009 framework can be found at Appendix A.

Appendix A Use of Resources from 2009

The use of resources assessment forms part of the joint inspectorates' framework for Comprehensive Area Assessment (CAA), which takes effect from 2009. The inspectorates, including the Audit Commission, propose that CAA will consist of two assessments - of the area and of the organisations in an area. The area assessment will look at how well local public services are delivering better results for local people against local priorities and how likely they are to improve in future.

From 2009, the use of resources assessment considers how well organisations are managing and using their resources to deliver better value for money and better and sustainable outcomes for local people. The assessment is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes are illustrated below.



The new use of resources assessment framework is more demanding than the previous assessment. It is broader in scope and embraces wider resources issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on outcomes of local people. The KLoE are more strategic and focus much more explicitly on value for money achievements rather than processes. The KLoEs in each of the three themes are set out in the table overleaf.

Managing finances	Governing the business	Managing resources
1.1 Financial planning and financial health	2.1 Commissioning and procurement	3.1 Natural resources
1.2 Understanding costs and performance	2.2 Data Quality and use of information	3.2 Asset management
1.3 Financial monitoring and reporting	2.3 Good governance and ethical behaviour	3.3 Workforce planning
	2.4 Risk management and internal control	

Each theme comprises of a number of underlying KLoE, which are common to all organisations subject to a use of resources assessment under the CAA. This promotes consistency and demonstrates that all organisations within a CAA area are assessed in the same way and to the same standards.

The use of resources assessment will use the Audit Commission's current four point scale with 4 representing the highest level of performance, as follows:

Level	Performance and principles implicit in the KLoEs
1	<p>Inadequate</p> <p>Below minimum acceptable levels of performance. Consistent with an "except for / qualified" use of resources conclusion.</p>
2	<p>Performs adequately</p> <p>Consistent with established professional practice, meeting statutory requirements, operating effectively.</p> <p>Sufficient to address the KLoE demonstrating, for example: organisational leadership and commitment, partnership working, appropriate capacity and skills, informed by priorities with supporting action plans as appropriate.</p> <p>Arrangements that achieve minimum accepted levels of performance.</p>
3	<p>Performs well</p> <p>Implemented effective arrangements that are forward looking and proactive in developing improvement opportunities and include more sophisticated measuring and assessment techniques.</p> <p>Outputs and outcomes demonstrate effective arrangements that have the intended impact, and where appropriate show evidence of effective partnership working.</p> <p>Evidence of performing consistently above minimum acceptable levels and achieving value for money.</p>

Level	Performance and principles implicit in the KLoEs
4	<p>Performs excellently</p> <p>Demonstrating innovation or best practice.</p> <p>Demonstrating strong outcomes for the community including through partnership working.</p> <p>Evidence of performing well above minimum acceptable levels and achieving excellent value for money.</p>



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AGENDA ITEM: 10 Page nos. 83 - 90

Meeting	Audit Committee
Date	10 March 2009
Subject	Work Programme for 2009/10
Report of	Director of Corporate Governance
Summary	To propose a work programme for the Audit Committee for the next twelve months.

Officer Contributors	Hem Savla, Acting Head of Internal Audit and Ethical Governance Helen Gardiner, Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Work Programme 2009/10
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 , 020 8359 7154

1. RECOMMENDATIONS

- 1.1 That the programme of work for the Committee as set out in Appendix A be approved;**
- 1.2 That the Committee gives its views on proposals for member briefings as set out in paragraph 9.9;**
- 1.3 That the Committee confirms its agreement for the reserve meeting date in February 2010, should there be a business need.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee Work Programme for 2008/09, 19 March 2008.
- 2.2 Audit Committee, 19 March 2008, maintained the previous decisions to review annually the terms of reference and to put in place a programme of training for its members and to instruct the Chief Finance Officer to map out the likely work programme for the forthcoming year.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The audit plan is designed to review key systems, which in turn are designed to deliver key service objectives. These contribute to the delivery of the Corporate Plan, in particular the priority of More Choice Better Value.

4. RISK MANAGEMENT ISSUES

- 4.1 The Statement of Purpose for the Audit Committee in the constitution is defined as :-

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.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits will consider equalities dimensions where identified and relevant.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 None.

7. LEGAL ISSUES

7.1 None.

8. CONSTITUTIONAL POWERS

8.1 The Audit Committee's terms of reference are noted in Part 3, Section 4 of the Council's Constitution.

9. BACKGROUND INFORMATION

9.1 The terms of reference were reviewed at the meeting on 27 February 2008. This maintained that the Audit Committee should receive a further report outlining an annual work programme. This work programme for 2009/10 is based on having the following four meetings to deal with reports:

30 June 2009

24 September 2009

16 December 2009

11 March 2010

The Committee will recall that it was necessary in 2009 to schedule an additional meeting in February to accommodate training and consider reports scheduled at other meeting dates. Therefore, a reserve date is suggested in February 2010 to consider reports, should there be a business need.

9.2 Attached at Appendix A is a summary of the terms of reference, indicating the reports that it is felt appropriate for the Committee to consider. It is also shown the months that these reports could be considered, some of which are dictated by statutory deadlines, e.g. the statement of accounts must be considered before the end of June, and the Annual Governance Statement before the end of September.

9.3 Based on this, the Audit Committee should consider meetings at the following times:-

Meeting	Items
June 2009	<ul style="list-style-type: none">● Internal Audit Annual Report● Corporate Anti-Fraud Team Annual Report (including whistle blowing)● Statement of Accounts● Annual Audit and Inspection Plan● Annual Audit and Inspection Letter● Draft Annual Governance Statement● Report on annual review of council constitution, including:-<ul style="list-style-type: none">○ Audit Committee terms of reference○ Financial Regulations○ Contract Procedure Rules
September 2009	<ul style="list-style-type: none">● Interim Audit Management Report External Audit)● Annual Governance Statement● ISA260 Report (External Audit)● Annual review of the effectiveness of internal audit

December 2009	<ul style="list-style-type: none"> • Internal Audit Interim Report • CAFT Interim Report
March 2010	<ul style="list-style-type: none"> • Setting work programme for the coming year • Use of Resources – Internal Control Assessment & Action Plan • Internal Audit Annual Plan • Data Integrity Report • Grants Audit Report (External Audit) • Annual review of Audit Committee’s Effectiveness • Corporate Anti-Fraud Team (CAFT) Annual Plan
As & When	<ul style="list-style-type: none"> • Appointment of External Auditors • Matters referred by the Chief Executive, Directors, Chief Finance Officer • Others reports agreed with Internal and External Audit

9.4 As previously agreed it would be good practice for the Chairman, Vice-Chairman and key officers to meet mid-way between Audit Committee meetings to review the agenda and progress with reports. This would enable the reports to focus on the key issues and not become too detailed.

9.5 The Audit Committee agreed at the 15 February 2006 meeting that it should have access to reports from inspection agencies about the Council’s financial management and governance, to provide a source of assurance and to compare with any relevant internal and external audit reports. It also acknowledged the need to monitor executive and management action arising from such reports. It was agreed, however, that these reports would not ordinarily be considered as agenda items at the Audit Committee other than in exceptional circumstances, and that these reports would just be circulated to Members of the Committee by way of background material.

9.6 In the same vein, the Audit Committee accepted its members should maintain an awareness of the work of overview and scrutiny committees, so that they could take account of issues relevant to the Audit Committee’s areas of interest.

9.7 The Audit Committee agreed that in considering reports set out in Appendix A it should also review relevant strategies that the Council has in place to regulate its activities and control the actions of employees, elected members and contractors. These strategies might include:-

- risk management
- anti-fraud and corruption
- whistle blowing
- complaints procedures.

Responsibility must rest with the relevant report authors to ensure the current position of these strategies is incorporated in their reports.

9.8 The reports on the annual Statement of Accounts and ISA260 bear further mention. The Audit Committee agreed at the 15 February 2006 meeting that in considering these reports it should focus on the following points:-

- the suitability of accounting policies and treatments, including any changes in these from the previous year;
- major judgemental areas (e.g. provisions);
- significant adjustments and material weaknesses in internal control reported by the External Auditor.

9.9 The Committee has been receiving training/briefings at the start of the meetings, to focus discussions on the background to the issues on the agenda for the forthcoming meeting. Members views are sought as to:

- whether these sessions, where run, have been beneficial
- whether they should be continued ahead of the meetings in 2009-10
- and which topics should be covered

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JEL
CFO: HG

Audit Committee – 2009/10 Work Programme

	Terms of Reference	Reports	Report Author	Provisional Date
•	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.	Internal Audit Annual Plan Internal Audit Interim Report Internal Audit Annual Report	HoIA&EG HoIA&EG HoIA&EG	March December June
2	To consider summaries of specific internal audit reports as requested.	Internal Audit Interim Report Internal Audit Annual Report	HoIA&EG HoIA&EG	December June
3	To consider reports dealing with the management and performance of the providers of internal audit services.	Internal Audit Annual Report	HoIA&EG	June
4	To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.	Internal Audit Interim Report Internal Audit Annual Report	HoIA&EG HoIA&EG	December June
5	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	Annual Audit & Inspection Letter Interim External Audit Management Report	HoSF HoSF	June September
6	To consider specific reports as agreed with the external auditor.	External Audit Grants Report Data Integrity Audit Report	HoSF BIM	March March
7	To comment on the scope and depth of external audit work and to ensure it gives value for money.	Annual Audit & Inspection Plan	DoR	June

Terms of Reference		Reports	Report Author	Provisional Date
8	To liaise with the Audit Commission over the appointment of the council's external auditors.	-	-	Determined by Audit Commission
9	To commission work from internal and external audit.	It is envisaged that requests for ad-hoc reports would arise from the consideration of other scheduled reports.	-	At next available meeting (subject to time required to complete work), unless urgent.
• REGULATORY FRAMEWORK				
10	To maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations.	To receive reports as part of the annual review of the council's constitution.	DoR	September to April
11	To review any issue referred to it by the Chief Executive or a Director, or any council body.	Ad hoc.	Person or body referring the matter.	At next available scheduled meeting, unless urgent.
12	To monitor the effective development and operation of risk management and corporate governance in the council.	It is envisaged that this would be part of the assurance framework presented with the annual report on the Annual Governance Statement – see 14.	-	-
13	To monitor council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the council's complaints process.	CAFT Annual Plan CAFT Interim Report (including whistle blowing) CAFT Annual Report (including whistle blowing)	DoCG DoCG DoCG	March December June
14	To oversee the production of the authority's Annual Governance Statement and to recommend its adoption	Draft Annual Governance Statement Annual Governance Statement	DoCG DoCG	June September

Terms of Reference		Reports	Report Author	Provisional Date
15	To consider the council's compliance with its own and other published standards and controls.	Use of Resources – Internal Control Assessment & Action Plan	DoR	March
• ACCOUNTS				
16	To review 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.	Draft Statement of Accounts	HoSF	June
17	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	ISA260	HoSF	September
• REVIEW OF EFFECTIVENESS				
18	To conduct an annual review of the effectiveness of the Audit Committee	Annual Review of Audit Committee's Effectiveness	DoCG	March
• OTHER				
	N/A	Annual Work Programme for following year	DoCG	March
	N/A	Annual Review of the Effectiveness of Internal Audit	DoCG	September
	N/A	Review of Code of Corporate Governance	DoCG	Biennial (March)

Report Authors:

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 BIM Business Improvement Manager
 DoCG Director of Corporate Governance

HoSF Head of Strategic Finance
 HoIA&EG Head of Internal Audit & Ethical Governance