MEETING
AUDIT COMMITTEE

DATE AND TIME
MONDAY, 27 APRIL 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

FACILITIES FOR PEOPLE WITH DISABILITIES

Barnet House has access for wheelchair users including lifts and toilets. If you wish to let us know in advance that you will be attending the meeting please telephone Nazyer Choudhury on 020 8359 2031. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

ORDER OF BUSINESS

Fire/Emergency Evacuation Procedure

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by Committee staff or by uniformed porters. It is vital you follow their instructions.

You should proceed calmly; do not run and do not use the lifts.

Do not stop to collect personal belongings.

Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions.

Do not re-enter the building until told to do so.

BARNET
LONDON BOROUGH

AGENDA ITEM: 7 Page nos. 1 - 8

Meeting	Audit Committee
Date	27 April 2009
Subject	**Quality of performance data**
Report of	Director of Resources and Chief Finance Officer
Summary	To inform the Committee about how the data quality issues identified in data by Grant Thornton's data quality audit 2007-8 are being tackled by the service areas concerned

Officer Contributors	Kari Manovitch, Head of Business Improvement
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A - Data Quality Policy
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Kari Manovitch, Head of Business Improvement 020 8359 7628 or Isabelle Apcher, Performance Officer 020 8359 7853

1. RECOMMENDATIONS

1.1 That the committee note the ongoing work to secure data quality.

2. RELEVANT PREVIOUS DECISIONS

2.1 The Data Quality Policy was agreed by the Cabinet Member for Policy and Performance on 23 March 2009 (enclosed as Appendix A) - DPR no 765.

2.2 London Borough of Barnet's annual Data Quality Audit Report 2007/8 was presented to Audit Committee on 5 February 2009.

2.3 The Annual Report (incorporating the Best Value Performance Plan) was approved at Council on 18 June 2008.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Good quality data is essential to ensure effective decision-making. The setting, monitoring and revision of corporate priorities relies on corporate data. One of the objectives of the 'More Choice, Better Value' priority is to achieve Better Use of Resources; performance management is one of the main ways of enabling this and robust data quality is a pre-requisite of that.

4. RISK MANAGEMENT ISSUES

4.1 Poor data quality impairs the quality of decision-making and therefore can impact adversely on everything the council does, particularly in terms of its use of resources.

4.2 The quality of our all of our data is continually assessed by internal and external reviews. Under the Comprehensive Area Assessment (CAA) and the Use of Resources judgement the council will be judged on its production of relevant, reliable data which supports sound decision making. Therefore poor quality data would put this judgement at risk, with consequent impact on the council's reputation.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 This report refers to data about services that support the vulnerable. Poor data quality in such services may lead to decisions that have a negative impact on the most vulnerable in our community.

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

6.1 Without high quality data, our decisions about resource allocation and performance management are impaired.

6.2   The quality of our all of our data is assessed as part of the annual Use of Resources judgement.

7.   LEGAL ISSUES

7.1   It is a legal requirement to submit a range of financial and performance data to central government and its appointed bodies, and this data must be of high quality.

8.   CONSTITUTIONAL POWERS

8.1   The terms of reference for Audit Committee includes consideration of relevant reports.

9   BACKGROUND INFORMATION

9.1   At the Audit Committee on 5 February 2009 the committee expressed its concern about the errors found by the External Auditors during its spot check auditing of performance indicators.

9.2   In the sample of 80 records relating to the BVPI 78 - speed of processing new Housing Benefit and Council Tax Benefit claims (part a), and speed of processing changes of circumstances (part b) - 8 records failed, 4 for each part of the indicator. Six failed because the date of receipt stamped on the new claims forms did not match the date of receipt entered into the system. The remaining two failed because they were mistakes – one was a duplicate, the other was judged an invalid claim and was not therefore fully processed.

9.3   This represented a 10% error rate which the auditors judged was on the 'threshold of materiality' and therefore the final indicator result was judged to be fairly stated. 14 London boroughs actually had higher error rates and received a formal qualification on this BVPI, so in this context Barnet has done well.

9.4   Although BVPIs have been discontinued for 2009/10, this particular measure remains relevant as it has been continued as 'National Indicator 181 - Time taken to process Housing Benefit/Council Tax Benefit new claims and change events.'

9.5   Another BVPI, the average length of stay in hostel accommodation, was found to be incorrect because one person was mistakenly excluded from the calculation, and the time spent by two others was slightly miscalculated. As a result the outturn was changed by the external auditors from 18 weeks to 16.57 weeks – actually a better result. The difference between these two figures is 7.9%, and this is below what auditors consider a material misstatement level of 10%. Therefore the final indicator result was judged by the external auditors to be fairly stated.

9.6   This particular indicator was not viewed to be useful by the Housing service and as it is no longer required by central government, they will no longer use it. The new temporary accommodation measure (NI 156) is much simpler as it just

counts the number of households in temporary accommodation, and the service does not foresee any problems in calculating it because it's a straightforward report from Saffron, the information system that the service uses.

9.7   The risk arising from data errors is that we do not have an accurate understanding of the service's performance and that decisions about performance management and resource allocation are not made on a sound basis.

9.8   Both the Benefits service and the Housing service have processes in place to ensure that data entry and calculation errors do not occur in the first place, and that if they do occur, they are picked up and corrected through routinised checking.

9.9   In the Benefits service, there are strict procedures in place, documented in a manual called: Benefits Service Work Instructions. An excerpt is copied below:

Benefit Team Managers will arrange to check <u>all claims with performances outside the norm</u> or as directed by Benefits Manager. This is currently.
- All duplicated new claims and duplicated change of circumstances
- All new claims and change of circumstance which are 50% above the average number of days to assess a new claim or 50% above the average number of days to asses a change of circumstance respectively. This is currently set at 35 days and 25 days respectively.
- All new claims assessed in two days or less.
- A sample check of 10 change of circumstances assessed in two days or less.
- All cases checked must be signed and dated by the assessor.

Once the Benefit Team Manager is satisfied that the performance information is correct, the Area Benefit Manager will carry out a sample check of each list and indicate on the list which claims have been checked. If the Area Benefit Manager is not available the list will be passed to the other Area Benefit Manager for sample checking.

Once the sample check has been carried out the Benefit Team Manager will sign the list to indicate that they are satisfied with the accuracy of the data and the listing will be passed by Wednesday afternoon to the Management Information Officer/ Senior Assessor (subsidy) for storage and this record will be made available to auditors and senior managers as required. The Management Information Officer/ Senior Assessor (Subsidy) will contact the Area Team Manager the next day if the hard copy report has not been passed to them on time.

(page 60, Validation of Performance indicators section)

9.10   Benefits staff are supported to achieve high standards of data quality through ongoing training by the in-house training section and regular performance feedback.

9.11   In the Housing service, an audit of the documentation supporting a selection of performance figures is undertaken approximately twice a year. The audit of the number of households living in temporary accommodation (NI 153) recently completed threw up queries in two out of ten cases audited because there was no audit trail on Diraq, the scanning solution currently being used. The hard copy files have now been retrieved and will be scanned. Any errors found are fed-back to the officers who erroneously entered the data who then make the

required corrections. Advice, assistance and training are provided to officers as appropriate.

9.12 To support service areas in achieving high standards of data quality, the Business Improvement team in Resources also undertakes a number of support activities:
- Owns and communicates a corporate data quality policy and guidance
- Runs a data quality exercise for a sample of around 20 quarter 3 performance results
- Runs an annual performance management and data quality workshop
- Supports the annual data quality review and spot checks of year end data that is conducted by external auditors

10. LIST OF BACKGROUND PAPERS

- Data Quality Policy – enclosed as Appendix A
- Data Quality Audit Report 2007/8
  http://committeepapers.barnet.gov.uk/democracy/reports/reportdetail.asp?ReportID=7763
- Benefits Service Work Instructions – available on request from Lyn Sutherland, Benefits Manager, 020 8359 2318

London Borough of Barnet: Data Quality Policy

1. Introduction

Performance data is increasingly relied upon as the basis for decision making and is essential to improving public services. It is used by Barnet services, elected members, internal and external audit, government departments, regulators, the Council's partners and its community.

This policy covers all data used by the council for decision-making, performance management and reporting, whether produced exclusively by the council or sourced from our suppliers or strategic partners.

Why is data quality so important?

The council manages increasingly finite resources. Good quality financial and performance information is essential if the council is to meet the varied needs of its communities, to plan and invest for the future and to account for the use of these resources to all of its stakeholders. Strategic decision making by the council and its partners must be based on robust and reliable performance and financial information. High quality data also enables informed judgements to be made both internally and by our external assessors

The risks arising from relying on poor quality data include:
- published information which is misleading;
- poor use of resources;
- failure to improve services;
- poor policy decisions;
- not recognising and rewarding good performance; and
- not identifying and monitoring improvement opportunities.

Source: Audit Commission: In The Know, Audit Commission, 2008.

The quality of our data is assessed annually by our appointed external auditors. Under the Comprehensive Area Assessment (CAA) and the Use of Resources judgement the council will be judged on its production of relevant, reliable data to support sound decision making and performance management.

2. Our commitment

The London Borough of Barnet is committed to ensuring that the performance data it uses possesses the following six key characteristics:

- **Accuracy** – data has been calculated without errors, and adheres precisely to any applicable definition

- **Reliability** – data reflects stable and consistent collection processes across collection points and over time

- **Timeliness** – data capture occurs as quickly as possible after the event or activity, and is reported in a timely fashion

- **Relevance** – data is applicable to the issue and provides the answers needed

- **Completeness** – data comprises of all necessary elements and lacks nothing

- **A clear audit trail** – a documented process for obtaining and using the data, which is understood by all involved in producing the data, and accessible to those who rely on the data.

(*Adapted from Improving Information to Support Decision Making: Standards for Better Quality Data, Audit Commission, 15 March 2007*).

The Council also recognises that the resources spent on achieving these data quality characteristics must be proportionate to the significance of the data.

3. Responsibilities and requirements for maintaining data quality

The Business Improvement team have responsibility for developing the corporate data quality policy and providing guidance on its implementation. The team is also responsible for testing data quality and ensuring that when problems are found they are effectively reported and acted on.

It is the responsibility of each service area to develop and maintain data quality procedures pertinent to their service/area. These procedures should be developed in consultation with any partners or suppliers involved and observed by all parties.

It is the responsibility of all managers to ensure that every member of staff entering, extracting, analysing or reporting data adheres to the necessary principles for ensuring data quality, and understand their role in contributing to robust performance monitoring and measurement across the council and with partners.

To protect the quality of data used across the council and its partnerships the following guiding principles should be adhered to:

- **Senior managers have an overview** of all performance data produced, used and reported by their service area, and all externally reported data is signed off at a senior level.

- **Responsibility for data quality is clearly assigned and everyone understands their role.** Responsibility for data quality should be reflected in job descriptions and the appraisal process. Managers should ensure that suitable appraisal targets and statements in job descriptions are included, based on the level of involvement staff have in the process of producing and using data.

- **Staff at all levels recognise why data quality is important and it is seen as 'part of the day job'.** Officers should know how their day-to-day job contributes to the calculation of performance indicators and how lapses can either lead to errors or delay in reporting, which limit our ability to manage performance effectively.

- **Systems and processes are fit for purpose** and operate according to the principle of 'right first time'. Procedure notes and training are used to ensure staff are able to correctly collect and record data. Data is held securely and used and shared in compliance with all legal requirements. Manual processing and intervention is limited as far as possible. Business continuity plans are in place to ensure that risks from unexpected system disruption are mitigated and managed to minimise gaps in data quality.

- **Adequate and effective controls are in place** during the input, reporting and output of data to ensure the quality of the data is maintained (in this context control is defined as any action taken by management to enhance the likelihood that established objectives and goals will be achieved). Routine departmental verification checks are carried out on the data underpinning reported figures.

- **Clear and complete audit trails are maintained** to demonstrate accuracy for all data used for decision-making internally or reported externally to government departments, their agencies and regulators, and are supplied on request to the business improvement team, internal or external audit.

4. Guidance and support

The data quality guidance provides more detail about how to achieve data quality in practice, the regulatory requirements and sources of information and advice. The latest version of this is available on the Business Improvement pages on the intranet and will be regularly reviewed, at least annually, to ensure it accurately reflects national and local contexts.

Further support in relation to data quality can also be obtained from:

- The Business improvement team, which supports, challenges and reports on corporate performance in the Corporate Plan. It also leads on ongoing data quality guidance, testing and training in conjunction with nominated service performance leads, and the annual external audit of data quality.

- Internal Audit, which can provide independent and objective assurance on processes in place for data quality.

- The Information Governance Officer provides guidance on the Data Protection Act 1998 which relates to personal data and Freedom of Information Act 2000 which relates to general data.

Author and contact details	Kari Manovitch, Head of Business Improvement, kari.manovitch@barnet.gov.uk, 020 8359 7628
Version number	2
Publication date	23.03.09
Publication location	http://committeepapers.barnet.gov.uk/democracy/reports/reportdetail.asp?ReportID=8001

AGENDA ITEM: 8   Page nos. 9 - 18

Meeting	Audit Committee
Date	27th April 2009
Subject	**Annual Work Plan of the Corporate Anti Fraud Team 2009/10**
Report of	Corporate Anti Fraud Team Manager and Acting Deputy Director of Corporate Governance
Summary	The Committee is asked to note the Annual Work Plan of the Corporate Anti Fraud Team 2009/10

Officer Contributors	Val Lambe, Corporate Anti Fraud Team Manager
	Shahin Farjami, Acting Deputy Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Corporate Anti Fraud Team Annual Work Plan 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: Val Lambe 0208 359 7791 Shahin Farjami 0208 359 7019

www.barnet.gov.uk

Beacon Council

2002-2003
Improving Urban Green Spaces
Libraries as a Community Resource
2002-2004
Community Cohesion

9

1.   RECOMMENDATIONS

1.1   That the Committee note the contents of the CAFT Annual Work Plan for 2009/10.

2.   RELEVANT PREVIOUS DECISIONS

2.1   The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004 (delegated powers report, ref: BT/2004-05 -2 March 2004)

2.2   On 10th March 2009, the Audit Committee included in the work programme for 2009/10, that an annual work plan of the Corporate Anti Fraud Team be produced to this meeting.

3.   CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1   The Council's Corporate Plan has set six key objectives to achieve 'More Choice Better Value' over the next four years, the work of the Corporate Anti Fraud Team supports this by delivering value for money through better use of resources.

3.2   Crime, anti-social behaviour (ASB) and community safety have continued to be top priorities for Barnet residents. These concerns are reflected in the Corporate Plan (the Clean, Green and Safe Corporate Priority) and in the Sustainable Community Strategy 2008 – 2018, (Safer, Stronger and Cleaner Barnet theme). These concerns are also reflected in the Safer Communities Strategy 2008 – 2011 and the targets within the supporting action plan and Local Area Agreement 2008 - 2011.

4.   RISK MANAGEMENT ISSUES

4.1   I have considered whether the issues involved are likely to raise significant levels of public concern or give rise to policy considerations. The proposals do not give rise to significant levels of public concern or give rise to policy considerations as they are about improving our current ability to address existing priorities.

5.   EQUALITIES AND DIVERSITY ISSUES

5.1   The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through the Annual Work Plan and our service delivery.

5.2   Our Annual Work Plan will have no adverse impact or diversity issues. CAFT have worked closely with the Benefits Service in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided and reduce the likelihood of intentional or other fraud being committed.

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

6.1   None.

7.   LEGAL ISSUES

7.1   None identified outside the context of this report.

8.   CONSTITUTIONAL POWERS

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

9   BACKGROUND INFORMATION

9.1   CAFT is a specialist investigative unit which was established in May 2004 to investigate allegations of Housing Benefit, Council Tax Benefit and General Fraud within the London Borough of Barnet. Our aim is to assist the Council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption.

9.2   CAFT is part of the Corporate Governance Directorate; this directorate was launched on 1st December 2006 to "promote the highest standards of conduct, accountability, and transparency in the way the Council and its partnerships operate". Corporate Governance is responsible for safeguarding the Council's legal interests and democratic responsibilities, providing independent audit assurance and, assisting in delivering the anti-crime strategy.

9.3   CAFT has worked throughout 2008/09 collectively with the Directorate's Community Protection Group (CPG) in the delivery and promotion of the anti-crime strategy. One of our clear objectives has been to ensure that the intelligence gathered throughout our investigations was collated and disseminated to all the relevant anti-crime teams to assist with their partnership working which is aimed at promoting and improving community safety and reducing the fear of crime in the community.

9.4   The CAFT Work Pan for 2009/10 sets out the key objectives for the year.

10.   LIST OF BACKGROUND PAPERS

10.1   None

Legal: JL

CFO: CM

Corporate Governance Directorate

Group Work Plan for
CAFT
2009/2010

1. Introduction

The key purpose of this group work plan is to clearly set out the group/team objectives, priority improvement initiatives, the measures against which performance can be monitored and managed, and the mechanism for achieving that. This is in line with corporate guidance which states that in moving towards self organisation, services should produce Service Delivery Plans and/or team plans below the Corporate Plan which direct progress against Corporate Plan work'.

The plan should be viewed in the context of the overriding plans and strategies that govern the direction and focus of the directorate, and the wider Council. They are:

- The Sustainable Community Strategy
- The Corporate Plan
- The Corporate Performance Framework
- Medium Term Financial Strategy, Forward Plan and Budget Process
- LAA's and other external indicators/standards

The Group Work Plans should also work in parallel with a number of other directorate plans and frameworks. They are:

- The Corporate Governance Directorate (CGD) Service Plan
- The CGD Learning and Development Plan
- The Mini SIC (and AGS), ICC and Risk Register/s
- The Business Continuity Plan/s
- Equalities Initiatives

2. Group/Team Description

The directorate is broadly structures around two key areas:

- Operational Governance and,
- Non-Operational Governance (Legal, Ethical & Democratic Governance)

The CAFT falls within Operational Governance.

The responsibilities of the team are: -

- Investigation of Housing and Council Tax Benefit (HB/CTB) Fraud and Corruption.
- Investigation of Internal Fraud and Corruption.
- The assistance in the identification of incorrect HB/CTB awards.
- The administration of the Housing Benefit Data Matching Service (HBDMS) data-matches.

- ## 3. Corporate Plan Priorities

The vision and direction of the CGD and the CAFT is set in the Council's Corporate Plan. This plan forms the basis for planning and performance at directorate and team level. Below are the relevant extracts from the plan.

Corporate Plan Theme: More Choice, Better Value
Key Objectives
- Provide customers with a choice of access to services and service information.   - Maximise income and debt recovery.   - Support and challenge for better use of resources across the organisation.   - Enhance and further develop corporate governance.   - Stimulate high quality democratic engagement.   - Inform and encourage residents to get involved via consultation.

Priority Improvement Initiatives:	Milestones:	Lead:	Progress:
Promote and raise awareness of the Council's Whistleblowing Policy and Whistleblowing Hotline to enhance role of CAFT as high quality/value for money specialist investigative unit within the Council. *A survey of members and staff was conducted as part of Ethical Governance Assessment in 2008 and the awareness of the Council's Whistleblowing Policy measured.* Members 87% Officers 74%	Completion of initial promotion June 2009. Increase awareness of the Council's Whistleblowing Policy. Targets: Members 89% Officers 76%	CAFT Manager, Val Lambe	Ongoing

Key Performance Indicators:	Baseline / 08/09 outturn	Target 09/10	Target 10/11
CAFT set performance priorities based on the Department Of Work & Pensions' (DWP) 'New Local Performance Framework for Housing Benefit and Council Tax Benefit', good practice and any legislative requirements.	Not Applicable. This indicator was introduced by the DWP and no baseline set for 2008/09. The indicator was based on	No baseline has been set by the DWP for 2009/10.	To be advised.

| CAFT contribute, along with the Benefit Service towards the National Performance Indicator NI 180 "The Right Benefit Indicator" as it is agreed that counter fraud activity makes a vital contribution towards this indicator by deterring fraudsters and encouraging customer compliance with their reporting responsibilities.

Whilst also ensuring that all reassessments are in line with the Benefit Service's National Performance Indicator NI 181 "The Right Time Indicator" | good practice only.

During 2008/09 CAFT investigated 1,729 Housing Benefit Data Matches and of these identified 1,067 matches which contributed towards the NI 180 Performance Indicator.

Outturn: 61% | Based on our 2008/09 outturn an internal target has been set at 65%. | |

Progress against the Corporate Plan Priority Improvement Initiative and Key Performance Indicators is reported to:

- First Stat (as per schedule of meetings)
- Finance and Performance Review (bi-annually)
- Member Challenge (annually)
- Scrutiny (quarterly)

4. Group/Team Level Priorities

In addition to the Corporate Plan priorities that govern the work of the CAFT, the following priorities have been identified as critical to the success of the group:

Key Priority Tasks:			
Priority Actions/Tasks:	Milestones:	Lead:	Progress:
• To continue with the investigation and management of financial intelligence and investigations in relation to Money Laundering by equipping the Accredited Financial Investigators with the skills to progress to 'confiscation and restraint orders.	September 2009.	CAFT Management Team.	
To equip the CAFT Management Team with the skills and knowledge required when considering applications from the Accredited Financial Investigators for restraint orders and customer	May 2009.	CAFT Management Team.	

information orders. The CAFT Management Team will attend a training programme designed for all law enforcement agencies with the Proceeds of Crime Act powers and attain accreditations as 'Senior Appropriate Officers'.			
• To provide Anti Money Laundering Awareness Training to key officers and services within the Council. The training will explain how to effectively identify money laundering offences and most importantly how to identify financial instruments, investments, businesses and trading entities within services where proceeds of crime can be laundered. *The first training session in 2009/10 will be delivered at the Resources Directorate's Finance Lunch on 8th April 2009.*	Training will be delivered monthly on a rolling programme and all key officers in the Council will have received this training by September 2009.	CAFT's Accredited Financial Investigators.	
• To advance the delivery of Fraud Awareness Training through E Learning and on line monitoring.	September 2009	CAFT Management Team	
• To develop and improve our working arrangements with the UK Border Agency by piloting a partnership initiative where an Immigration Officer is embedded in the team. This will build a closer relationship with our delivery partners and ensure that only those eligible to services and benefits from the Council, receive it.	April 2009	CAFT Management Team	
• To promote our team of experienced and fully qualified fraud and financial investigators, intelligence officers and visiting officers to external partners and local businesses. (Testing of working arrangements/processes against risk of fraud, providing recruitment vetting, delivering Anti	July 2009	CAFT Management Team	

ICC Actions:	Milestones:	Lead:	Progress:
ICC subject to a 6 monthly review.	October 2009	CAFT Manager	

Equalities Actions (against Level 4 criteria):	Milestones:	Lead:	Progress:
CAFT offers a free interpretation service to everyone who attends interviews to ensure that all members of the community have equality of access and understanding. Investigation cases in CAFT are reviewed by the CAFT Management Team to ensure compliance with Barnet's Equality Policy. CAFT have worked closely with the Benefits Service in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided, thus reducing the likelihood of intentional or other fraud being committed.	July 2009. *CAFT's Equalities Actions will be reviewed quarterly.*	CAFT Management Team	
The CAFT are currently revising the CAFT leaflet to include Equalities Actions.	April/May 2009	CAFT Management Team	

Local Performance Indicators:	Baseline / 08/09 outturn	Target 09/10	Target 10/11
• NI 180 "The Right Benefit Indicator - Changes in HB/CTB entitlement within the year."	As above - Not Applicable. This indicator was introduced by the DWP and no	As above, internal target has been set at 65%.	To be advised.

		baseline set for 2008/09. The indicator was based on good practice only.		

Progress against group/team level priorities is monitored through the CAFT Management Team and Corporate Governance Senior Management Team.

5. Partnership Arrangements/Contracts

- Metropolitan Police Partnership Protocol

- UKBA Partnership Protocol

- Benefit Service/CAFT Protocol

- HR/CAFT Protocol

- Legal Services/CAFT Protocol

- Trade Unions/CAFT Protocol

- Insurance/CAFT Protocol

- Internal Audit & Ethical Governance/CAFT Protocol

6. Managing Risk

Risks associated with delivery against objectives and priority improvement initiatives are managed via the group/team risk register.

Risks identified for 09/10 as having a high likelihood and a high impact are:-

2009/10 Service Risk Register for [group/team name]										
Number	Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer
								Likelihood	Impact		
	N/A							H	H		

These risks will be monitored regularly at [*group/team management meeting*], and updated on a quarterly basis. High High risks will be escalated to SMB, also on a quarterly basis.

AGENDA ITEM: 9   Page nos.   19 - 33

Meeting	Audit Committee
Date	27 April 2009
Subject	**Annual Review of Audit Committee's Effectiveness**
Report of	Director of Corporate Governance
Summary	To review the Committee's effectiveness, as required annually by its terms of reference, and to review the terms of reference.

Officer Contributors:	Jeff Lustig, Director of Corporate Governance
	Hem Savla, Acting Head of Internal Audit and Ethical Governance
	Clive Medlam, Director for Resources and Chief Finance Officer
	Jonathan Bunt, Acting Assistant Director of Resources
Status (public or exempt)	Public
Wards affected	none
Enclosures	Appendix A : Review of Effectiveness
	Appendix B : Audit Committee Terms of Reference
For decision by	The Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Hem Savla   020 8359 7154

1 RECOMMENDATIONS

1.1 The Committee's views are sought on the review of the effectiveness of the Committee in 2008/9, attached at Appendix A.

1.2 That the Committee identify any additional development requirements of its Members, collectively or individually.

1.3 That the Committee consider the Committee's terms of reference as set out in the Constitution and at Appendix B and instruct the Director of Corporate Governance to make any recommendations for change to the Special Committee (Constitution Review).

1.4 That the officers be asked to report back at the September 2009 meeting on the progress with the assessments skills and experiences of the members of the Audit Committee.

1.5 That the Head of Internal Audit and Ethical Governance be asked to review the arrangements adopted by selected London boroughs to assess effectiveness of their audit committees and report back on the progress to the September 2009 meeting.

2 RELEVANT PREVIOUS DECISIONS

2.1 The Audit Committee on 27th February 2008 resolved that:

(1) the review of the effectiveness of the Committee in 2007/8, …, be noted and,

(2) the Committee's Terms of Reference as set out in the Constitution …. be noted.

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4 RISK MANAGEMENT ISSUES

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

5 EQUALITIES AND DIVERSITY ISSUES

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

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

9   BACKGROUND INFORMATION

9.1   Attached at Appendix A is a review of effectiveness for 2008/9, using the recommended template from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on model audit committees. This shows that the Audit Committee has substantially operated in line with recommended practice. Members are asked to consider the review. The Committee has undertaken a full body of work during the year including the approval of the Council's Statement of Accounts, Annual Governance Statement, agreeing and monitoring the annual plans and reports of the Internal Audit and Corporate Anti Fraud Team as well as receiving reports from the Council's external auditors.

9.2   Following the appointment of the large number of new Members joining the Committee in May 2006, a training event was scheduled for the Committee ahead of some of the meetings during 2006/07.   Training sessions were provided in June 2007 and June 2008 on the main changes to the Statement of Accounts to inform Members ahead of asking the committee to approve the document.   Further training sessions were provided during the Committee's meetings in February (on the role of the Audit Committee) and March 2009 (on Governance). A presentation was given at the December 2008 meeting on the process for capturing corporate risks and maintaining the corporate risk register. Training session on the interpretation of the Statement of Accounts is scheduled for April 2009 meeting. Members are invited to consider what further training they would like considered during 2009/10, either for the Committee as a whole, or individually. Appendix C lists potential areas for member training identified by CIPFA in their guidance 'Audit Committees: Practical Guidance for Local Authorities'.

9.3   In reviewing the Committee's effectiveness it makes sense to also review its terms of reference, which are set out in Appendix B. These have been previously reviewed in 2007 and again in 2008. There are no recommendations for changing any of the terms of reference, but the Committee are asked to consider the matter.

10.   LIST OF BACKGROUND PAPERS

10.1   None

Legal: JEL
CFO: CM

Measuring the Effectiveness of the Audit Committee

Issue	Yes / No	Comment
Terms of Reference		
Have the committee's terms of reference been approved by full council?	Yes	As part of Constitution review that was completed in 2008. This annual effectiveness review also includes a short review of terms of reference.
Do the terms of reference follow the CIPFA model?	Yes	The Head of Internal Audit and ethical Governance conducted the 2008 review against these.
Internal Audit Process		
Does the committee approve the strategic audit approach and the annual programme?	Yes	Annual plan agreed in March every year. The 2008/9 annual plan was approved on 19 March 2008. The 2009/10 annual plan was approved on 10 March 2009.
Is the work of internal audit reviewed regularly?	Yes	Annually by External Audit. The work of internal audit was last reviewed by External Audit as part of their 2007/8 audit.
Are summaries of quality questionnaires from managers reviewed?	Yes	They are reported in interim and annual reports to the Committee. The review of quality questionnaire was last reported on 9 December 2009.
Is the annual report, from the head of audit, presented to the committee?	Yes	Interim and annual reports are presented to the Audit Committee by the Head of Internal Audit and Ethical Governance. Reports incorporate a review against the Internal Audit work plan agreed at the start of the year. The 2007/8 Annual Report was presented to the Committee on 8 June 2008.
External Audit Process		
Are reports on the work of external audit and other inspection agencies presented to the committee?	Yes	The committee receives the relevant reports from the external auditor including the Annual Audit & Inspection Letter (2006/7 on 19 March 2008), Grants Audit (2007/8 on 5 February 2009), Data Quality (2007/8 on 5 February 2009) and ISA 260 reports (2007/8 on 25 September 2008).
Does the committee input into the external audit programme?	Yes	The committee receives a report on the External Audit plan, which it is able to make recommendations on.

Issue	Yes / No	Comment
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	Yes	Response from officers and subsequent action plans form part of the Internal Audit reports to the committee. Where the Committee is not satisfied with the response by senior managers, the Committee can request the managers to attend its meetings to give an explanation. The Deputy Chief Executive was requested to attend the meeting of the Committee in February 2008 to provide an update on the implementation of the agreed management action with Internal Audit.
Does the committee take a role in overseeing: • risk management strategies • internal control statements • anti-fraud arrangements • whistle-blowing strategies?	Yes Yes Yes Yes	The Committee approves the corporate Annual Governance Statement (2007/8 AGS on 25 September 2008), Risk Management Strategy (18 June 2008), receives updates twice a year on the major corporate risks of the Council (18 June 2008 and 9 December 2008) and receives an annual report from the Corporate Anti Fraud Team, which includes information on whistle blowing activity (2007/8 on 18 June 2008).
Membership		
Has the membership of the committee been formally agreed and a quorum set?	Yes	Approved by Council on 13 May 2008.
Is the chair free of executive or scrutiny functions?	Partially	The 2006 Constitution review introduced the requirement for the chairman to be from an opposition party. The Chairman has no executive functions but is a substitute for one committee responsible for discharging executive function and two Scrutiny Committees. Additionally, the Chairman is not permitted to serve in that role for more than four consecutive years. Due to limited number of members available to serve on various Council committees there is little scope for increasing Chairman's independence.
Are members sufficiently independent of the other key committees of the council?	Partially	None of the Audit Committee members have any executive function but some Councillors serve on committees responsible for discharging executive functions. Other Committee memberships are non executive and relate to the scrutiny and Council functions. Due to limited number of members available to serve on various Council committees there is little scope for increasing member independence.

Issue	Yes / No	Comment
Have all members' skills and experiences been assessed and training given for identified gaps?	Partially	Presentation and training events have been provided to the Committee on the topics requested or required at the appropriate times to enable members to discharge their duties. Individual assessments have not been conducted and will be undertaken during 2009-10.
Can the committee access other committees as necessary?	Yes	However, it was envisaged when the Audit Committee was established that it would be informed of all service inspection reports received from the perspective of reviewing any internal control weaknesses that these might be highlighting. This has not formally occurred to date.
Meetings		
Does the committee meet regularly?	Yes	Meetings are also planned around the dates for key reports being produced, e.g. Statement of Accounts, AGS, Annual Audit Letter. During 2008/9 the Committee met on 18 June, 30 June, 25 September, 9 December 2008, 5 February and 10 march 2009.
Are separate, private meetings held with the external auditor and the internal auditor?	Yes	The Chairman has met with the HIA&EG and the representatives of the external auditor. These meetings cover discussion of major risk areas, audit coverage and the Committee's information and reporting requirements.
Are meetings free and open without political influences being displayed?	Yes	Meetings are also open to the public.
Are decisions reached promptly?	Yes	
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	Yes	
Does the committee have the benefit of attendance of appropriate officers at its meetings?	Yes	
Training		
Is induction training provided?	Yes	
Is more advanced training available as required?	Yes	See attached Appendix C for the details of the training since the last Annual Review of the Audit Committee's Effectiveness in February 2008..
Administration		
Does the authority's Section 151 officer or deputy attend all meetings?	Yes	The Head of Strategic Finance and other officers have deputised for the Section 151 officer.

Issue	Yes / No	Comment
Are the key officers available to support the committee?	Yes	The monitoring officer or deputy monitoring always attends. The other officers including the Head of Internal Audit and Ethical Governance attend on the need to attend basis.

Audit Committee Statement of Purpose & Terms of Reference

Statement of Purpose

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

Terms of Reference

Audit Activity

1. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2. To consider summaries of specific internal audit reports as requested.

3. To consider reports dealing with the management and performance of the providers of internal audit services.

4. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

5. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

6. To consider specific reports as agreed with the external auditor.

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

8. To liaise with the Audit Commission over the appointment of the Council's external auditors.

9. To commission work from the internal and external audit.

Regulatory Framework

10. To maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations.

11. To review any issue referred to it by the chief executive or a director, or any Council body.

12. To monitor the effective development and operation of risk management and corporate governance in the Council.

13. To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.

14. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.

15. To consider the Council's compliance with its own and other published standards and controls.

Accounts

16. To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Review of Effectiveness

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

Audit Committee: Members Training

Councillor	Training Received
Jeremy Davies	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training) **5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training) **9 December 2008:** How corporate risks are reported and assessed by Corporate Directors (Presentation from the Head of Risk and Insurance)
Daniel Webb	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training) **5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training) **9 December 2008:** How corporate risks are reported and assessed by Corporate Directors (Presentation from the Head of Risk and Insurance)
Danish Chopra	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training)

Councillor	Training Received
	5 February 2009: Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training)
Geoff Cooke	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training) **5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training) **9 December 2008:** How corporate risks are reported and assessed by Corporate Directors (Presentation from the Head of Risk and Insurance)
Tom Davey	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training) **5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training) **9 December 2008:** How corporate risks are reported and assessed by Corporate Directors (Presentation from the Head of Risk and Insurance)

Councillor	Training Received
Mukesh Depala	**5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training) **9 December 2008:** How corporate risks are reported and assessed by Corporate Directors (Presentation from the Head of Risk and Insurance) **5 December 2007:** HR Payroll/SAP Audit Training
Marina Yannakoudakis	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training) **9 December 2008:** How corporate risks are reported and assessed by Corporate Directors (Presentation from the Head of Risk and Insurance)
Wayne Casey	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training)
Dean Cohen	**5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training) **5 December 2007:** HR Payroll/SAP Audit Training
Monroe Palmer	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training)

Councillor	Training Received
Hugh Rayner	**10 March 2009:** Corporate Governance, Annual Governance Statement and the Audit Committee's role in delivering Corporate Governance (CIPFA Members Training)
Alan Schneiderman	**5 February 2009:** Purposes of the Audit Committee, Terms of reference, Role of the Chairman, Role of Directors and Officers, Making the Committee work effectively, Working with Auditors and Decoding assurance levels (CIPFA Members Training)
Agnes Slocombe	None

Areas for Audit Committee Member Training

The following is a list of potential areas for member training for the Audit Committee identified by CIPFA in their Guidance entitled: Audit Committees: Practical Guidance for Local Authorities

- the role of the committee and the terms of reference
- the financial and risk environment with the importance of risk management
- financial reporting
- governance
- understanding financial statements
- the role of internal and external audit
- regularity framework, including production of the Annual Governance Statement
- an overview of Council services

AGENDA ITEM: 10   Page nos. 34 - 46

Meeting	Audit Committee
Date	27 April 2009
Subject	**External Audit Report on IT Controls**
Report of	Director of Resources
Summary	To consider the report from the external auditor on IT Controls.

Officer Contributors	Kylton Trim, Head of Information Systems
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – IT Controls Report (November 2008)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Kylton Trim, Head of Information Systems 020 8359 7905

www.barnet.gov.uk

2002-2003
Improving Urban Green Spaces
Libraries as a Community Resource
2002-2004
Beacon Council
Community Cohesion

34

1. RECOMMENDATIONS

1.1 That the matters raised by the external auditor relating to IT Controls be noted.

1.2 That the officer response to the matters raised by the external auditors be noted.

1.3 That the Committee consider whether there are any areas on which they require additional information or action.

2. RELEVANT PREVIOUS DECISIONS

2.1 None

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Effective and efficient IT controls will contribute to the corporate priority More Choice Better Value, by ensuring that IT plans are aligned with the objectives of the Corporate Plan, and that systems are sufficiently protected.

4. RISK MANAGEMENT ISSUES

4.1 Failure to have a robust set of IT controls place the confidentiality, security and integrity of the Council's data at risk.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 None

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

6.1 The Council's information systems are governed by a number of IT controls designed to protect the integrity, confidentiality and availability of the data held within systems. Effective IT controls enable compliance with Data Protection legislation and contribute to efficient IT services that represent value for money by ensuring the alignment of IT plans with corporate objectives. [Suggest that each of these resources may need to be addressed separately]

6.2 There are no specific staffing, financial or property implications.

7. LEGAL ISSUES

7.1 None arise as a result of the contents and recommendations of this report

8. CONSTITUTIONAL POWERS

8.1 Part 3, Section 2 of the Constitution: the terms of reference for Audit Committee includes consideration of the external auditor's annual letter, relevant reports, and the report to those charged with governance.

9   BACKGROUND INFORMATION

9.1   The Council's external auditor, Grant Thornton, has found that in general the controls over Information Technology are adequately designed. Recommendations for improvements have been made in the area of strategy, business continuity and Information Technology policies.

9.2   The Council is in the process of refreshing the Information Systems strategy. The external audit report has recommended the formation of a steering group to ensure the alignment of the strategy with corporate objectives. An Information Systems strategy group will be formed by April 2009.

9.3   The external auditor recommended that Information Systems policies are reviewed and that a web-based master document be created with links to individual policies. In addition, that the policies and procedures should be reissued to all users of information systems. This will be complete by April 2009.

9.4   The recommendation that management should consider the creation of an IT Business Continuity Plan aligned to the needs of the business is agreed. Draft IT recovery plans are in place and will be agreed with the business through existing business continuity channels.

9.5   A recommendation to review the external audit report of third party suppliers has been agreed, this will be complete by April 2009.

9.6   The recommendation to review the Council's Active Directory and SAP system is agreed and arrangements have been made with the Council's Internal Audit section.

10.   LIST OF BACKGROUND PAPERS

10.1   None

Legal:
CFO:

London Borough of Barnet

Report on Information Technology Controls

November 2008

Contents **Page**

Appendix

1 Executive summary

1.1 Introduction

This review provides an independent assessment of the effectiveness of the design of London Borough of Barnet's controls over Information Technology. This report is intended primarily for use by the Council in developing the organisation's information provision in the future.

The review was conducted as part of our normal audit planning procedures, to arrive at an assessment of the risk that controls fail to prevent error or fraud. This assessment is designed to establish the feasibility of placing reliance on internal controls and thereby potentially reducing the overall level of substantive testing we need to perform in order to reach our opinion on the truth and fairness of the Council's Annual Financial Statements. It also feeds into our overall conclusions in respect of the auditor's local evaluation and our value for money conclusion.

1.2 Conclusions

Overall, General Controls over Information Technology are adequately designed, apart from the following areas for improvement. References in brackets are to the detailed findings and recommendations in section 3 of this report. The High Priority issues are

- The need for the Information Management and Technology Board to review and approve the implementation of the Council's Information Systems Strategy.

- Create a single web-based "master document" to cover all IT security and administration, structured to contain appendices, where material can be split between different staff and where staff can sign to indicate that they understand their role and responsibility in respect of the Council's secure systems and data.

- There are IT Disaster Recovery plans in place, but these plans are not designed to meet the wider business's needs in the event of an incident. Management should consider the creation of an IT Business Continuity Plan (BCP) which is aligned to the needs of the business, taking into account the different business needs and IT systems requirements for specific monthly events e.g. payroll, and annual events like the production of Annual accounts and Government returns.

- Under the auspices of the Modernised Ways of Working (MWW) programme review we completed a detailed security review of the Council's current and proposed security environment. We found that there were gaps in security planning and identified a need for a council wide master document covering all IT security aspects. One key issue was that we were unable to establish the level of review and monitoring of operating systems and security logs. Regular audits of server systems and security event logs are required to establish that secure access to enterprise data is maintained. Security policies and procedures should be established and communicated to all users of IT across the Council prior to the release of Employee and Manager Self Service Modules.

The other issues identified from our work are as follows:

- Server backup policies and procedures, undertaken by third parties such as Logica should be confirmed and communicated to relevant individuals so that business resumption plans can be effective as and when required.

- Regular Active Directory and SAP user reviews may be of benefit to the Council at this time of major IT change in data access and delivery.

Our recommendations, contained in the body of this report, are designed to address these issues.

1.3 Responsibility of the IT Management

These key issues were previously discussed with Kylton Trim, Head of Information Systems and Rick Sweeney, Head of Infrastructure and Operations, earlier this year and have been agreed with Kylton Trim and Shahin Farjami, Assistant Director for Shared Services on November 2008.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might develop.

We would be pleased to discuss any further work in this regard with the Council.

1.4   Confidentiality

This report is strictly confidential and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Audit Commission's Code of Audit Practice and the Statement of Responsibilities.

The contents of this memorandum should not be disclosed to third parties without our prior written consent.

2 Purpose and scope

2.1 The purpose of this report

The purpose of this report is to highlight the key issues arising from our IT audit work, performed in preparation for the audit of the financial statements of the Council for the year ended 31 March 2008.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260.

2.2 The scope of our review

The review covered the Information Systems used by the Council to manage its business, covering the general controls over all systems, both financial and administrative.

2.3 Objectives

The objective of the review was to assess the adequacy of the design of the Council's General Controls over Information Systems under the following headings:

- Management and Organisation

  - develop and implement plans

  - identify and asses risks

  - operate reliable systems

  - hire and retain people

  - manage third-party services

- Applications

  - acquire and maintain operating and database systems

  - acquire and maintain applications

- Security

  - administer policies and procedures

  - protect data and enforce segregation of duties

  - limit external access to systems

  - protect physical assets.

3 Recommendations

In the following recommendations, High Priority recommendations correspond to fundamental control risks; Medium Priority recommendations apply to control risks that exist but are not considered fundamental; Low Priority recommendations are designed to assist in the achievement of best practice.

3.1	**Recommendation: The Information Management and Technology Board should review and approve the implementation of the Council's Information Systems Strategy.**
High Priority	It was noted that the IT strategy was currently being updated and was in draft. Initially we were unable to obtain an up to date Information Systems Strategy. The roles of IT strategic leads are now under the management of the Head of IS and this implementation is expected to proceed.

3.2	**Recommendation: Create a single web-based "master document" with links to other documents covering all IT security and administration, structured to contain appendices, where material can be split between different staff and where staff can sign to indicate that they understand their role and responsibility to LBB secure systems and data.**
High Priority	As an integral part of the review of the MWW project we conducted a detailed security review of policies and procedures. We found gaps in security policies. Procedures were weak and we agreed with the Head of IS and the MWW Programme Manager that a council wide master document covering all IT security aspects was necessary.

3.3	**Recommendation: Management should consider the creation of an IT Business Continuity Plan (BCP) which is aligned to the needs of the business.**
High Priority	There are IT DR plans in place. However these plans need to be incorporated into an IT BCP which is aligned to the needs of the business, taking into account the different business needs and IT systems requirements at specific monthly events e.g. payroll, and annual events like the production of Annual accounts, Government returns etc.

3.4	Recommendation: Security policies and procedures should be established and communicated to all users of IT across the Council prior to the release of Employee and Manager Self Service (ESS and MSS) modules on SAP HR
High Priority	While some Security Policies and Procedures exist, our work indicated that there were weaknesses. Processes were being put in place to ensure that stronger security controls were implemented across the Council. This was considered for a number of areas. • MWW roll out would result in the deployment of a number portable devices e.g. PCs and Tablets the security of data held on these devices varied across the Council. • The SAP HR development and trials highlighted the need for all staff to acknowledge the revised security polices and procedures required for accessing highly personal sensitive data, which will become accessible at the desktop. Whilst there was no evidence provided of existing data security breaches there were limited processes in place to deal with such matters at the highest level of severity. Specifically, although procedures exist for adding new users and removing former employees' access to the systems, the policy for removing leavers from systems was not found to be operating effectively. Controls do not exist to ensure that former employees are removed from the systems on a timely basis. The release of SAP HR (ESS and MSS) will also serve to support joiner and leaver polices going forward.

3.5	Recommendation: Server backup policies and procedures, undertaken by third parties e.g. Logica and other Third part suppliers should be confirmed and communicated to relevant individuals in IT to ensure business resumption plans can be effective and available as and when required.
Medium Priority	There are third party suppliers who have procedures in place for the back up and restoration of data and systems. However the Head of IS and Head of IT and Operations were not aware of a current audit report from Logica which would confirm the status and levels of control around back ups and operating systems access security and control. We are aware that the concepts of e-volt are being discussed and shared data centres with other Local Authorities are being considered., including plans to automate all of the Council servers and systems backups in the future. There is a risk that the details of systems and their last back up processes can not be utilised effectively in the event of as incident for IT BCP and business resumption purposes.

3.6	Recommendation: Regular Active Directory and SAP user reviews may be of benefit to the Council at this time of major IT change in data access and delivery
Medium Priority	Regular Active Directory and SAP user access controls and security reviews should take place with the number of Council developments taking place e.g. MWW, HR ESS and MSS. The Council should consider a full independent review of Active Directory. Reviews of key applications like SAP should be performed on a regular basis. This could be done by Internal Audit. .

A Action Plan

Ref	Recommendation	Priority	Management Response	Responsible Officer	Action Date
3.1	The Information Management and Technology Board should review and approve the implementation of the Council's Information Systems Strategy.	**High**	Agreed	Head of IS	1 April 2009
3.2	Create a single web-based "master document" with links to other documents covering all IT security and administration, structured to contain appendices, where material can be split between different staff and where staff can sign to indicate that they understand their role and responsibility to LBB secure systems and data.	**High**	Agreed	Head of IS	1 April 2009
3.3	Management should consider the creation of an IT Business Continuity Plan (BCP) which is aligned to the needs of the business.	**High**	Draft plans are in place for all aspects of IT. We are in the process of updating corporate BCPs, which are being peer challenged by the Business Continuity Board. The plans have been agreed in principle but we need the business to have plans in place so that IT can fit in. The paper will go to the Councillors Group in January 2009 and final plans will be in place by 1 April 2009	Head of IS	1 April 2009
3.4	Security Policies and Procedures should be reissued to all users of Information Systems, along with training in the importance of information security. .	**High**	A reminder is to be sent out to all users setting out the key principles governing such issues as choice of passwords, use of passwords, the importance of locking PCs etc This will go in the First Team Bulletin.	Head of IS	1 April 2009
3.5	Server backup policies and procedures, undertaken by third parties e.g. Logica and other Third party suppliers should be confirmed and communicated to relevant individuals to ensure business resumption plans can be effective as and when required	**Med**	Agreed	Head of IS	1 April 2009

Ref	Recommendation	Priority	Management Response	Responsible Officer	Action Date
3.6	In view of the number of developments taking place, regular Active Directory and SAP user access controls and security reviews should take place .The Council should consider a full independent review of Active Directory and key applications like SAP, which should be performed on a regular basis. This could be done by Internal Audit	Med	Agreed. Arrangements will be made with Internal Audit for regular reviews of access controls to take place	Head of IS	1 April 2009