

MEETING
AUDIT COMMITTEE

DATE AND TIME
MONDAY, 29 JUNE 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 John Marshall

Councillors:

Danish Chopra	Geof Cooke	Tom Davey
Daniel Webb	Andreas Tambourides	

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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AGENDA ITEM: 6

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Meeting	Audit Committee
Date	29th June 2009
Subject	Internal Audit Annual Report 2008-9
Report of	Acting Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the 2008-9 Internal Audit Annual Report and appendices.

Officer Contributors	Acting Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	Appendix A: 2008/9 Internal Audit Annual Report Appendix B: 2008/9 Internal Audit Annual Audit Plan Update Appendix C: 2008/9 Internal Audit Performance Indicators Appendix D: 2008/9 Internal Audit Detailed Risk Analysis Summary
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Hem Savla, Acting Head of Internal Audit and Ethical Governance 020 8359 7154

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

2 RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 10th March 2009 included in the work programme for 2009/10, the Internal Audit Annual Report for 2008/9.
- 2.2 The Audit Committee on 15th February 2006, having noted the Internal Audit 2004/5 Annual Report Update, instructed the Chief Internal Auditor (as was), in future, to provide progress reports to the Committee on any areas where, in his professional opinion, no significant progress has been made by management in addressing audit findings, and that, in such circumstances, the Chief Internal Auditor be required to bring forward recommendations to the Committee (which it might accept or reject) on possible courses of action to achieve the required progress, which could include in exceptional circumstances calling the relevant Head of Service and, or Cabinet Member to attend and explain the situation to the Committee.

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

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

- 3.2 We are committed to continually improving how we work to provide community leadership, community choice and higher quality services at the lowest possible price. (Corporate Plan 2008/09 - 2011/12)

4 RISK MANAGEMENT ISSUES

- 4.1 The purpose of the Internal Audit Annual Report 2008/9 is to highlight to the Audit Committee, relevant Cabinet Members, Chief Executive, relevant Council Directors and External Audit, the findings of Internal Audit work conducted in 2008/9 (for work that has not previously been reported in the 2008/9 Interim Annual Report).
- 4.2 The report identifies those areas which are of significant risk in the work undertaken by Internal Audit during this period.

- 4.3 The internal audit work contributes toward increasing awareness and understanding of risk and controls amongst managers and improving management processes for securing effective risk management.

5. EQUALITIES AND DIVERSITY ISSUES

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

6 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 it is for management to determine whether addressing any of the risks identified by internal audit reports will require additional resources.

7 LEGAL ISSUES

- 7.1 None

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including "To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements".

9. BACKGROUND INFORMATION

Introduction

- 9.1 The report provides summary details in Appendix A of all Internal Audit reports which have been agreed and finalised with clients as at 29th May 2009. The report also identifies and gives more detail on those areas which are of significant risk. This is a planned report within the 2009/10 work programme for this Committee.

Executive Summary

- 9.2 Although it is impractical to give an overall opinion on the control environment, generic control weaknesses are identified in the analysis document at Appendix D. As can be seen, the top three most recurring areas of weakness are:

- Objectives/goals not achieved (45 instances out of a total 126 reported risks).

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

- Non compliance with policies and procedures (**29** instances out of a total **126** reported risks).

Findings in this area do not necessarily mean that policies and/or procedures do not exist but that improvements or additions to existing policies and/or procedures may be required. The generic risks that result from these omissions include potentially: lack of consistency; standards not being set, understood or complied with; loss of knowledge due to staff changes; increased training time for new staff.

- The integrity of information/data is unreliable (**26** instances out of a total **126** reported risks).

Finding in this area reflect risk that impact on the quality of informed decisions and actions.

For the above areas of weaknesses occurrences reported in the Internal Audit Annual Report for 2007-8 were:

- 31 out of 80 for objectives/goals not achieved.
- 15 out of 80 for non compliance with policies and procedures.
- 19 out of 80 for the integrity of information/data is unreliable.

It is important to recognise that as different systems and processes are audited each year the mix of recurring weaknesses will undoubtedly vary from one year to the next.

- 9.3 We have agreed management action to address weaknesses recorded in the respective reports, which, if implemented, will improve the overall control environment.
- 9.4 24% of risks were assessed by internal audit as 'Priority 1', signifying that there was a 'significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity is unlikely to be prevented or detected'.
- 9.5 76% of risks were 'Priority 2', signifying 'only limited assurance that objectives will be met efficiently and effectively or that fraud or irregularity will be prevented or detected'.

Follow-ups

- 9.6 All Internal Audit work is followed up as a matter of course. The annual report provides summaries of the assurances at follow-up audits. Follow-ups indicate how the level of audit assurance has changed as a result of management implementation of agreed actions. Details of the assurance revisions on the **26** follow-ups conducted in the report period are detailed

below. Whilst it is encouraging to note that there are no areas at 'no' assurance and **13** areas are now at a 'full' or 'satisfactory' level of assurance, it needs to be noted that there are **13** that are still at 'limited' indicating that further management action is required to fully implement agreed actions or mitigate identified risks.

Analysis of Assurance Levels on Follow-up	No.
No assurance still no assurance	0
No assurance to limited assurance	4
Limited assurance still limited assurance	9
No or limited assurance to satisfactory	8
Satisfactory assurance still satisfactory assurance	4
Full or Satisfactory assurance to full assurance	1
Total	26

Corporate Governance and Risk Management

Corporate Governance

- 9.7 We completed a full review of corporate governance arrangements and provided a 'satisfactory' level of assurance in 2007/8. The audit compared the Council's corporate governance arrangements against the revised CIPFA Solace framework, Delivering Good Governance in Local Government: Framework that was issued in July 2007. The next full review of governance is planned for 2009/10 (quarter four).

Risk Management

- 9.8 An audit of the risk management function in 2007/8 provided a 'satisfactory' level of assurance that the development of corporate risk management is progressing adequately. As there was some non-compliance and poor practice in services, we decided to undertake audit of the Internal Control Checklist process, which is designed to enable managers to assess and improve the risk and control environment within their areas of control, in services across the Council.

In 2008-9, we completed a review of the ICC process within the Corporate Governance Directorate. We provided a 'limited' level of assurance on this review, which will be followed-up in 2009/10 (quarter two).

During 2009/10, the ICC process will be reviewed within Planning, Housing and Regeneration (quarter two), Environment and Transport (quarter two), Children's Service (quarter two) and Adult Social Services (quarter three).

Customer Evaluation Questionnaires

- 9.9 The Audit Committee at the meeting on 20 March 2007 asked that Internal Audit reinstate the performance indicator on Customer Evaluation

Questionnaires to comply with the CIPFA Code of Best Practice for Internal Audit. Performance for the past three years is summarised below:

2006/07

47 questionnaires sent; 38 questionnaires returned. An average score of 2.5 was achieved where 1 = excellent; 2 = highly effective; 3 = perfectly satisfactory; 4 = not quite good enough and 5 = unacceptable.

2007/08

25 questionnaires sent; 15 questionnaires returned. An average score of 2.1 was achieved.

2008/09

28 questionnaires sent to date; 12 questionnaires returned to date. An average score of 2.3 was achieved.

When last reviewed by the Committee, our target was set at 3 or better (i.e. lower).

Internal Audit performance Management

- 9.10 Appendix B describes the changes the original audit plan. The report shows reviews that are deferred, cancelled or newly commissioned with relevant reasons for the changes.
- 9.11 Appendix C gives the position against the Internal Audit unit's performance indicators (PIs). The PI regarding percentage of audit plan completed refers to the achievable plan i.e. after any reviews have been deferred or cancelled and taking newly commissioned reviews into account.

10. LIST OF BACKGROUND PAPERS

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

Legal: JEL
CFO: CM

Internal Audit Annual Report 2008-09

INDEX

INTERNAL AUDIT ACTIVITY - Since 7th November 2008 **SUMMARIES BY DIRECTORATE**

- 1 Resources
- 2 Communities
- 3 Environment and Regeneration
- 4 Strategy
- 5 Corporate Governance

AUDIT REPORT SUMMARIES FOR HIGH RISK AREAS (No Assurance)

Communities

- A1 Meals Service
- A2 Telecare Service
- Environment and Regeneration
- A3 Use of Consultants
- A4 Parking - Pay & Display Machine Maintenance & Cash Collection
- Corporate Governance
- A5 Data Protection Framework 1998
- A6 Barnet's Drug and Alcohol Service (BDAS) and The Crossing

Internal Audit Activity Summary: Resources**Audit Work**

Service	System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
ST SERV	Data Quality (KLOE)	0	2	Satisfactory	None	N/A
ST SERV	LG Pension Admin and Pension Fund	0	4	Limited	See Below	
SH SERV	Housing Benefits	0	2	Satisfactory	09/05/2008	Satisfactory
SH SERV	Accounts Payable	0	1	Satisfactory	09/05/2008	Satisfactory

Follow-up Work

Service	System	Priority 1 Y P N	Priority 2 Y P N	Assurance on Follow-up	Assurance of Original Audit
ST SERV	Cash Collection, Banking and Treasury Management	0 1 0	2 2 1	Limited	Limited
ST SERV	Sales, Invoicing and Debt Management	0 1 0	2 1 0	Satisfactory	Limited
ST SERV	Business Continuity	3 2 1	1 2 0	Limited	No Assurance
SH SERV	Capital Expenditure	0 0 1	1 0 1	Limited	Limited
SH SERV	LG Pensions	0 0 0	1 1 0	Satisfactory	Limited
SH SERV	Recruitment, HR and Payroll	0 0 0	5 1 0	Satisfactory	Satisfactory
SH SERV	Imprest Accounts	0 0 0	2 2 0	Satisfactory	Satisfactory
SH SERV	Cash Security Collection Service	1 0 0	3 3 0	Satisfactory	Limited
SH SERV	Cashiers System	0 1 0	2 3 1	Limited	Limited
OD & CSER	Registrar's	1 3 0	3 8 0	Limited	No Assurance

Other Work

Service	System	Type of work	Assurance
ST SERV	Electronic Document Record Management System (EDRM)	Project	Limited

Service Area Description

ST SERV - Strategic Services

SH SERV - Shared Services

OD & CSER - Organisational Development & Customer Services

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Communities

Audit Work

Service	System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
CS	Connexions Transition	0	3	Satisfactory	None	N/A
CS	Child Protection	0	1	Satisfactory	See Below	
CS	Cleaning Contract - Safeguarding Children	1	2	Limited	None	N/A
ASSD	Respite Care	0	11	Limited	02/02/2003	Limited
ASSD	Fairer Pricing Tool	0	8	Limited	None	N/A
ASSD	Data Quality BVPI	0	3	Satisfactory	None	N/A
ASSD	Meals Service	4	4	No Assurance	None	N/A
ASSD	Telecare Service	4	2	No Assurance	None	N/A
ASSD	Supply Management (Priorities)	0	3	Satisfactory	None	N/A

Follow-up Work

Service	System	Priority 1			Priority 2			Assurance on Follow-up	Assurance of Original Audit
		Y	P	N	Y	P	N		
CS	Children's Act Complaints	1	1	0	6	2	0	Satisfactory	Limited
CS	SEN Budget & Contract	0	0	0	2	4	0	Limited	Limited
CS	Child Protection	0	0	0	0	1	0	Satisfactory	Satisfactory
CS	Free School Meals	0	0	0	3	1	0	Satisfactory	Limited
ASSD	Laundry Service	0	4	0	1	2	0	Limited	No Assurance
ASSD	Customer Billing	0	4	1	1	4	1	Limited	No Assurance

Other Work

Service	System	Type of work	Assurance
CS	Primary School Capital Investment Programme (PSCIP)	Project	Full
ASSD	Choice & Independence - Programme Governance	Project	Satisfactory

Service Area Description

CS - Children's Services

ASSD - Adult Social Services

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Environment and Regeneration

Audit Work

Service	System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
E&T	Street Cleansing 'Signature' Service	0	1	Satisfactory	See Below	
E&T	Administration of Term Contracts	0	1	Satisfactory	01/06/2004	Satisfactory
E&T	Final Accounts	0	6	Limited	None	N/A
E&T	Parking - Pay & Display Maintenance and Cash Collection	3	5	No Assurance	None	N/A
E&T	Use of Consultants	3	3	No Assurance	None	N/A
PHR	Strategic Planning	0	1	Satisfactory	None	N/A
PHR	Regeneration	1	1	Limited	None	N/A
PHR	Grants	1	2	Limited	None	N/A
PHR	Barnet House Monitoring	1	3	Limited	30/01/2006	Limited
MP	Procurement and Contracts - Systems & Processes	2	6	Limited	None	N/A
MP	Procurement and Contracts - Service Compliance	3	1	No Assurance	None	N/A

Follow-up Work

Service	System	Priority 1			Priority 2			Assurance on Follow-up	Assurance of Original Audit
		Y	P	N	Y	P	N		
E&T	Traffic Management Act 2004	0	0	0	1	3	1	Satisfactory	Satisfactory
E&T	Street Cleansing 'Signature' Service	0	0	0	1	0	0	Full	Satisfactory
PHR	Housing Revenue Account	0	1	0	0	3	1	Limited	Limited
PHR	Housing Strategy and Performance	0	0	0	1	1	0	Satisfactory	Limited
PHR	Non HRA Subsidy	0	1	0	2	1	0	Satisfactory	Limited
PHR	Principal Development Agreement	0	1	0	0	3	0	Limited	Limited
MP	Central Contract Monitoring	0	0	0	0	6	1	Limited	Limited

Other Work

Service	System	Type of work	Assurance
E&T	Recycling	Project	Satisfactory
E&T	Transport	Project	Satisfactory
PHR	Service Restructure	Project	Satisfactory
MP	Mill Hill Depot Relocation Project	Project	Satisfactory

Service Area Description

E&T - Environment & Transport

PHR - Planning, Housing and Regeneration

MP - Major Projects

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Strategy

Follow-up Work

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
STY	Partnership Arrangements	0	1	0	1	4	0	Limited	Limited
STY	Consultation	1	2	0	1	2	1	Limited	Limited

Service Area Description

STY - Strategy

Key

<p>Y Mitigated P Partially Mitigated N Not Mitigated</p>

Internal Audit Activity Summary: Corporate Governance

Audit Work

Service	System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
IA&EG	Data Protection Framework 1998	2	4	No Assurance	None	N/A
CPG	Trading Standards & Licensing	0	1	Satisfactory	08/09/2006	Satisfactory
CPG	Barnet Drug and Alcohol Service (BDAS)	4	4	No Assurance	None	N/A
P&OD	Internal Control Checklist (ICC)	0	4	Limited	None	N/A

Follow-up Work

Service	System	Priority 1			Priority 2			Assurance on Follow-up	Assurance of Original Audit
		Y	P	N	Y	P	N		
DS	Delegated Powers Report	0	0	0	3	0	1	Satisfactory	Limited

Service Area Description

IA&EG - Internal Audit & Ethical Governance

CPG - Community Protection Group

DS - Democratic Services

P&OD - Performance & Organisational Development

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Adult Social Services	29/05/2009	No	Q2 2009/10 (August)

Report Title

Meals Service

1 Objective of System

1.1 The Home Meals service is for people who have no means of getting a hot meal and are unable to prepare or reheat their own meals. There is a contract between L.B. Barnet and an external service Provider (Sodexo) for the provision of the meals. L.B. Barnet has transferred the contract management and meals administration responsibilities to LB Enfield. The objective of the system is to ensure that

- eligible clients receive the correct meals in a timely manner;
- the meals provider is only paid for services delivered;
- clients are invoiced accurately and promptly and;
- all income due is collected in a timely manner.

2 Scope of Audit

- 2.1
- Referral Procedures
 - Criteria for Eligibility / Assessment
 - Approval of Care Plan
 - Recording Financial Contributions
 - Service Delivery
 - Income Identification and Collection
 - Contract Monitoring
 - Performance Management and Management Information
 - Budget Monitoring

3 Executive Summary

3.1 We can provide No Assurance that management have implemented an adequate framework of internal controls to achieve the objectives of the system. Weaknesses arise from a lack of oversight and unclear roles and responsibilities over the performance of the Meals service and a lack of key controls. The decision to halt client invoicing from April 2007 to January 2008 while the SWIFT system was being customised for the meals service and the absence of a transitional invoicing process during that 10 month period has increased the risk of non collection. A SAP AR aged debt report produced in February 2009 showed that the value of invoices raised between February 07 and August 08 but still outstanding amounted to £42k and accounted for 50% of all outstanding debts related to Meals.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	4
4.2 Number of actions agreed	4	4

4.3 Priority 1 risks

- **Risk: Roles and Responsibilities**

There is a risk that the quality of the service provided may be poor and appropriate and timely management actions may not be taken if accountability, control and oversight is not clearly defined and allocated.

Management Action:

Overall leadership and accountability for Barnet's investment in the joint meals contract will be taken on by Supply Management. Head of Supply Management will review the arrangements with Enfield and consider their effectiveness. Head of Supply Management will clarify the roles and responsibilities of Barnet Officers involved in this process.

- **Risk: Reconciliations**

There is a risk of financial loss (and invalid claims for price increases) if the meal provider is over or under paid.

There is a risk of loss of income and increased transactional costs if clients are under or over invoiced.

Management Action:

Reconciliation process will be reviewed to ensure:

- correct payment to suppliers,
- correct and timely billing to customers
- income collected in a timely manner.

As part of this review the tolerance level will be reviewed to ensure a cost effective reconciliation process.

- **Risk: Delegation of Authority**

There is a risk that the desired outcomes and expected level of service are not achieved if formally agreed and clearly defined contracts are not in place. There is a risk that value for money is not achieved.

Management Action:

Desired outcomes and expected level of service will be agreed and covered in the SLA with Enfield. These outcomes and service levels will match the contract with Sodexo. Monitoring process will be put in place to ensure SLA is complied with.

- **Risk: Performance Management**

There is a risk that management may be not able to assess the effectiveness of the service and take appropriate and timely remedial actions if appropriate and adequate management information is not requested or received and reviewed regularly.

Management Action:

Management information required for Barnet will be specified and agreed with Enfield, with a lead in Barnet Supply Management holding an oversight / Co-ordination role.

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

5.1 Agreed management actions are being taken forward and will be completed before the follow-up audit in quarter 2 of 2009/10.

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Adult Social Services	01/06/2009	No	2009/10 (Q3 December)

Report Title

Telecare Service

1 Objective of System

1.1 Telecare provides a service to those eligible clients who otherwise will be at risk of not remaining in the community and therefore likely to come into Council's care.

Barnet Homes Lifeline is the service provider responsible for service delivery and operate a call centre with trained staff to answer phone calls and handle any alarms that are activated, along with a team of mobile wardens to go out to people's homes. The Service Provider pass details of the referral onto the central telecare co-ordinator and also onto the equipment store and engineer to prepare to install the equipment. Lifeline are the key organisation handling the referral from receipt until the equipment is disconnected and removed from the home.

2 Scope of Audit

- 2.1
- Strategy, Policy and Procedure;
 - Accountability, Roles and Responsibilities;
 - Performance Management;
 - Management Information;
 - Budgetary Management and Financial Control; and
 - Value for Money.

3 Executive Summary

3.1 We can provide No Assurance that the system objectives will be achieved through exiting processes. There are weaknesses in control that put the system objectives at risk. There are areas where processes need further improvement or are yet to be established, but the underlying cause of the risks identified is the lack of a complete, clear and agreed Service Level Agreement between the Council and Barnet Homes Lifeline.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	2
4.2 Number of actions agreed	4	2

4.3 Priority 1 risks

- **Risk: Complete and Formally Approved SLA**

Without a complete, signed, agreed and approved SLA between Adult Social Services and the service provider: the following risks may materialise:

in the event of a misunderstanding, dispute or an event affecting a service user parties to the agreement may deny responsibility or accountability.

the terms and conditions within the draft SLA may not be enforceable leading to a deterioration in the business relationship between Adult Social Services and the service provider.

Management Action:

The SLA will be formalised. The outstanding invoices issue for 2008/09 has now been resolved.

- **Risk: Performance Protocols**

There is a risk that if telecare service providers are unaware of the performance standards expected by the Council poor service delivery may occur and expose service users to dangerous life threatening situations.

Without formal Adult Social Services protocols which detail the specific performance indicator targets expected and agreed with the Telecare service providers and partners, there is a risk that actual performance in delivery of the Telecare service is not measured appropriately.

Management Action:

The new Service Level Agreement will incorporate performance targets and reporting expectations.

- **Risk: Reconciliation of Client Records**

Without regular reconciliation there is a risk that Telecare services may not be restricted to those entitled to resulting in the Council are making payments for unapproved Telecare users and/or overpayments could be made, resulting in a loss of income. Further, there is a risk that eligible clients may not be receiving the Telecare service allocated to them.

Management Action:

Starting in June 2009 all clients who are not on client information system (SWIFT) will be identified, reassessed and put on SWIFT, where appropriate.

- **Risk: Timely Means Testing**

Where means testing of Telecare applicants is not completed in a timely manner, there is a risk that there may be delays in delivering the service to eligible and vulnerable users. This could result in an event that could damage the reputation of the Council.

Management Action:

A process is now in place for monitoring means testing timeliness.

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

- 5.1 Staff have nearly concluded the service level agreement to be agreed with the provider which will incorporate the mitigation of the main risks identified by the audit. It is planned that this will be concluded by the end of July and before the follow-up audit in quarter 3 of 2009/10.

Appendix A - Internal Audit Annual Report 2008-09

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Environment and Transport	26/05/2009	No	Quarter 4 09/10

Report Title

Use of Consultants

1 Objective of System

1.1 Procuring the service of consultants is to hire-in external professional expertise that is currently not available within the Council for delivery of service economically and efficiently.

2 Scope of Audit

- 2.1
- Policy / standards for procuring consultants' services
 - Planning process for using consultants
 - Consultants' procurement process
 - Monitoring process for service provided
 - Payment process
 - Management of consultants' costs

3 Executive Summary

3.1 Audit can provide No Assurance that the objective of procuring the services of consultants will be achieved effectively and efficiently.

Management action is required to address the risks reported where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the objectives of the service. Findings and related risks were identified in the following areas:

- Contract Procedure Rules not followed
- Lack of effective monitoring of consultants work
- Lack of robust processes for invoice certification and payment

4 Risks

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

4.3 Priority 1 risks

- **Risk: Procurement Rules**

There is a risk the council may face legal challenge on the appointment of consultants without following the appropriate selection process and obtaining requisite approvals and authorisation, and could lead to financial losses to the Council.

In addition, there is a risk of unauthorised spend in the absence of robust arrangements to ensure that Purchase Orders do not exceed the value authorised without appropriate approval and authorisation.

Management Action:

1. Appointment of consultants will follow the Council's Procurement Rules and Policy.

Alongside the guidelines on the framework for the use of consultants (risk 1), we will review and re-issue the service's rules and policy approach in order to ensure rigorous compliance with the Contract Procedure Rules and Policy of the council in the selection, authorisation and approval of consultants.

2. Refresher training on the Procurement Rules and processes will be provided to all Managers and officers involved in the procurement process.

3. An authorisation hierarchy has been implemented within the WOM module of the SAP for goods receipting invoices; the levels are set to match the levels of financial delegation of individual officers.

This is in addition to the hierarchy for authorisation of purchase orders, which, together, will ensure the appropriate authorisation and approval of purchase orders and payments on the system.

4. We will run periodic reports from the SAP and WOM systems and confirm compliance.

Instances of non-compliance with the established Policy, processes and Rules will be identified and reported to Senior Management Board (SMB) for action.

- **Risk: Reliable Intelligence**

There is a risk that the service will be unable to monitor the use of consultants in the absence of a comprehensive database and effective arrangements for reporting of key information on the use of consultants.

Management Action:

1. As this information is not currently recorded on SAP, we will identify a suitable methodology in order to ensure that key information is captured effectively to demonstrate the delivery of value for money by consultants.

2. We will develop and implement a formal monitoring and reporting process.

3. Routine monitoring reports will be produced for the SMB.

- **Risk: Certification and payment of invoices**

There is a risk that inappropriate and unauthorised payments may occur in the absence of robust processes for raising purchase orders, certification of invoices and implementation of effective division of duties.

Management Action:

1. We will ensure that robust arrangements for certification of invoices are implemented. Officers will maintain time /work-log records for monitoring the delivery of work done by consultants. These records, in conjunction with the contract, appointment letters and briefs, where applicable, will be used in order to certify the accuracy of invoices. Invoices will only be certified and processed for payment if a valid purchase order exists on the system.

2. We will ensure that Purchase Orders are authorised on the SAP system in advance, before receipt of the invoice. Managers will monitor open Purchase Orders and invoices to ensure that the approved and authorised limits are not exceeded for the particular contract. Purchase orders which are either completed or not required will be identified routinely for closure.

3. We will ensure that effective segregation of duties is implemented so that the same person raising an order does not 'goods receipt' any related invoices.

4. We will capture these procedures within the revised policy and guidance notes (refer to risk 1, 2 and 5).

5. We will routinely monitor compliance with these procedures and any non-compliance and unauthorised payments will be escalated to SMB for decision on corrective action.

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

5.1 Agreed management actions are being taken forward and will be completed before the follow-up audit in quarter 4 of 2009/10.

Appendix A - Internal Audit Annual Report 2008-09

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Environment and Transport	29/04/2009	No	Quarter 3 09/10

Report Title

Parking - Pay & Display Machine Maintenance & Cash Collection

1 Objective of System

1.1 The service regulates and controls parking to increase movement and economic development within the Borough. The Parking Service is responsible for the maintenance of the Pay & Display machines and ensures that all due income is collected from pay and display machines as well as penalty charge notices and permits. The key objective of the system reviewed is to maximise income and cash flow and to reduce down time of the Pay & Display machines.

2 Scope of Audit

- 2.1
- Policies and Procedures
 - Maintenance Arrangements
 - Contract Management
 - Payment to Contractors
 - Income Monitoring and Reconciliation
 - Performance Management

3 Executive Summary

3.1 We can provide No Assurance that the system objectives will be achieved. There are areas where processes need further improvement or are yet to be established. Internal Audit acknowledges that management is already taking action to address the issues reported. Weaknesses in the current system result from key staff being on long-term sick.

4 Risks

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

4.3 Priority 1 risks

- **Risk: Contractor Performance**

There is a risk of financial loss to the Council resulting from payment made to the suppliers for services not received due to a lack of robust contract monitoring arrangements.

There is a risk of loss of income resulting from frequent breakdowns and malfunctioning if machines are not maintained regularly.

Management Action:

Due to the implementation of WOM, maintenance schedules to monitor and ensure all high-income machines are regularly maintained have been put into place. Procedures around this are being drafted. Phase 2 of WOM may be delayed due to a review of the number of machines in the borough being reviewed. Phase 2 is set to enter all stock and servicing schedules into SAP. This is being developed with the SAP team.

Contract monitoring practices have been put in place. The Operations Manager signs off all purchase orders for works completed after ensuring the work has been carried out. This function has been removed from maintenance supervisor responsibilities. The Operations Manager has weekly performance meetings with SMS.

- **Risk: Weekly P&D Income Reconciliation**

There is a risk of under collection of income and failure to detect fraud or error if audit tickets/amounts recorded by machines are not obtained and inputted correctly and variances are not investigated and resolved promptly.

Management Action:

There are some procedures in place with regards to reconciliation and payment process. These are currently under review. Maintenance procedures are in the process of being drafted and will be complete by the end of May 09, to incorporate the WOM system that has been put into place.

- **Risk: Machine Types**

There is a risk that management decisions are not sufficiently informed to achieve objectives of income maximisation and reduction in inefficiencies if adequate trend analysis, cost/benefit reviews and options appraisals to assess whether the number, location and type of machines meet the needs of the borough are not carried out.

Management Action:

An options appraisal for pay and display is required to review how this service is taken forward. There is the potential to remove approximately 100 machines, which could improve the service and reduce costs incurred for cash collection and maintenance. This is in the process of being reviewed along with a plan for the maintenance and supply and install of machines within the borough.

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

5.1 Agreed management actions are being taken forward and will be completed before the follow-up audit in quarter 3 of 2009/10.

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Corporate Governance	16/02/2009	No	Quarter 4 09/10

Report Title

Data Protection Framework 1998

1 Objective of System

1.1 The Data Protection Act 1998 (DPA) provides legislation to organisations for the collection, storage, management and disposal of data pertaining to individuals which is known as personnel data. Individuals are classed as data subjects and have the right under the DPA 1998 to request a copy of personal data held by any organisation to review for accuracy and to ensure data is processed in an accurate manner. Requests are known as Subject Access Requests (SARs) and the organisation is required to complete the request within 40 calendar days from the date that sufficient information is received in order for the request to be completed.

2 Scope of Audit

- 2.1
- Data Protection Framework, Policies and Procedures
 - Roles and Responsibilities
 - Engagement with Services
 - Monitoring and Compliance
 - DPO Management Information

3 Executive Summary

- 3.1 We can give No Assurance that the service objectives will be achieved. There are weaknesses in control that put the system objectives at risk. There are areas where processes need further improvement or are yet to be established. The main issues are summarised below.
- Data Protection Framework, Policies and Procedures
 - Engagement with Services
 - Monitoring and Compliance

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	2	4
4.2 Number of actions agreed	2	4
4.3 Priority 1 risks		
<ul style="list-style-type: none"> • Risk: Data Collection and Processing There is a risk that staff could unlawfully collect and process data as a result of poor awareness and inadequate training of staff of the requirements under the Data Protection Act. 		

Management Action:

A DP training strategy will be developed and formalised.

E-Learning courses for DP tailored for respective groups of staff will be identified. A detailed programme of delivery of training will be identified that would include arrangements for refresher training based on approved training strategy. An administration system will log e-learning for tracking and monitoring to ensure that all staff are adequately trained and on time.

Council's intranet site will include Data Protection and Information Security policies and guidance.

Data Protection will be standard agenda item on the IG Link Officer meetings. Minutes of the meeting will be posted to the intranet.

- **Risk: Monitoring DPA Compliance**

Where compliance with the Data Protection Act 1998 is not monitored, there is a risk that serious instances of non-compliance with the Act may not be identified and may not be corrected. Furthermore, there is a risk that the personal data may not be either stored securely or recovered in a timely manner.

Management Action:

The DP annual compliance assessment will be revised to assess compliance against the Data Protection Policy for the next round of assessment planned for June 2009. Key deliverables and reporting at each stage of the assessment will be clearly defined and communicated to departmental link officers. System owners will be consulted during the annual assessment process.

The completion of the register of all data sharing protocols will be produced based on service returns.

We will request that the Internal Control Checklist is updated to include confirmation of Disaster Recovery Plans which are a Service responsibility.

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

5.1 Agreed management actions are being taken forward and will be completed before the follow-up audit in quarter 3 of 2009/10.

Appendix A - Internal Audit Annual Report 2008-09

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Corporate Governance	12/03/2009	No	Quarter 3 09/10

Report Title

Barnet's Drug and Alcohol Service (BDAS) and The Crossing

1 Objective of System

1.1 Drug and Alcohol Action Teams (DAATs) are local partnerships charged with responsibility for delivering the National Drug Strategy at a local level, with representatives from Barnet Council (education, social services and housing) health, probation, the prison service and the voluntary sector.

2 Scope of Audit

2.1 A high level review of the following business processes to ascertain effectiveness and efficiency of delivery of.

- Partnership Structures
- Commissioning Arrangements
- Performance Management Framework
- Contract Management and monitoring

3 Executive Summary

3.1 Internal Audit can give No Assurance, at the time of this management letter that the service objectives will be achieved. There are areas where processes need further improvement or are yet to be established and management action is required to address the emerging issues reported. It became apparent at an early stage during the review that business processes need to be formalised in order to provide a clear:

- framework of the structures and business activities;
- roles and responsibilities;
- auditable business processes.

Without these, there are risks of poor allocation of budgets and utilisation of staff resources, lack of adequate forward planning, inadequate performance framework and value for money not achieved.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	4
4.2 Number of actions agreed	4	4

4.3 Priority 1 risks

- **Risk: Documented Procedures - Budgets**

Without comprehensive and documented procedures for budget processes, there is a risk that staff may be unclear about which tasks they are responsible for. Tasks may be carried out inefficiently and inconsistently without clear direction, which could lead to a break down in controls.

Management Action:

A calendar of events/return schedules etc is under development covering significant activities of DAAT/Service Providers/Service users.

All systems, processes and roles will be covered by robust service specs, contracts and SLAs.

A workforce development plan is an existing priority and will highlight workforce requirements and any training needs/opportunities.

- **Risk: Risk Management - An assessment of the identification, evaluation and treatment of the partnership risks**

Failure to identify, monitor and manage significant strategic and operational risks could result in the partnership failing to respond quickly to risks from factors within the organisation and changes to the business environment

Management Action:

At strategic level risks will now be monitored through Corporate, Team and Individual Work Plans.

Formalisation of ToR and wider circulation of minutes for Treatment and Service Leads meetings will cover some aspects of provider risk. Primarily though, risk assessment requirements (to include staffing level risk and mitigation), must form part of standard SLA and monitoring of risks will be included in performance reporting mechanisms.

- **Risk: Resources**

Without adequate structures and staffing arrangements at an operational level, there is a risk that the service will be unable to effectively deliver the requirements of the specification and fail to meet the local and national objectives / priorities.

Management Action:

The recruitment of a dedicated performance post will see the performance tool completed inclusive of ownership within services, service reviews planned and implemented and the availability of strategic info to inform the commissioning/strategic planning process. A project officer will also be designated to look at contractual arrangements. The support officer will have less responsibility for basic admin tasks and be used as a project support for areas around performance, service reviews, best practice and innovation and key areas of work such as alcohol plans, communities' plans, communications etc. He/she will also be a dedicated link direct to services on basic performance issues, ILLY and NTA data compliance. Responsibilities between DAAT Manager, JCM and YP commissioner are now shared as are all work priorities and regular meetings have been agreed and have already begun.

Providers - Staffing risk register to be put in place and monitored. Staff skills to be assessed against DANOS requirements and training needs to be assessed and plans put in place to meet those needs (workforce development plan).

- **Risk: Contracts**

Failure to have adequate resources in place to manage contracts may result in poor service delivery and could lead to the service failing to identify non-compliance of the contract by service providers and lead to potential budget problems.

Where expected roles and responsibilities are not detailed in relation to contract management, there is a risk that expected working practices will not be clearly known and understood, compromising service delivery.

Management Action:

A special project worker will be assigned to look at all existing contract arrangements. Additional work will be done to ensure all other procedures and structures are formalised including all ToR, Structural charts, role-specific user guides, SLAs, Budgets, Performance.

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

5.1 A lot of effort is being put into addressing these concerns. With regards to the specific points identified above, progress has been made against all of them. Regular monitoring conducted by management will ensure that actions will be completed before the follow-up audit in quarter 3 of 2009/10.

2008/09 Internal Audit - Audit Plan Update
Since 7th November 2008

2008/09 Internal Audit - Audit Plan Update

Since 7th November 2008

Resources

- Page 1** Income from Property and Industrial Assets 2008/09 (New)
Page 2 Business Continuity 2009/10 (New) 2nd follow-up
Page 3 Change Management Support 2007/08 (Cancelled)

Communities

- Page 4** Choice & Independence - Strategic Commissioning Project 2008/09 (Cancelled)
Page 5 Choice & Independence - Care Model Development - Project 2008/09 (Cancelled)
Page 6 Respite Care - Project 2008/09 (Cancelled)
Page 7 Meals Service 2008/09 (New)
Page 8 Children In Care 2008/09 - (previously titled 'Looked after Children') - (Deferral within 2008/09)
Page 9 Child Protection 2009/10 (New) 2nd follow-up

Environment and Regeneration

- Page 10** Environmental Health 2008/09 (Cancelled)
Page 11 Grants 2008/09 (Deferral within 2008/09)
Page 12 Strategic Planning 2008/09 (Deferral within 2008/09)
Page 13 Street Cleansing 'Signature' Service 08/09 follow-up (New)
Page 14 Use of Consultants 2008/09 (New)
Page 15 Mill Hill Depot Relocation Project 2008/09 (New)

Strategy

- Page 16** Partnership Arrangements 07/08 (New) 2nd follow-up

Corporate Governance

- Page 17** Governance 2008/09 (Deferral to Q4 2009/10)

New audit in 2008/09 - Resources**SERVICE AREA:** Strategic Services - Property & Valuations Service**TITLE OF ORIGINAL AUDIT:** Income from Property and Industrial Assets**DATE AUDIT REQUESTED:** 2008/09 Quarter 4**REQUESTED BY:** Head of Asset Management**Reason(s) for the new work**

To provide assurance on the management arrangements for maximising revenue income from the letting of Council's commercial properties and let estates.

Risk to the Corporate Plan

See Above.

Client Comment

None.

Audit Comment

None.

New audit in 2008/09 - Resources**SERVICE AREA:** Strategic Finance**TITLE OF ORIGINAL AUDIT:** Business Continuity 2nd follow-up**DATE AUDIT REQUESTED:** 2009/10 Quarter 3**REQUESTED BY:** Head of Risk and Insurance**Reason(s) for the new work**

To confirm implementation of outstanding management actions identified at the first follow-up audit.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

None.

Cancelled audit in 2008/09 - Resources**SERVICE AREA:** Organisational Development & Customer Services**TITLE OF ORIGINAL AUDIT:** Change Management Support**ORIGINAL PLANNED DATE FOR AUDIT:** 2008/09 Quarter 2**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 4**CHANGE REQUESTED BY:** Executive Director - Organisational Development & Change**Reason(s) for the change**

Ownership and structure of OD and Change Management functions will be included in various proposed work streams for progressing the Council's Future Shape project and the approach and mechanisms for delivery will be agreed at Cabinet level.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

None.

Cancelled audit in 2008/09 - Communities**SERVICE AREA: Adult Social Services****TITLE OF ORIGINAL AUDIT: Choice & Independence - Strategic Commissioning Project****ORIGINAL PLANNED DATE FOR AUDIT: 2008/09 Quarter 4****CHANGE REQUESTED BY: Deputy Director, Adult Social Services****Reason(s) for the change**

This audit has been selected for cancellation, as the The Strategic Commissioning Project is due to close in February 2009, having achieved its primary objective of creating a single commissioning team within Adult Social Services. The benefits delivered by this team will not be measurable until it is embedded, which will be in the 2nd half of 2009/10, at the earliest. Consequently, in early 2009/10 a review of the project would be purely retrospective while an analysis of benefits achieved would be mainly speculative. Given this, this audit has been deprioritised and cancelled.

Risk to the Corporate Plan

The Strategic Commissioning Team is one of the Council's main tools for reshaping the local social care market in line with the following initiatives that form the 'Supporting the Vulnerable' corporate priority:

1. Deliver the Vision Programme for Choice and Independence in Adult Social Services; and
2. Implement the 4 social care commissioning strategies.

Client Comment

None.

Audit Comment

None.

Cancelled audit in 2008/09 - Communities

SERVICE AREA: Adult Social Services

TITLE OF ORIGINAL AUDIT: Choice & Independence - Care Model Development - Project

ORIGINAL PLANNED DATE FOR AUDIT: 2008/09 Quarter 4

CHANGE REQUESTED BY: Assistant Director, Adult Social Services

Reason(s) for the change

This audit has been selected for cancellation, as the Care Model Development Project is due to close in February 2009, having achieved its primary objective of creating a new model for case management within Adult Social Services. The benefits delivered by this team will not be measurable until it is embedded, which will be in the late of 2009/10 at the earliest.

Consequently, in early 2009/10 a review of the project would be purely retrospective while an analysis of benefits achieved would be mainly speculative. Given this, this audit has been deprioritised and cancelled.

The Care Model Development project is delivering this new model of case management - a significant portion of it was agreed by General Functions Committee in January 2009.

Risk to the Corporate Plan

The new model of case management is one of the main tools for changing the way in which social services will be provided in Barnet, in line with the following initiatives from the 'Supporting the Vulnerable' priority in the Corporate Plan:

1. Deliver the Vision Programme for Choice and Independence in Adult Social Services.

Client Comment

None.

Audit Comment

None.

Cancelled audit in 2008/09 - Communities**SERVICE AREA:** Adult Social Services**TITLE OF ORIGINAL AUDIT:** Respite Care - Project**ORIGINAL PLANNED DATE FOR AUDIT:** 2008/09 Quarter 4**CHANGE REQUESTED BY:** Assistant Director for Adult Social Services**Reason(s) for the new work**

Due to lack of service capacity, this project has not gone ahead. This project is cancelled, but the position will be reviewed once the relevant officer has been appointed early in the new financial year.

Risk to the Corporate Plan

None.

Client Comment

Internal Audit will be contacted once the outcome of the review is known.

Audit Comment

None.

New audit in 2008/09 - Communities**SERVICE AREA:** Adult Social Services**TITLE OF ORIGINAL AUDIT:** Meals Service**DATE AUDIT REQUESTED:** 2008/09 Quarter 4**REQUESTED BY:** Director for Adult Social Services**Reason(s) for the new work**

To provide assurance on the management controls and arrangements for the Meal Service including the customer billing aspects.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

The audit was conducted in Q4. We provided a 'No' Assurance .

Deferral within 2008/09 - Communities

SERVICE AREA: Children's Service

TITLE OF ORIGINAL AUDIT: Children In Care (previously titled 'Looked after Children')

ORIGINAL PLANNED DATE FOR AUDIT: 2008/09 Quarter 3

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 4

CHANGE REQUESTED BY: Acting Deputy Director for Safeguarding and Social Care

Reason(s) for the change

Scoping of the audit was delayed due to the completion of the 'Children Protection' audit.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

Audit is in progress.

New in 2009/10 - Communities

SERVICE AREA: Children's Service

TITLE OF ORIGINAL AUDIT: Child Protection 2nd follow-up

DATE AUDIT REQUESTED: 2009/10 Quarter 2

CHANGE REQUESTED BY: Acting Deputy Director for Safeguarding and Social Care

Reason(s) for the change

To confirm implementation of outstanding management action identified at the first follow-up audit.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

None.

Cancelled audit in 2008/9 - Environment and Regeneration**SERVICE AREA:** Planning, Housing and Regeneration**TITLE OF ORIGINAL AUDIT:** Environmental Health**ORIGINAL PLANNED DATE FOR AUDIT:** 2008/09 Quarter 2**CHANGE REQUESTED BY:** Head of Housing and Environmental Health**Reason(s) for the change**

The issues that generated the original request for an audit are no longer pertinent. Particularly, value for money within the service has been further demonstrated by significant additional savings being realised. Data from the Chartered Institute of Public Finance Accountants reinforces this view.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

None.

Deferral within 2008/9 - Environment and Regeneration
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SERVICE AREA: Planning, Housing and Regeneration

TITLE OF ORIGINAL AUDIT: Grants

ORIGINAL PLANNED DATE FOR AUDIT: 2008/09 Quarter 3

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 4

CHANGE REQUESTED BY: Head of Strategy (Planning and Housing)

Reason(s) for the change

Barnet Council's allocation of the main source of grant funding to be assessed - GAF 3 - was not confirmed by DCLG until December 2008. A report setting out the background to the grant and broad proposals for its allocation was discussed at Cabinet Briefing on 6th January 2009. Consideration of how the grant should be allocated in detail, project management of expenditure and monitoring processes are now being worked up and will provide the basis for the audit. Given the timeframe it is appropriate for this audit to be rescheduled to Q4.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

The audit was conducted in Q4. We provided a 'Limited' Assurance .

Deferral within 2008/9 - Environment and Regeneration

SERVICE AREA: Planning, Housing and Regeneration

TITLE OF ORIGINAL AUDIT: Strategic Planning

ORIGINAL PLANNED DATE FOR AUDIT: 2008/09 Quarter 1

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 2

CHANGE REQUESTED BY: Director of Planning, Housing and Regeneration

Reason(s) for the change

Due to integration of services and the formation of the new Directorate.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

The audit was conducted in Q2. We provided a 'Satisfactory' Assurance .

New audit in 2008/9 - Environment and Regeneration

SERVICE AREA: Environment and Transport

TITLE OF ORIGINAL AUDIT: Street Cleansing 'Signature' Service - follow-up

DATE AUDIT REQUESTED: 2008/09 Quarter 4

REQUESTED BY: Director of Environment and Transport

Reason(s) for the new work

Management wanted confirmation of implementation of actions agreed.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

The follow-up was conducted in Q4. We provided a 'Full' Assurance.

New audit in 2008/9 - Environment and Regeneration

SERVICE AREA: Environment and Transport

TITLE OF ORIGINAL AUDIT: Use of Consultants

DATE AUDIT REQUESTED: 2008/09 Quarter 4

REQUESTED BY: Acting Director of Environment and Transport

Reason(s) for the new work

To provide assurance on the use of consultants in Environment and Transport.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

The audit was conducted in Q4. We provided a 'No' Assurance .

New audit in 2008/9 - Environment and Regeneration

SERVICE AREA: Major Projects

TITLE OF ORIGINAL AUDIT: Mill Hill Depot Relocation Project

DATE AUDIT REQUESTED: 2008/09 Quarter 4

REQUESTED BY: Audit Committee

Reason(s) for the new work

To provide the Audit Committee with assurance on the Project Governance and risk management arrangements for the Depot Relocation Project.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

The audit was conducted in Q4. We provided a 'Satisfactory' Assurance .

New audit in 2008/09 - Strategy**SERVICE AREA:** Communications**TITLE OF ORIGINAL AUDIT:** Partnership Arrangements 07/08 2nd follow-up**DATE AUDIT REQUESTED:** 2008/09 Quarter 4**REQUESTED BY:** Policy and Partnerships Group Manager**Reason(s) for the new work**

To confirm implementation of outstanding management actions identified at the first follow-up audit.

Risk to the Corporate Plan

None.

Client Comment**Post Audit Comment:**

Director of Corporate Governance - appropriate arrangements will be in place to ensure that there will be full mitigation of the risks by the projected dates.

Audit Comment

The audit was conducted in Q4. We provided a 'Limited' Assurance .

Deferred from 2008/09 to Q4 2009/10 Corporate Governance

SERVICE AREA: Internal Audit and Ethical Governance

TITLE OF ORIGINAL AUDIT: Governance

ORIGINAL PLANNED DATE FOR AUDIT: 2008/09 Quarter 4

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 4

CHANGE REQUESTED BY: Director of Corporate Governance

Reason(s) for the change

There would have been difficulty in progressing this audit as little progress has been made to promote governance, due to staff changes within Corporate Governance and a number of acting-up positions at senior management level in the Council.

Risk to the Corporate Plan

None.

Client Comment

None.

Audit Comment

None.

Internal Audit Performance Indicators 2008-09 @ 31.05.2009

PI Ref	PERFORMANCE INDICATOR	TARGET 2008/09 (annual & cumulative)	2008-09 Position at end of:			
			Q1	Q2	Q3	Q4 @ 31.5.09
1	Percentage of 2008/09 audit plan completed compared to what was planned.	87.5% This is the combined figure for systems, follow-ups and projects.	3% complete or at draft report plus 9% at various stages of work in progress	22% complete or at draft report plus 28% at various stages of work in progress	53% complete or at draft report plus 45% at various stages of work in progress	95% complete or at draft report plus 5% at various stages of work in progress
2	Percentage of Audit reports followed up within 12 months of issue of final report	100%	2% complete or at draft report plus 12% at various stages of work in progress	24% complete or at draft report plus 22% at various stages of work in progress	58% complete or at draft report plus 40% at various stages of work in progress	100% complete

Appendix D

Risk Analysis Annual Report 2008-09		IIA Category						Total	Priority 1	Priority 2
		1	2	3	4	5	6			
Client Service	Audit Project	The integrity of information/ data is unreliable	Assets are not adequately safe guarded	Resources not used economically or effectively	Non Compliance with Laws and Regulations Any Non-compliance needs to be reported to the Monitoring Officer.	Non Compliance with Policies and Procedures	Objectives/ goals not achieved			
Resources	Data Quality (KLOE)	0	0	0	0	2	0	2	0	2
Resources	Resources (LG Pensions Admin and Pension Fund)	1	0	0	0	0	3	4	0	4
Resources	EDRM Project	0	0	0	0	0	2	2	0	2
Resources	Housing Benefits	0	0	1	0	1	0	2	0	2
Resources	Accounts Payable	1	0	0	0	0	0	1	0	1
Communities: Children's Service	Connexions Transition	0	1	0	0	2	0	3	0	3
Communities: Children's Service	Primary Schools Capital Investment Programme	0	0	0	0	0	0	0	0	0
Communities: Children's Service	Cleaning Contract - Safeguarding Children	1	0	0	0	0	2	3	1	2
Communities: Children's Service	Child Protection	0	0	0	0	0	1	1	0	1
Communities: Adult Social Services	Respite Care	1	2	2	0	1	5	11	0	11
Communities: Adult Social Services	Fair Pricing Tool	0	0	5	0	3	0	8	0	8
Communities: Adult Social Services	Data Quality BVPI	2	0	0	0	0	1	3	0	3
Communities: Adult Social Services	Meals Service	2	0	2	0	1	3	8	4	4
Communities: Adult Social Services	Telecare Service	4	0	0	0	0	2	6	4	2
Communities: Adult Social Services	Supply Management (Priorities)	0	0	0	0	3	0	3	0	3
Communities: Adult Social Services	Choice and Independence Programme Governance	0	0	0	0	0	1	1	1	0
Environment and Regeneration: Environment and Transport	Street Cleansing 'Signature' Service	0	0	0	0	1	0	1	0	1
Environment and Regeneration: Environment and Transport	Administration of Term Contracts	0	0	0	0	1	0	1	0	1
Environment and Regeneration: Environment and Transport	Final Accounts	1	0	1	0	2	2	6	0	6
Environment and Regeneration: Environment and Transport	Parking Pay & Display Maintenance & Cash Collection	3	1	1	0	1	2	8	3	5
Environment and Regeneration: Environment and Transport	Use of Consultants	1	1	0	0	1	3	6	3	3
Environment and Regeneration: Environment and Transport	Recycling	0	0	0	0	0	0	0	0	0
Environment and Regeneration: Environment and Transport	Transport	0	0	0	0	2	0	2	0	2
Environment and Regeneration: Planning, Housing and Regeneration	Strategic Planning	0	0	0	0	0	1	1	0	1
Environment and Regeneration: Planning, Housing and Regeneration	Regeneration	0	0	0	0	0	2	2	1	1
Environment and Regeneration: Planning, Housing and Regeneration	Grants	0	0	0	0	2	1	3	1	2
Environment and Regeneration: Planning, Housing and Regeneration	Barnet Homes Monitoring	0	0	0	0	1	3	4	1	3
Environment and Regeneration: Planning, Housing and Regeneration	Service Restructure	0	0	0	0	0	0	0	0	0
Environment and Regeneration: Major Projects	Procurement and Contracts - Systems and Processes	1	1	1	0	2	3	8	2	6
Environment and Regeneration: Major Projects	Procurement and Contracts - Service Compliance	2	0	1	0	1	0	4	3	1
Environment and Regeneration: Major Projects	Mill Hill Depot Relocation Project	0	0	0	0	0	3	3	0	3
Corporate Governance	Data Protection Act 1998	2	0	3	0	1	0	6	2	4
Corporate Governance	Trading Standards and Licensing	0	0	1	0	0	0	1	0	1
Corporate Governance	Barnet Drug and Alcohol Service	2	0	2	0	1	3	8	4	4
Corporate Governance	Internal Control Checklist	2	0	0	0	0	2	4	0	4
TOTALS		26	6	20	0	29	45	126	30	96
								% of total	24%	76%

AGENDA ITEM: 7

Page nos. 50 - 70

Meeting	Audit Committee
Date	29 June 2009
Subject	Annual Report of the Corporate Anti Fraud Team 2008/09
Report of	Corporate Anti Fraud Team Manager and Acting Deputy Director of Corporate Governance
Summary	The Committee is asked to note the Annual Report of the Corporate Anti Fraud Team 2008/09

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	Annual Report of the Corporate Anti Fraud Team 2008/09
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

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Corporate Anti Fraud Team's Annual Report for 2008/09.**

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 that an annual report on the work of the Corporate Anti- Fraud Team be produced to this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The 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 our Annual Report and our service delivery.
- 5.2 The Annual Report 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.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: SAL

CFO: CM

LONDON BOROUGH OF BARNET

CAFT

CORPORATE ANTI FRAUD TEAM

ANNUAL REPORT

2008/09



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Introduction

The Corporate Anti Fraud Team is a specialist investigative unit which was established back 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.

Fraud is defined as a criminal deception committed by a person who acts in a false and deceitful way and experts have revealed that Fraud costs the UK a minimum £14 billion a year.

Fraud comes in many guises: Mortgage fraud, internet fraud, identity fraud, benefit fraud, insider fraud, electoral fraud, carousel fraud, credit card fraud and expenses fraud to name but a few.

As the financial, social and personal cost of fraud continues to spiral, it is evident that a clear and co-ordinated approach to combating fraud is required. Fraudsters respond and adapt to changing social circumstances so it is vital that we, the Corporate Anti Fraud Team are ahead of our game and continue to work smarter at anticipating the fraudsters and deliver a message of zero tolerance towards Fraud and Corruption.

It is believed that advances in technology will continue to facilitate new types of fraud and provide opportunities for criminals to profit illegally. In response to this we introduced a training and development programme throughout 2008/09 and this programme tackled the underlying factors that allow fraud to be committed and equipped our Investigators and the rest of the team with the knowledge and skills required to adapt to this ever changing environment of fraud.

With this approach we were able to enhance and maximise our counter-fraud efforts in 2008/09 and strengthen our response and counter-fraud strategy.

I do hope that you find this 2008/09 Annual Report informative and that it captures and demonstrates the effective workings of CAFT, whilst instilling confidence in our drive and commitment for 2009/10 in the prevention, detection and deterrence of fraud and corruption within the Council.

Val Lambe
Corporate Anti Fraud Team Manager

How We Operate

CAFT provides a specialist investigation service to the Council as well as giving advice and assistance, and providing a comprehensive Fraud Awareness Training and Education programme throughout the organisation. The team operates within the Counter Fraud Framework which consists of a set of comprehensive documents, these detail the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle Blowing Policy.

The Council is committed to demonstrating that services represent value for money and that there is a continuous drive to improve quality, efficiency and effectiveness of services. CAFT supports this whilst delivering a ZERO tolerance agenda on Fraud and Corruption within the Council.

The team is responsible for the investigation of internal fraud and corruption, the investigation of Housing and Council Tax Benefit fraud, providing assistance in the identification of incorrect Housing and Council Tax Benefit awards, the administration of the Housing Benefit Data Matching Service (HBMS) data matches and the delivery of a comprehensive Fraud Awareness Training and Education Programme.

CAFT consists of individual teams of Verification Officers, Benefit Investigators, Corporate Investigators, Intelligence Officers and Support Officers. Each team works and contributes towards the overall aims and objectives of CAFT, whether it be by achieving performance indicators set by the Department of Work & Pensions (DWP) or by following good practice procedures that promote efficiency and professionalism. Below are some details on the work of these individual teams.

The Verification Team

The Verification Team comprises of five officers who are each responsible for the verification of existing Housing Benefit and Council Tax Benefit (HB/CTB) claims and through this process they ensure that benefit entitlement is accurate and the correct amount of benefit is in payment.

The officers interrogate the Council's Benefit System 'Pericles' searching for anomalies and scrutinise the monthly data-matches received in CAFT from the Housing Benefit Data Matching Service (HBDMS).

The HBDMS matches data held on 'Pericles' against data held by all other Local Authorities and Government Organisations and any identified discrepancies are passed to CAFT to examine and investigate. These data-matches greatly assist the Verification Team in their role in safeguarding the Benefit System against fraud and error.

The officers worked very closely with the Benefit Investigators in CAFT and resolved 1,729 data-matches.

The Verification Team is funded on a yearly basis by the DWP who set the performance standards and targets for the team. For 2008/09 the DWP set the National Performance Indicator NI 180 "The Right Benefit Indicator" which was based on a 'New Local Performance Framework for HB and CTB'.

The Verification Team reassessed 2,147 HB/CTB claims that had an incorrect benefit entitlement award and these contributed towards the National Performance Indicator NI 180.

During 2008/09 they detected incorrect awards of HB amounting to £644,968.00 and incorrect awards of CTB amounting to £180,594.93 and so far £228,526.02 has been recovered and repaid to the Benefit Service. This is an ongoing recovery process by the Benefit Service which will continue until the debt has been fully repaid.

How We Operate

The Benefit Investigation Team

All allegations of fraud concerning HB/CTB claims are passed to the Benefit Investigation team. All the Investigators are fully trained to prosecution standard and have all attained the Government recognised qualification in Professionalism in Security (PINS)

The Benefit Investigators deal largely with offences committed under the Social Security Administration Act 1992 and adhere to the Council's Prosecution Policy which is contained within the Counter Fraud Framework.

Throughout 2008/09 the Benefit Investigators underwent an intensive internal training and development programme in corporate fraud and financial investigations. The training programme was very specific and was intended to enhance and expand the investigative skills that they already held and introduce them to new legislative and investigative tools.

This co-ordinated activity programme aimed to build on the excellent work already undertaken by the Investigators in combating benefit fraud. The programme tackled the underlying factors that allow these offences to be committed and equipped the Investigators with the relevant skills required to adapt to this ever changing environment of fraud.

The Investigators were coached and mentored by the Metropolitan Police Crime Payback Unit in financial investigations and through this active learning they gained an understanding of the world of economic fraud and how fraudsters respond and adapt to changing social circumstances.

During the last year the Benefit Investigation team has: -

- Investigated 995 HB/CTB referrals
- Resulting in the issue of 18 formal cautions.
- 112 administrative penalties.
- 28 successful prosecutions.
- Identified £557,662.06 in recoverable HB Fraud Overpayments.
- Identified £93,643.90 in recoverable CTB Fraud Overpayments.

During 2008/09 the total amount of fraudulent HB overpayments recovered and repaid to the Benefit Service amounted to £99,891.39. This is an ongoing recovery process by the Benefit Service which will continue until the debt has been fully repaid.

How We Operate

The Intelligence Team

The Intelligence team throughout 2008/09 continued to maintain and develop its role as the central 'intelligence hub' for the Community Protection Group (CPG), Corporate Governance Directorate and Partners. The Intelligence team has matured and advanced in the last year and through the workings and engagement of the Crime Intelligence Analyst, Intelligence Officers, the Information Sharing Officer, the Borough Watch Coordinator and the Crime and Disorder Reduction Partnership (CDRP) they have effectively gathered, evaluated and disseminated information to other anti crime teams. This intelligence is a valuable tool and has assisted and allowed a more intelligence led approach to Crime and Disorder.

An example of this is where the team assisted the Metropolitan Police and profiled the London Borough of Barnet's Prolific Priority Offenders (PPOs) using the available intelligence and information from within the CDRP. The aim was to analyse common denominators in their offending behaviour and lifestyles both now and when they were growing up and identify pathways that led to their prolific criminal lifestyle.

The intelligence gathered provided the CDRP with potential trigger signs to look out for in young people which could give an early indication of the young person's vulnerability in following the path of becoming a prolific criminal and identify the individuals that the agencies should be working with.

The Corporate Investigation Team

The Corporate Investigators deal with all allegations of fraud and/or corruption within or against Council. They also regularly provide advice and assistance to Heads of Service, department managers and staff members on a range of matters, including the identification of "risk of fraud" within their service, recommendations of preventative measures to tackle the risk and the strengthening of operational procedures.

Throughout 2008/09 the Corporate Investigators underwent an intensive internal training and development programme in HB/CTB fraud investigations. The training programme was very specific and was intended to enhance and expand the investigative skills that they already held and introduce them to new legislative and investigative tools.

Six members of CAFT have now completed their Financial Investigation training; four are now fully qualified and accredited by the National Police Improvement Agency (NPIA) and have powers under Part 8 of the Proceeds of Crime Act 2002 as Financial Investigators/Intelligence Officers. The remaining two are due to complete their qualifications within the next two months.

It has long been accepted by criminals that the possibility of arrest and imprisonment are occupational hazards. It was often the case that once a sentence was served, the criminal, having served their time, was free to share and enjoy their ill gotten gains. The Proceeds of Crime Act 2002 set out to redress this and is some of the most powerful and effective legislation to be introduced in the fight against crime.

The Corporate Investigators also investigate all referrals received under the Council's Whistle Blowing Policy and all referrals of Blue Badge misuse. Details of these investigations are provided below.

During the last year the Corporate Investigation Team has:-

- Investigated 53 referrals of Fraud or Corruption.
- As a result of our investigations - 5 staff members were dismissed.
- Two investigations are expected to come to trial in the summer 2009. (Op Diplomat and Op Diablo)

How We Operate

Whistle Blowing Investigations

The Council's Whistle Blowing Policy was drawn up in conjunction with the Public Interest Disclosure Act 1998. The Act establishes a framework for responsible whistle blowing and is intended to encourage employees and the public to report any concerns that they may have of improper conduct or malpractice or abuse within the Council or to any of its service users. The London Borough of Barnet strongly endorses this policy; promoting how committed we are as an authority, to being open, honest and accountable.

During 2008/09 the Whistle Blowing leaflet was revised and a 24 hour Whistle Blowing Hotline was introduced.

The Corporate Investigation team:-

- Received 3 Whistle Blowing referrals.
- Investigated and closed 3 Whistle Blowing cases.

One of the referrals resulted in disciplinary action being taken against the Council employee as evidence of improper conduct and malpractice was found.

Blue Badge Investigations

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

It is clearly stated on the badge that misuse may constitute a criminal offence, which is contrary to the Road Traffic Regulations Act 1984 and if convicted the offender can receive a maximum fine of £1000.

CAFT have been involved in five Blue Badge Operations this year with the Metropolitan Police. They have been extremely successful and residents have expressed their delight that the Council is targeting Blue Badge abuse.

During these five operations there were 6 arrests, 57 Blue Badges were seized and 51 Fixed Penalty Notices (FPNs) were issued.

During the last year the Corporate Investigation team has:-

- Received 122 referrals alleging misuse of Blue Badge.
- Of those, 49 cases have been closed as no evidence of misuse found.
- 43 offenders received a 1st warning letter.
- 1 offender pleaded guilty to 3 counts of misuse of a blue badge and was fined £150 on each count, along with £250 court costs and a £15 victim surcharge.
- 1 offender was arrested during a blue badge operation with the Metropolitan Police and was subsequently cautioned for Fraud by False Representation
- 3 cases referred to other Local Authorities as the misuse offence was committed within their borough.

How We Operate

Please refer to a few examples of cases that the Corporate Investigators have investigated.

Operation 01/SX/21350/07 – Mrs Ilhan Yusuf

- This investigation relates to a referral received from the Benefit Service who had inadvertently paid a HB recipient, Mrs Yusuf, rental payments belonging to her landlord.
- The payments were made directly into her bank account and totalled £34,439.00. Although she had been contacted several times by telephone she had not returned any of the calls or telephone messages and the Benefit Service were very concerned. *A further £9,762.76 belonging to the landlord was due to clear in her account on the following Monday.*
- CAFT immediately contacted Barclays Bank and established that Mrs Yusuf had received these rental payments totalling £34,439.38 but only £1,650.00 remained in the account.
- CAFT contacted the Metropolitan Police who agreed to assist. The Corporate Investigators accompanied the Metropolitan Police and conducted a search of Mrs Yusuf's property under section 32 of PACE. The sum of £20,660.00 was found in cash in one of her handbags and the cash was seized.
- A further credit at £9,762.76 belonging to the landlord was due to clear so CAFT contacted the bank and froze this account along with all other accounts linked to her. The total amount frozen in the Barclay accounts totalled £23,023.76.
- CAFT managed to recoup and freeze monies totalling £43,623.76 within three days of receiving the referral.
- Mrs Yusuf attended Harrow Crown Court and was subsequently found 'Not Guilty'.

Operation Charger – Ms Tilly Muwonge

- This investigation relates to a referral from the Benefit Service who alleged that Ms Muwonge, a HB Assessor had accessed Pericles and input false information resulting in a payment of £1,596.96 being sent and credited into her rent account. This payment was to cover the rent arrears which had accrued on her account
- The Police were contacted by CAFT and Ms Muwonge was arrested for 'Fraud by Abuse of Position'.
- She was formally interviewed under caution by a CAFT Investigator and during this interview she admitted that she had made the payment to her rent account. She confirmed that she knew that this was wrong and that she was having financial difficulties, her rent arrears totalled £1,800 and she did this out of desperation.
- She was formally charged with 'Fraud by abuse of Position' contrary to sections 1 & 4 of the Fraud Act 2006 and instructed to appear at Hendon Magistrates Court for Plea and direction.
- Ms Muwonge pleaded guilty to all the offences and sentenced to 24 weeks imprisonment suspended for 12 months. She was also ordered to pay compensation of £1,596.96 and costs of £70 which would be collected at a rate of £50 per month.

Joint Working

Department of Work and Pensions (DWP) Joint Working

CAFT have an excellent joint working relationship with the DWP. We have regular liaison meetings where we meet to discuss joint investigations, legislative changes and joint working strategies.

In order to maximise the prosecution of benefit offenders, we work and adhere to a Fraud Partnership Agreement.

During 2008/09 CAFT joined the DWP in their new poster campaign "We're closing in". This campaign was to target benefit thieves and was launched on 23 September 2008.

The message was very clear, "Deliberately withholding information that affects your claim is stealing. That's why we are targeting benefit thieves! The DWP and the Local Authority take benefit theft very seriously. Although the vast majority of people who claim benefits are honest, those who steal benefits are picking the pockets of law-abiding taxpayers. In 2007-08 benefit thieves stole an estimated £800 million from public funds, that's why we are determined to catch them"

The posters were adapted to meet the requirements of CAFT and advertised our 24 hour Fraud Hotline and our on line contact details.

Fraud Hotline referrals increased by 68% as a result of this poster campaign.

Please find below an example of joint working between ourselves and DWP;

Mrs Kasule Kantu

- This relates to an investigation into a Housing and Council Tax Benefit claimant who was in receipt of benefit on the basis of being a single parent in receipt of Income Support.
- The DWP contacted us to say they had an allegation that Mrs Kantu was in full time employment. At the interview under caution Mrs Kantu admitted that she had been working.
- As a result of the investigation, her benefit entitlement was reassessed resulting in an overpayment of £1,213.60 Housing Benefit and £373.20 Council Tax Benefit. The Income Support overpayment was £25,586.11.
- Mrs Kantu pleaded guilty to 2 counts of dishonestly obtaining benefit and was given a community sentence for 200 hours for each offence.
- The Housing Benefit overpayment has been recovered and repaid in full and a total of £254.91 has been recovered and repaid towards the Council Tax Benefit overpayment.

Joint Working

Metropolitan Police

CAFT have a very good relationship with the Metropolitan Police and have built this through effective networking, joint investigations and the sharing and dissemination of intelligence.

An example of this is when CAFT were contacted by New Scotland Yard regarding Miss Zara Porsche.

Miss Zara Porsche

- A phone call was received from an officer at New Scotland Yard concerning Miss Porsche who was in receipt of Housing Benefit.
- The allegation received was that Miss Porsche also used the name Zara Jagger as an alias was claiming Housing Benefit on a property where land registry showed her to be the owner.
- Intelligence checks showed that Miss Porsche had confirmed on her Housing Benefit claim form that her landlords were a Mr & Mrs Jagger.
- Miss Porsche was interviewed under caution at Kennington Police Station and admitted that she had falsely completed her benefit claim forms.
- This resulted in an overpayment of £6,637.50 Housing Benefit.
- Miss Porsche pleaded guilty to one count of false accounting and was given a 12 month community order. A confiscation order was also granted by the court and the sum of £6,637.50 was repaid to Barnet Council from this money.
- The Housing Benefit overpayment has been recovered and repaid in full.

Joint Working

UK Border Agency

An Officer from the UK Border Agency (UKBA) is currently on secondment and working in CAFT. This partnership is an important initiative as it allows us to ensure that only those eligible to receive benefits and services from the Council do so.

The other range of benefits are that the Officer assists the Council by helping in areas such as;

- Verification of the immigration status of individuals who apply for relevant services, such as housing.
- Notification of changes in immigration status.
- Properties of concern in the private rented sector.
- Identifying and combating criminality.
- Alleviating the burden of supporting migrants from local taxpayers.

Please find below an example of joint working between ourselves and the UKBA;

Advice & Assistance 13 – Mr Reda Khelfa

- This investigation relates to a National Fraud Initiative (NFI) match between the London Borough of Barnet and Watford Council. Both Councils had recorded that a member of Barnet staff was using the same National Insurance Number as a benefit claimant in the Watford area.
- The Barnet employee concerned, Mr Khelfa was working as a refuse collector operating out of the Mill Hill Depot.
- Checks carried out with the DWP revealed that the National Insurance Number supplied did not correspond with the employee's details. As a direct result of this details on his French passport were checked by the UKBA Officer based in CAFT and the passport was suspected of being a forgery.
- He was formally interviewed under caution by a CAFT Investigator and the UKBA Officer. In the interview he confirmed that he had supplied forged documents and that he was in fact an asylum seeker from Algeria and he was aware that he did not have the right to work in the United Kingdom.
- Details of the interview were given to the Deputy Head of Highways and Environment and a letter of suspension was immediately drafted and served on the suspect.
- This case was passed to the UKBA Officer for further action to be taken under the Immigration Act.
- Mr Khelfa was advised that disciplinary action would be taken. However before this was initiated the suspect sent a letter to the HR Department advising that he was resigning with immediate effect.

Joint Working

Housing Benefit Data Matching Service (HBDMS)

The Housing Benefit Data Matching Service (HBDMS) matches the Council's Benefit System (Pericles) against data held by other Local Authorities and Government Organisations. The data is all cross checked and discrepancies are identified and passed to CAFT. The team ensure that all the data matches are investigated and resolved. This is an excellent process in the detection of fraud and error and a successful method of effective joint working.

Please find below two cases that have resulted in successful prosecutions from this joint working.

Miss Helen Pascoe

- This relates to a Housing and Council Tax Benefit claim for Miss Pascoe who was in receipt of benefit on the basis that her only income was State Retirement Pension and former Employment Pension.
- A referral was received from the HBDMS stating that Miss Pascoe had capital that she had failed to declare.
- Miss Pascoe was visited by one of the Verification Officers and stated that she did not hold any other accounts other than that she had already declared.
- Subsequent checks confirmed that she held two accounts with the Catholic Building Society and the amount held was in excess of £16,000.
- Miss Pascoe was interviewed under caution regarding the matter and claimed that the accounts had just slipped her mind.
- As a result of our investigation, the claim was reassessed and resulted in an overpayment of £10,270.41 Housing Benefit and £1,700.59 Council Tax Benefit.
- Miss Pascoe pleaded guilty to 5 counts of dishonestly obtaining benefit and was fined £800 for each offence, along with £941.60 costs and a victim surcharge of £15.
- The Housing Benefit and Council Tax Benefit overpayment has been recovered and repaid in full.

Mrs Wendy Farmer

- This relates to a Housing and Council Tax Benefit claim for Mrs Farmer who was in receipt of benefit on the basis that she lived with her partner and they were both in receipt of various benefits.
- A referral was received from the HBDMS stating that Mrs Farmer had capital that had not been declared.
- Mrs Farmer was asked to attend interviews under caution on various occasions, but did not do so.
- Subsequent checks showed that she had capital well in excess of £16,000.
- As a result of our investigation, the claim was reassessed and resulted in an overpayment of £20,852.01 Housing Benefit and £5,737.61 Council Tax Benefit.
- Mrs Farmer pleaded guilty to 6 counts of dishonestly making false representations to obtain benefit. She was sentenced to 13 weeks imprisonment, suspended for 1 year.
- The Housing Benefit overpayment is currently being recovered from her continuing Housing Benefit entitlement at £12.80 per week and £668.00 has been repaid to the Benefit Service. The Council Tax Benefit overpayment is with the Bailiffs and being collected separately.

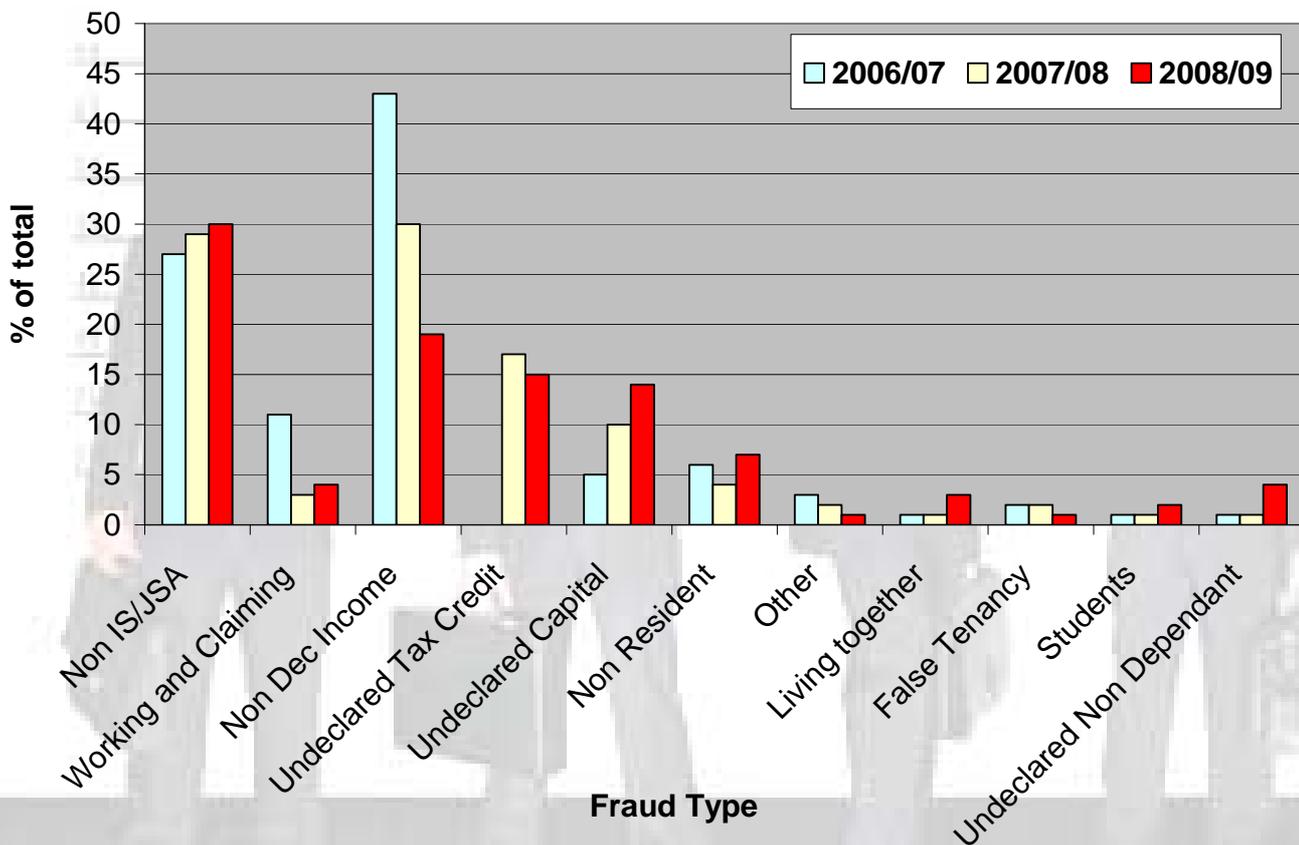
Analysis

CAFT's Crime Intelligence Analyst has analysed all our fraud investigations that resulted with a successful sanction during 2008/09. A sanction is classified as a "successful prosecution, an administrative penalty or a formal caution"

The following results are his findings and depict the profiles of the fraudulent claimants, establishing, age, marital status, housing tenure and the fraud types committed in 2006/07, 2007/08 & 2008/09 and a geographic analysis of the residence of the fraudulent claimants in the last two years.

Comparison Charts:

Fraud Types Resulting In Prosecution & Sanctions 2008/09 against 2006/2007 & 2007/08

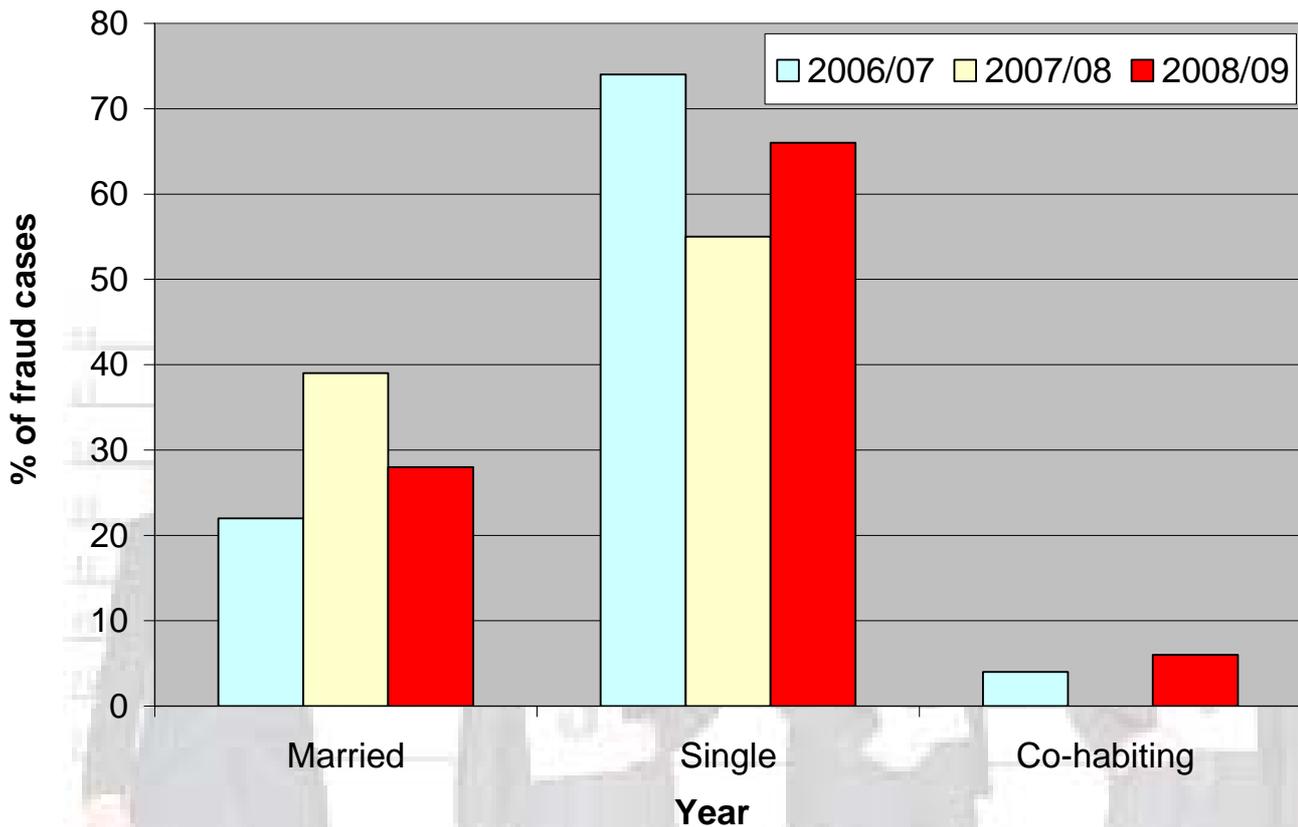


In 2008/09 the highest numbers of sanctions (30%) were classified as fraud type Non IS/JSA. This increased from 27% in 2006/07 and 28% from 2007/08. In previous years Non Declared Income was the highest fraud type with 43% share of the total in 2006/07 and 30% of the share in 2007/08 but it has dropped to just 19% in 2008/09.

Analysis

Profile of Fraudulent Claimants

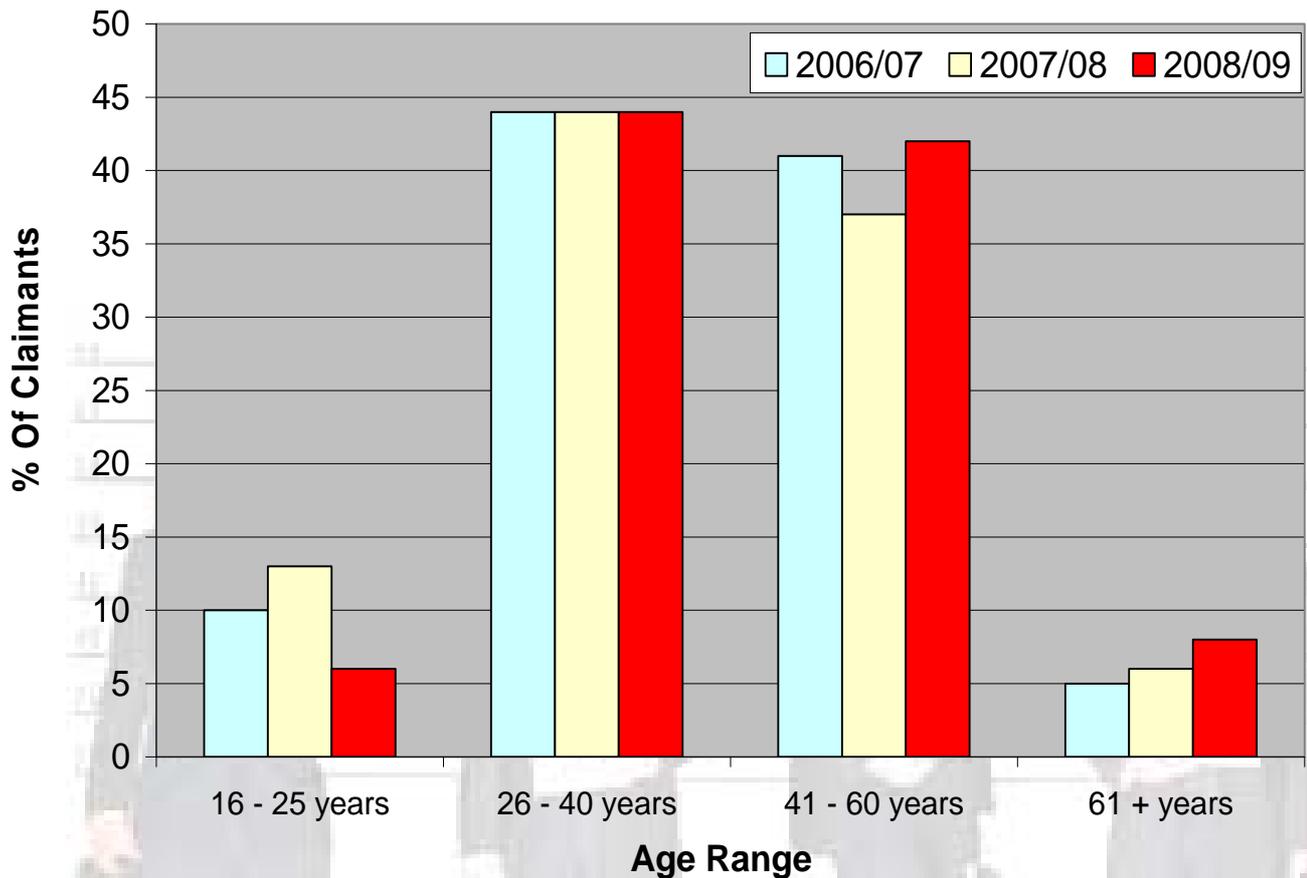
Marital Status Of Claimants 2006/07, 2007/08 & 2008/09



With regards to the marital status of our fraudulent claimants 66% of the total claimants were single, 28% were married and 6% were co-habiting. Compared to previous years the results are similar to that of 2006/07 rather than 2007/08 when 39% of fraudulent claimants were married and only 55% single. Also to note is that in 2008/09 6% of total claimants were co-habiting compared to none in 2007/08.

Analysis

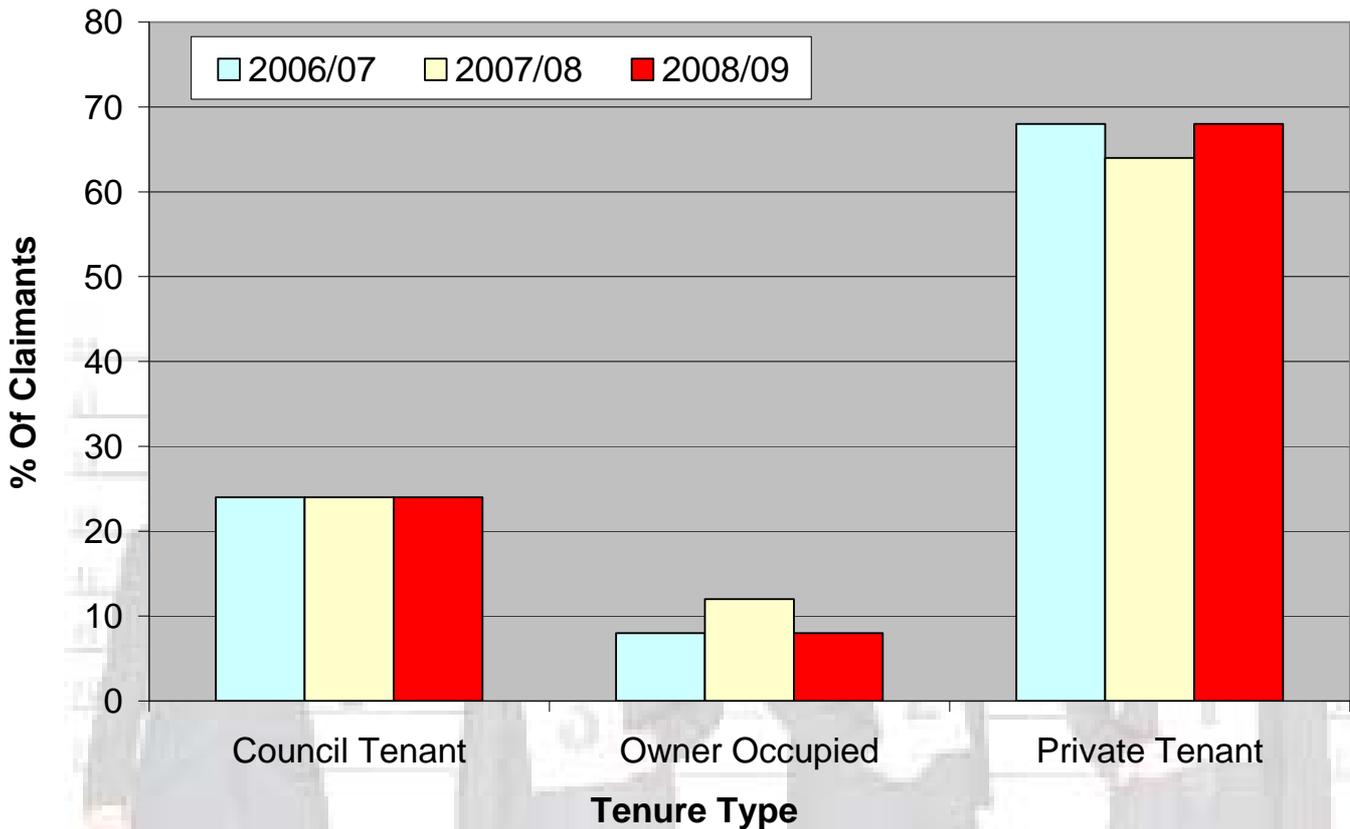
Age Range Of Claimants 2006/07, 2007/08 & 2008/09



In 2008/09 the highest proportion of fraudulent claimants were aged between 26 to 40 years and as per the previous two years they made up 44% of the total.

Analysis

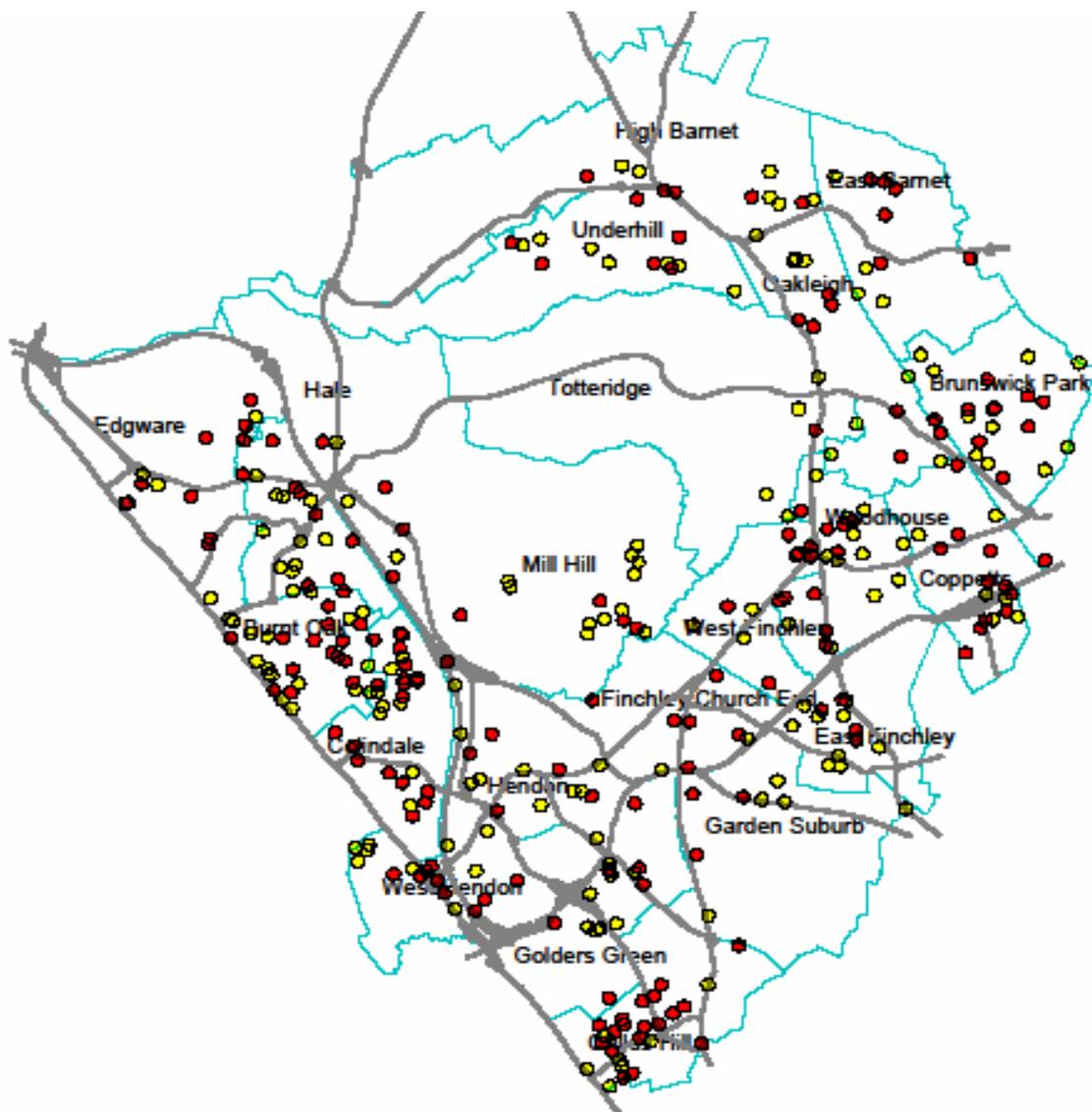
Tenure Of Claimants 2006/07, 2007/08 & 2008/09



The split between the residential tenure statuses of fraudulent claimants showed barely any change from the previous two years. The proportion of private tenants still being by far the highest at 68% of the total, followed by council tenants at 24% of the total and owner occupied at 8% of the total.

Analysis

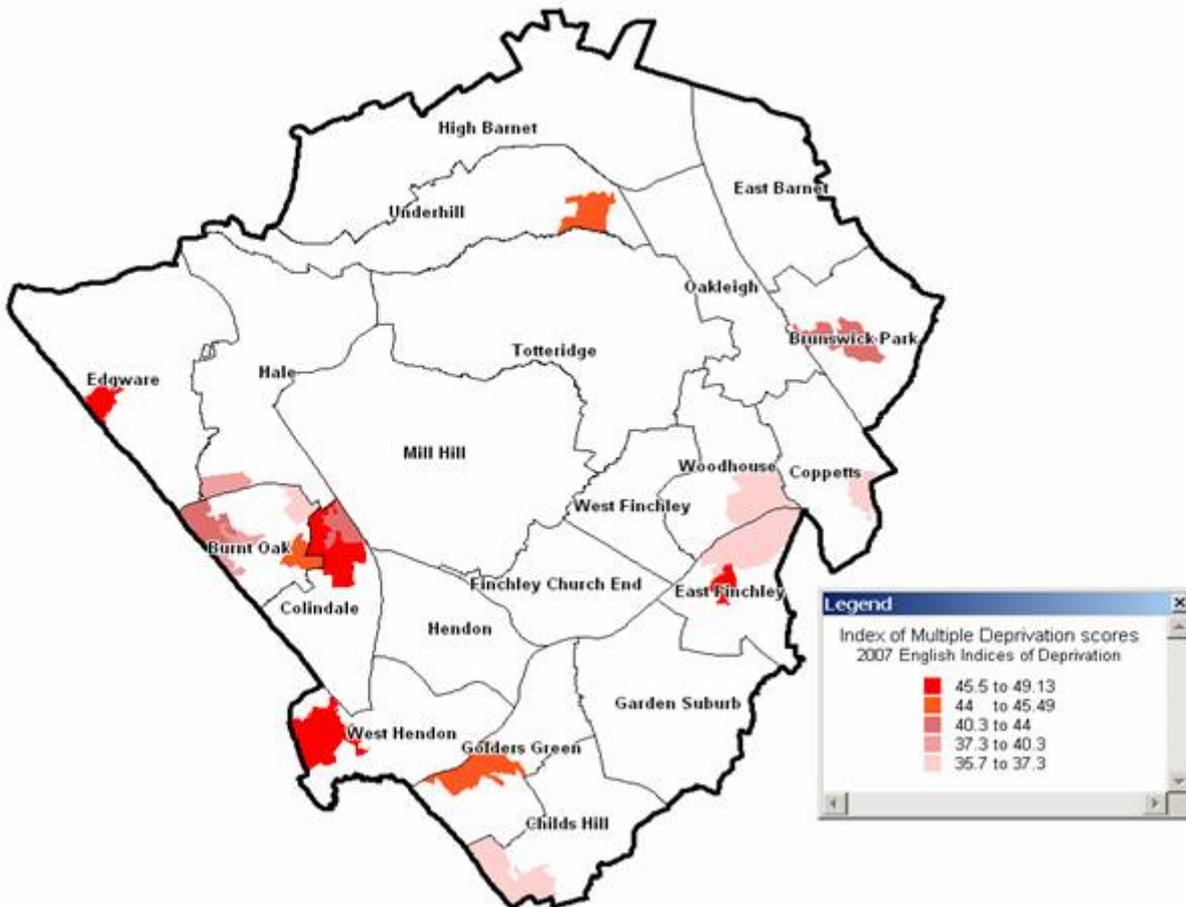
Map 1: Geographical Analysis Of The Residence of The Fraudulent Claimants In 2007/08 And 2008/09



Fraud Cases – 2008/09 ●

Fraud Cases – 2007/08 ●

Analysis



Map 1 shows the residential addresses of the proven fraudulent benefit claimants in both 2007/08 and 2008/09. The two most obvious clusters appear in Burnt Oak, Colindale and Childs Hill wards. There are also smaller clusters of addresses in Coppetts, West Hendon and Brunswick Park.

Map 2 shows the twenty super output areas according to the 2007 index of multiple deprivation which are the most deprived in the borough. Super Output areas are the geography used to split up boroughs into many smaller areas for easy comparison due to a consistency in population and geographical size.

There is definite correlation between those areas with a cluster of residential addresses of fraudulent benefit claimants over the last two years and the areas of Barnet which are most deprived. Unemployment by ward is also an interesting comparison and again a link can be seen between the wards which are residence to fraudulent benefit claimants and those out of work.

In order of the highest unemployment Burnt Oak, Colindale, West Hendon, Golders Green, Childs Hill are the top five wards in the borough and as discussed above four of these wards are home to the highest numbers of fraudulent claimants.

AGENDA ITEM: 8

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Meeting	Audit Committee
Date	29 June 2009
Subject	Annual Audit & Inspection Letter 2007/08
Report of	Director of Resources & Chief Finance Officer
Summary	This report advises the committee of the Audit Commission report on the 2007/08 Audit of Accounts and Inspection.

Officer Contributors	Maria G. Christofi, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Annual Audit and Inspection Letter 2007/08
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Maria G. Christofi, Finance Manager (020 8359 7122) or Paul Stock, Head of Strategic Finance (020 8359 7172)

1 RECOMMENDATIONS

- 1.1 That the Audit Commission Annual Audit & Inspection Letter for 2007/08 be accepted as a reasonable statement of the Council's position in respect to financial standing, and financial and performance management arrangements.**
- 1.2 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4 RISK MANAGEMENT ISSUES

- 4.1 The Annual Audit and Inspection Letter has many positive things to say about the Council, but also highlights areas of weakness that must be addressed over the coming year. Failure to do so carries the risk of further adverse comment and has the potential to reduce our Use of Resources or Service Block ratings.

5 EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Annual Audit and Inspection Letter covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

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

- 6.1 This report deals with the Council's financial reporting, management and standing, as well as value for money. The external auditor's comments should be noted.

7 LEGAL ISSUES

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

8 CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including “To consider the external auditor’s annual letter” and “To comment on the scope and depth of external audit work and to ensure it gives value for money”.

9 BACKGROUND INFORMATION

- 9.1 The purpose of the Annual Audit and Inspection Letter is to summarise the conclusions of and significant issues identified by the Council’s External Auditor, Grant Thornton UK LLP, during their audit and inspection activity. In addition to this, it summarises the work of other inspectorates. These include the work of the Audit Commission in assessing the Council under the Comprehensive Performance Assessment (CPA); Ofsted’s annual performance assessment of services for children and young people; and the Commission for Social Care Inspection’s (CSCI) annual performance inspection of adult services.
- 9.2 The External Auditor is expected to attend the Committee meeting to introduce his report and respond to questions. This covering report extracts the key messages from the Annual Audit and Inspection Letter 2007/08, which is attached to this report.
- 9.3 The following is drawn to the attention of this Committee:
- 9.3.1 The Statement of Accounts have been given an unqualified audit opinion.
- 9.3.2 The Audit Commission’s judgement of the Council’s overall performance under the Comprehensive Performance Assessment has been lowered from 4 stars to 3 stars.
- 9.3.3 The Council is improving strongly with improvement in key priority areas such as educational attainment, tackling crime, environmental services and services for older people. However, performance improvement of cultural services remains a challenge for the Council.
- 9.3.4 The Council is working well with partners to create new homes and communities through its approach to regeneration. In the current economic downturn the Council will need to monitor the impact on its services and plans to ensure timely decisions are taken in respect of future regeneration strategies.
- 9.3.5 The Council continues to provide good value for money and has improved its internal control arrangements. There has been significant progress made in addressing the areas for improvement identified in the Corporate Assessment for 2006/07, but further work is needed in order to embed scrutiny processes during 2009.
- 9.3.6 The Council continues to improve. Barnet is amongst the 24 per cent of councils judged as improving strongly with regards to their direction of travel.

However, the Council's overall star rating has been lowered from a four to a three star status.

- 9.3.7 Performance has improved in Housing, Environment and Benefits, all moving up from a level 3 last year to a current level 4. However, Cultural services has been lowered from level 3 to level 2.
- 9.3.8 The Council has maintained its good use of resources within all five themes, which make up the overall use of resources assessment, performing well at level 3 or higher. The Council has had a notable improvement in the Internal Control theme which has improved from level 3 to level 4.
- 9.3.9 In May 2008 the Audit Commission published their inspection report for the Barnet Homes, Council's ALMO. This re-inspection of the landlord services provided by Barnet Homes found that services were 'good' with 'promising prospects for improvement'.
- 9.3.10 Ofsted's annual performance assessment of Barnet's services for children and young people judged their overall effectiveness at a level 3 (out of a possible 4). The Council has maintained 'good' services in relation to children and young people, with 'good' capacity to improve.
- 9.3.11 The Commission for Social Care Inspection's annual performance assessment of adult services judged there to be 'good' delivery of outcomes with 'promising' capacity to improve. The service sustained a two star rating (out of a possible three) overall with an assessment of 'good' across all themes.
- 9.3.12 The Council's overall arrangements for ensuring data quality have been assessed as 'good' for the financial year 2007/08.
- 9.3.13 The Council has improved its performance against key targets for grants as a result of implementing most of the recommendations made in the 2006/07 Grants report. All grant claims that required certification were submitted on time and the quality of the working papers provided to auditors has improved.
- 9.3.14 Grant Thornton conducted a review of the current status of and future proposals on Overview and Scrutiny at the London Borough of Barnet. The review found that there had been significant progress made by the Council in addressing the areas for improvement identified in the Corporate Assessment 2006/07 and new Scrutiny processes are to be introduced later in 2009. However, none of these comprehensive changes had been fully implemented at the time of the review.
- 9.3.15 Autumn 2009 will see the publication of the first results from the new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic and independent assessment of the prospects for local areas and the quality of life for the people living there.
- 9.4 The following actions required by the Council are drawn to the attention of the Committee:

- 9.4.1 The Council should monitor the impact of the economic downturn on its services and plans for regeneration of the borough to ensure timely decision making.
- 9.4.2 The Council should build on successful initiatives such as that for Burnt Oak and fully implement the Library and Leisure strategies to raise the performance of cultural services as a whole.
- 9.4.3 The Council should ensure that there is effective engagement of all stakeholders and partners in the Council's ambitious plans for transforming the organisation under the Future Shape programme.

10 LIST OF BACKGROUND PAPERS

- 10.1 None

Legal: MM
CFO: JB

Annual Audit and Inspection Letter

Barnet London Borough Council

Audit 2007/08

March 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Key messages

- 1 Barnet Council is improving strongly with improvement in key priority areas such as educational attainment, tackling crime, environmental services and services for older people. However, performance improvement of cultural services remains a challenge.
- 2 The Council is working well with partners to create new homes and communities through its approach to regeneration. In the current economic downturn the Council will need to monitor the impact on its services and plans to ensure timely decisions are taken in respect of future regeneration activity. There is improving communication with residents and communities at a local level, based on a developing understanding of the diverse needs of the area.
- 3 The Council continues to provide good value for money and has improved its internal control arrangements. Grant Thornton's review of scrutiny found significant progress made by the Council in addressing the areas for improvement identified in the Corporate Assessment in 2006, but further work is needed to embed scrutiny processes during 2009. The Council is strengthening its improvement planning framework, and has embarked on an ambitious major change programme.

Action needed by the Council

- 4 The Council should:
 - monitor the impact of the economic downturn on its services and plans for regeneration of the borough to ensure timely decision making;
 - build on successful initiatives such as that for Burnt Oak to raise the performance of cultural services; and
 - ensure that there is effective engagement of all stakeholders in the Council's ambitious plans for transforming the organisation.

Purpose, responsibilities and scope

- 5 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. [It also includes the results of the most recent corporate assessment.]
- 6 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 7 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 8 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 9 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 10 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Barnet Council performing?

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

Figure 1 Overall performance of councils in CPA



Source: Audit Commission

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment 2008	Assessment 2007
Direction of Travel judgement	Improving strongly	Improving well
Overall	3 star	4 star
Corporate assessment/capacity to improve	3	3
Current performance		
Children and young people*	3	3
Social care (adults)*	3	3
Use of resources*	3	3
Housing	4	3
Environment	4	3
Culture	2	3
Benefits	4	3

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

12 Barnet Council is improving strongly. The Council has improved in key priority areas such as educational attainment, tackling crime, environmental services and services for older people and is recognised nationally for its support to carers. The Council has achieved a substantial improvement in processing housing benefits and the service's overall rating has improved. Around two-thirds of performance indicators improved in 2007/08 and the Council has a high proportion of strong performing services. The Council is working well with partners to improve wider community outcomes such as regeneration to create new homes and communities. Recent progress has been made in reducing use of temporary accommodation, but performance of cultural services remains a challenge. There are improving levels of communication with residents and communities with a focus on local level engagement. The Council has further developed effective arrangements for understanding and responding to the diverse needs of the community, making good use of information technology to support these developments. The Council continues to improve value for money. The Council is strengthening its improvement planning framework, and is well-placed to deliver future improvements.

Service inspections

- 13** In May 2008 we published our inspection report for the Council's ALMO. This re-inspection of the landlord services provided by Barnet Homes found services to be 'good' with 'promising prospects for improvement'. The services have a number of strengths including:
- customer focused services, with learning from feedback from customers;
 - progress with the decent homes programme is on target;
 - the responsive repairs service is performing well;
 - partnership working is helping to prevent and deal with incidences of anti-social behaviour, with a particular focus on tackling youth nuisance;
 - estates are well maintained, and generally clean and tidy; and
 - there is a focus on value for money throughout the organisation with £6.7 million savings achieved.
- 14** However, some areas need improvement, including:
- gaps in the customer profile information;
 - the lettable standard is basic and void costs are high for the standard achieved;
 - waiting lists for major adaptations are long;
 - performance issues remain in relation to the collection of rent arrears and former tenants' arrears, despite improvement;
 - there is low satisfaction with the opportunities for involvement;
 - service standards are not always being met for the anti-social behaviour service and case file management is weak;
 - there is low satisfaction with the leasehold service and mixed service charge collection performance;
 - there is a lack of procurement expertise; and
 - non asset management procurement is process driven rather than outcome led.
- 15** Prospects for improvement are promising because there is a clear vision for the organisation that is understood at all levels; it responds to customer, internal and external feedback; the organisation has the capacity to continue to deliver and improve services, with strong financial management and a focus on future financial viability. However, the track record of improving services is mixed with some delays in implementing improvements. There is a low level of performance or lack of improvement in some key areas. There is also a lack of clarity about how some strategies and action plans will be delivered and the presentation of performance information is confusing and misleading.

Other inspectorates' assessments

- 16 An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- An annual performance assessment of children's services.
 - An annual performance assessment of adult social care services.
 - An annual performance assessment of benefits service.
- 17 A summary of the overall judgements for each assessment are detailed in the paragraphs that follow.

Services for children and young people

- 18 Ofsted's annual performance assessment of Barnet's services for children and young people judged their overall effectiveness at a grade 3 (out of a possible 4). The Council has maintained 'good' services in relation to children and young people, with 'good' capacity to improve. The Council's contribution to improving outcomes in the area of enjoying and achieving was assessed as 'excellent' and for all other themes (staying safe, being healthy, making a positive contribution, and achieving economic well-being) it was assessed as 'good'. The council has sustained its outstanding performance in respect of high standards achieved by children and young people including looked after children enabling them to achieve some of the best educational attainment nationally. Progress has not been as rapid in reducing the rate of teenage pregnancies, schools achieving the Healthy School Status, the allocation of qualified social workers and reducing the rate of youth re-offending. The full assessment can be accessed via the inspectorate's website at www.ofsted.gov.uk.

Adult social care services

- 19 The Commission for Social Care Inspection's annual performance assessment of adult social care services judged there to be 'good' delivery of outcomes with 'promising' capacity to improve services. The Council's contribution was assessed as 'good' for all themes: improved health and emotional well-being; improved quality of life; making a positive contribution; increased choice and control; freedom from discrimination and harassment; and economic well-being. The service sustained a two star rating overall (out of a possible three stars). The full assessment can be accessed via the inspectorate's website, www.csci.gov.uk.

Benefits services

- 20 The assessment of the benefits service concluded that the Council achieved a rating of 4 (out of a possible 4) and improvement from 3 last year. The full assessment can be accessed via the inspectorate's website www.audit-commission.gov.uk

The audit of the accounts and value for money

- 21** Your appointed auditor, Grant Thornton, has reported separately to the Audit Committee on the issues arising from our 2007/08 audit and have issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 25 September 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 22** The findings of the auditor are an important component of the CPA framework described above. In particular, the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 23** For the purposes of the CPA, we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment 2008	Assessment 2007
Financial reporting	3	3
Financial management	3	3
Financial standing	3	3
Internal control	4	3
Value for money	3	3
Overall assessment of the Audit Commission	3	3

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

Audit of Accounts

24 As was the case in 2006/07, the Council continues to prepare good quality accounts which are supported by generally good quality working papers. The Appointed Auditor recommended that, going forward, the accounts should be provided to the audit team in advance of the 30 June deadline to ensure feedback can be given prior to approval of the Audit Committee. This should result in a reduction in a number of disclosure adjustments required during the audit.

Use of Resources

25 The Council was assessed as performing well, which indicates the continued success the organisation has had in embedding robust processes and delivering improved outcomes in its services. The following key issues were drawn to the attention of the Council.

- Value for money - The Council performed well in this area (level 3). Net revenue spend on services per head of population was the second-lowest in comparison with 'nearest neighbour' councils. Costs per head were 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 were below the median and public satisfaction with the Council was in the second-best quartile.
- Asset management framework - The Council was advised to ensure that it has an appropriate asset management strategy that is monitored throughout the year to ensure the achievement of its 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.

The audit of the accounts and value for money

- Icelandic banks - 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. This 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 per cent 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), the Council was assessed at level 3 for financial standing.
- Internal control - The Council's arrangements for maintaining a sound system of internal control were assessed as performing well (level 3). As with other assessments for Use of Resources, this was against a higher expected standard than in previous years, and specifically the requirement to ensure that the Council has an effective scrutiny function to ensure constructive challenge and enhance challenge overall. A review of Scrutiny (principally related to the proposed arrangements to be introduced later in 2009) was undertaken for which a separate report has been drafted. The key areas where the Council should still develop in relation to internal control relate to further improvements in the internal audit department, refinements to the content of the annual governance statement and reduction in the number of recommendations for improvement arising from the internal audit reviews.
- Use of Resources in 2008/09 - It has been emphasised to officers that significant changes are to be made to the assessment criteria to be implemented in 2009, as part of the new Comprehensive Area Assessment. The new framework is more demanding than the current one, is broader in scope and embraces wider resource issues, such as workforce planning and the use of natural resources. In assessing higher levels of performance, the framework places much greater emphasis on demonstrating improved outcomes for local people. Effective and embedded policies and processes to support these outcomes will form the minimum expected standard. In reporting areas for development identified from our 2008 assessment, we highlighted areas where it will be important for the Council to demonstrate effective arrangements in 2009.

Other audit work

Data Quality

- 26 The Council's overall management arrangements for ensuring data quality have been assessed as good for the financial year 2007/08. The Council had improved in some key areas since last year, leading to an improved assessment overall. There remains scope for further development to move the Council towards excellence in data quality.

Pension Audit

- 27 The audit opinion on the pension fund remains part of the main auditor's report to the members of the Council. A number of adjustments were processed as a result of our audit and some control issues were highlighted to management. In 2007/08, for the first time, a detailed report of our findings was provided to the Council's Pension Committee. This was well received.

Grants

- 28 Overall, the Council has improved its performance against key targets as a result of implementing most of the recommendations made in our 2006/07 Grants report. We All grants claims that required certification were submitted on time and the quality of working papers provided to auditors has improved. Key officers had been provided with training in preparation of claims and returns and the certification process. It was also noted that the grants co-ordinator had liaised with the audit manager and grants officers to ensure that work on the claims and returns was completed by the certification date.

IT Controls Audit

- 29 Overall, general Controls over Information Technology were found to be adequately designed. Recommended areas for improvement were referred to management.

Health Inequalities

- 30 Public services in Barnet were found to be making rapid progress in this area. In two years, partnerships have moved from a position of relative inactivity to a position of strength and focus, with key building blocks in place.

Advice and Assistance work

Overview & Scrutiny

- 31 Grant Thornton conducted a review of the current status of and future proposals on Overview & Scrutiny at the London Borough of Barnet. This was based upon the work the Council has undertaken following the Audit Commission Corporate Assessment in 2006 that set out a number of areas for improvement in the scrutiny function. The review found that there has been significant progress made by the Council in addressing the areas for improvement identified in the Corporate Assessment and new Scrutiny processes will be introduced later in 2009. However, none of these comprehensive changes had been fully implemented at the time of the study. With the imminent approach of the Comprehensive Area Assessment (CAA), it was considered that this gave the Council little time to demonstrate real progress in the development of the scrutiny function and that without sufficient embedding of the scrutiny function the 2008/09 use of resources scores could be put under pressure.

Looking ahead

- 32** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 33** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 34** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

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Closing remarks

- 35 This letter has been discussed and agreed with xxx. A copy of the letter will be presented at the [audit committee/ cabinet/ full council] on xx xxx 2009. Copies need to be provided to all Council members.
- 36 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Interim audit memorandum	April 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	September 2008
Annual audit and inspection letter	February 2009

- 37 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Howard Simmons
Comprehensive Area Assessment Lead

March 2009

AGENDA ITEM: 9

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Meeting	Audit Committee
Date	29 June 2009
Subject	External Audit Fees 2009/10
Report of	Director of Resources & Chief Finance Officer
Summary	This report advises the committee of the external audit and inspection plan for the coming year.

Officer Contributors	Jonathan Bunt, Assistant Director of Resources
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – copy of Annual audit fee 2009/10 letter
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Paul Stock, Head of Strategic Finance on 020 8359 7172

1. RECOMMENDATIONS

1.1 That the annual audit fee 2009/10 letter from Grant Thornton UK LLP be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The annual audit fee letter 2009/10 describes the audit work proposed to be undertaken for the 2009/10 financial year and supports fundamental aspects of financial standing and performance management in Barnet, which relates to the Council's 'More Choice, Better Value' priority.

4. RISK MANAGEMENT ISSUES

4.1 The annual audit fee letter has been formulated based on the risk-based approach to audit planning as set out in the Code of Audit Practice and assesses both the Council's local risks and current national risks relevant to the Council's local circumstances.

5. EQUALITY AND DIVERSITY ISSUES

5.1 The annual audit fee letter relates to the inspection and assessment of all services within the authority which, in turn, impact on all members of the community. It does not include inspection fees relating to the new Comprehensive Area Assessment (CAA)

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

6.1 The indicated level of fees has been incorporated by the Council when setting the annual budget and Council Tax for 2009/10.

7. LEGAL ISSUES

7.1 The relevant statutory provisions are referred to in the letter.

8. CONSTITUTIONAL POWERS

8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "To comment on the scope and depth of external audit work and to ensure it gives value for money".

9 BACKGROUND INFORMATION

9.1 The annual audit fee 2009/10 letter dated 28 April 2009 is attached at

Appendix A. It sets out the approach and proposed work to be undertaken by the Council's appointed external auditor, Grant Thornton UK LLP, to enable a view to be reached on the Council's:

- Use of Resources and Value for Money (VFM) conclusion
- Financial Statements, including IFRS support
- Grant Claims and Returns
- Pension Scheme administration.

9.2 The fee schedule for the planned work for 2009/10 is set out in the letter. The proposed fee of £453,500 is in line with the Audit Commission's benchmark scale fee. The fee also incorporates risks relating to the preparation for accounting under International Financial Reporting Standards (IFRS).

9.3 The fee for auditing the Pension Scheme is identified separately in the summary proposals at £38,000. Previously, this has been subsumed within the general fee for auditing the financial statements. The table below sets out the audit fees for 2007/08, 2008/09 and the planned fees for 2009/10.

Audit Area	Planned Fees 2009/10 £000	Fees 2008/09 £000	Fees 2007/08 £000
Fees payable with regards to the external audit service	415	420	421
Pension Scheme Audit	38	40	10
Total Audit Fees	453	460	431
Certification of claims and returns	85	90	90
Total Fees	538	550	521

*The 2008/9 and 2007/08 external audit fees have been restated from previously published as they originally included the pension fund audit which is now presented separately.

9.4 The original fees letter set the fees higher than the Audit Commission benchmark. As a result of the Chief Executive writing to Grant Thornton the fees were brought in line with the Audit Commission benchmark. The effect of this was to reduce the Pension Scheme Audit from £40,000 to £38,000.

9.5 In addition, there is a proposed fee of £85,000 for the certification of claims and returns provided by the Council. This is an indicative fee only and may be subject to change based on volume, charged on an hourly rate basis.

9.6 The letter also highlights the key audit risks with the associated planned work and indicative timescales.

9.7 There is no detailed audit plan to accompany the schedule of fees, this will be determined following the completion of the audit work for 2008/09. A detailed plan will be presented to this Committee in due course.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

CFO: JB

Our Ref RT/TF LBB90325

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28 April 2009

Dear Nick,

Annual audit fee 2009/10

We are writing to set out the audit work that we propose to undertake for the 2009/10 financial year at the Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

The Audit Commission published its work programme and scales of fees 2009/10, in December 2008. From 2009/10, the Audit Commission has clarified that the starting point for any fee proposal is the scale fee, which is calculated using a prescribed formula. Any variation from scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the audited body.

We are proposing a 2009/10 fee of £453,500 for the Authority (including the pension fund but excluding VAT). The proposed fee is lower than the 2008/09 fee level, bringing it exactly in line with the Audit Commission's scale fee. The fee incorporates risks relevant to our Code responsibilities (as set out below) and relating to preparation for accounting under International Financial Reporting Standards (IFRS).

A summary of the proposed fee is shown in the table below.

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements, including WGA and IFRS support	£170,000	£135,000
Use of resources/VFM conclusion	£245,500	£285,000
Pension Scheme Audit	£38,000	£40,000
Total audit fee	£453,500	£460,000
Certification of claims and returns	£85,000	£90,000

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. This will detail the risks identified, planned audit procedures and any changes in fee.

The audit fee is based on the assumption that detailed working papers, and other specified documents, are provided to an agreed timetable. Where the Council does not meet agreed timetables and/or provide poor documentation such that additional audit work is necessary, or the audit is delayed, we reserve the right to charge additional fees to cover the costs incurred.

The Council must prepare its annual accounts under International Financial Reporting Standards (IFRS), from 2010/11. Early preparation is essential and there is a risk that the Council may not be adequately prepared for the transition.

Using our IFRS experts, we will continue to help the Council to prepare for introduction of IFRS, through awareness raising sessions for officers and members and constructive challenge on the Council's plans and progress. This is included within the financial statements audit fee.

Specialist colleagues from Grant Thornton's Financial Reporting Advisory Group, can also be commissioned for more detailed technical support, should the Council require it.

Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances
- Governing the business
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. Our work on use of resources informs our 2009/10 value for money conclusion and we have identified a number of risks relevant to our audit programme. For each risk, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly. Our initial audit risk assessment is shown in the table overleaf:

Risk	Planned work	Timing
<p>This time next year, we will review and score the Council's arrangements for managing its workforce, as part of the 2010 use of resources assessment.</p> <p>The assessment covers arrangements in place for 2009/10 and there is a risk that the Council's arrangements may not be sufficiently developed to perform well.</p>	<p>We will carry out an early review of the Council's workforce management arrangements and provide timely feedback on any areas where the Council is not progressing as well as it should be.</p> <p>This work will help the Council to improve its arrangements and will provide evidence to support our 2009/10 VFM conclusion.</p>	<p>Oct to Dec 2009</p>
<p>The Council has £27m of deposits with Icelandic banks, which are at risk.</p> <p>There has been a Scrutiny Review of Treasury Management which highlighted certain control issues.</p> <p>The Council has is also to receive a specific external report on its treasury management arrangements.</p>	<p>We will follow up on the Council's progress in implementing the recommendations of these assessment and the Audit Commission's review of this area.</p>	<p>Oct 2009 to March 2010</p>
<p>The authority is currently reviewing its governance arrangements, particularly in regard to the role of Internal Audit, risk management and the Audit Committee.</p>	<p>We will undertake some targeted work around governance, risk management (and particularly Member involvement) and the role of Internal Audit to support our VFM conclusion.</p>	<p>Oct 2009 to March 2010</p>
<p>Barnet has set out an ambitious strategy for high quality service delivery and community leadership, and development of the Borough's infrastructure and physical estate. But, it is recognised that resources to put this into practise are likely to be more restricted in future. Consequently, the Borough is pursuing proposals for securing additional funding (Barnet Financing Plan), looking at different ways of doing business (shared services, partnerships, outsourcing etc) and also assessing service prioritisation.</p>	<p>As part of the work we will undertake to underpin our Use of Resources assessment and opinion, we will review the Council's progress in these areas. This work will be done by specific performance audit specialists who have experience of service transformation so that we can add value and suggestions to the Authority in the audit work completed.</p>	<p>Oct 2009 to March 2010</p>
<p>The Councils capacity for Scrutiny has been subject to initial review in 2007/08, but new Scrutiny arrangements will be introduced in 2009 and will be important to ensure that member review is undertaken appropriately and adds value to the Authority.</p>	<p>We will look to build on this work to assess how Scrutiny has developed when the new arrangements are operating.</p>	<p>December 2009 to March 2010</p>

The quoted fee for grant certification work is an estimate only and will be charged at published hourly rates.

As we have not yet completed our audit for 2008/09, the audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

The audit fee will be billed throughout the year broadly in proportion to audit work delivered up to the billing date.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The key members of the audit team for 2009/10 are:

Engagement Lead - Richard Tremeer 020 7728 3440 / richard.tremeer@gtuk.com

Audit Manager – Tom Foster 07920 073654 / thomas.foster@gtuk.com

Performance Manager – Martin Ellender 07798 844712 / martin.ellender@gtuk.com

Audit Executive – Hanisha Solanki 020 7728 2072 / hanisha.solanki@gtuk.com

In addition, it is our intention to introduce Guy Clifton, an experienced local government performance specialist into our team to work on specific Use of Resources projects.

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the engagement lead in the first instance. Alternatively you may wish to contact the Head of Audit at Grant Thornton UK LLP, Phil Crooks on phil.crooks@gtuk.com.

Yours sincerely

Grant Thornton UK LLP

A Planned Outputs

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

Planned output	Indicative date
Audit plan	December 2009
Audit strategy document - Accounts Audit	June 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Detailed Use of resources report	September 2010
Annual audit letter	By December 2010
Grants report	By December 2010

Other specific audit exercises, reports and outputs, and their timing, will be agreed initially with officers and communicated to the Audit Committee.

AGENDA ITEM: 10 Page nos. 99 - 139

Meeting	Audit Committee
Date	29 June 2009
Subject	2008/09 Statement of Accounts
Report of	Director of Resources & Chief Finance Officer
Summary	To approve the Statement of Accounts for 2008/09 as required by Account and Audit Regulations 2003

Officer Contributors	Clive Medlam – Director of Resources and Chief Finance Officer Jonathan Bunt – Assistant Director of Resources Paul Stock – Interim Head of Strategic Finance Maria G. Christofi – Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Statement of Accounts (to be circulated at the meeting) Appendix B – External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2008
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/a

Contact for further information: Jonathan Bunt on 020 8359 7249 or Maria G. Christofi on 020 8359 7122

1 RECOMMENDATIONS

- 1.1 That the Committee agree that the Statement of Accounts be signed by the Chairman as having been approved.**
- 1.2 That the Statement of Accounting Policies included in the accounts be adopted.**
- 1.3 That the Director of Resources & Chief Finance Officer, in consultation with the Chairman of the Audit Committee, be authorised to agree significant changes, if any, to the draft Statement of Accounts following discussions with the external auditor, and inform members of the Committee accordingly.**
- 1.4 That the Committee consider whether it wants to receive a briefing on International Financial Reporting Standards and the impact on the Statement of Accounts as part of its training programme in the next twelve months.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 It is important that members receive regular monitoring reports on the Council's financial position. It is a statutory requirement that the Statement of Accounts is presented to members for approval before 30 June 2009.

4 RISK MANAGEMENT ISSUES

- 4.1 These are addressed in the statement on Internal Control for 2008/09 which is incorporated within the Council's Annual Governance Statement and will form part of the final Statement of Accounts. The Annual Governance Statement is due to be considered elsewhere on this agenda.

5 EQUALITIES AND DIVERSITY ISSUES

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

6 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2009.

7. LEGAL ISSUES

- 7.1 As referred to in the report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 – 2 – Responsibility for Council Functions – Audit Committee: To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

9 BACKGROUND INFORMATION

- 9.1 The Statement of Accounts represents an important formal corporate statutory document. This is reflected in the requirements of the Account and Audit Regulations 2003 and requires the accounts to be signed and dated as approved by the Chairman of the approving Committee.
- 9.2 The Statement of Accounts is attached at Appendix A. The external audit will begin in July 2009 and it is proposed that the Director of Resources & Chief Finance Officer in consultation with the Chairman of this committee agree any significant changes following discussion with the auditors. Alongside the audit, the Statement of Accounts and all the supporting documentation will be open for public inspection for a period across August and September 2009.
- 9.3 As was the case last year, it is essential that the Income & Expenditure account, which reports a deficit in 2008/09, is considered alongside the Council's financial outturn reported to the Cabinet Resources Committee on 15 June 2009. This showed how the Council achieved against its approved budget for 2008/09 and the achievement of an increase in the overall level of reserves. The I&E account is reconciled back to the outturn via two further statements, the Movement of General Fund Balances and the Statement of Total Recognised Gains & Losses, which in effect contain the technical and other accounting adjustments that ensure certain liabilities (e.g. depreciation) do not impact on the Council Tax payer.
- 9.4 Unlike the previous two financial years, the Statement of Recommended Practice (SORP) for local authorities has not been subject to significant change. Therefore, the presentation of the Statement of Accounts has not been significantly changed from 2007/08. However, it should be noted that

next year shall see the introduction of the authority's Statement of Accounts' conversion to International Financial Reporting Standards (IFRS). It is proposed that Members receive a briefing in the next twelve months on how the implementation of IFRS will impact on the Statement of Accounts and the actions taken to ensure compliance.

- 9.5 The 2007/08 Statement of Accounts have been subject to a prior year adjustment on the advice of the external auditors. The balancing figure for Section 106 contributions and Grants for capital expenditure have been transferred to Receipts in Advance (which forms part of the short term liabilities of the Council). This has had the net effect of moving £20.964m from the Financing part of the balance sheet to Creditors, thus reducing the Net Worth of the Council by the respective figure. This change has been reflected in the prior year figures in the Statement of Accounts.
- 9.6 Whilst further explanation of the accounts are contained within the Chief Finance Officer's foreword, it is worthwhile highlighting some of the key issues for 2008/09:-
- 9.7 The overall financial position of the Council has remained constant from that of 31 March 2008 as a result of a net small underspend against budget of £0.059m (excluding Schools). The general fund balance has increased from £17.447m to £17.506mm and earmarked reserves have increased to £31.475m, thereby ensuring that the council' is in a much stronger position to cope with financial risks outlined in the 2009/10 council budget report.
- 9.8 It is important to emphasise that the earmarked reserves have been established for specific reasons (e.g. to meet potential costs which fall outside the technical accounting definition of capital but are crucial to the successful completion of the project and to meet later years costs of the PFI lighting scheme) and are not for general utilisation.
- 9.9 The Housing Revenue Account balance has decreased by £0.401m to £3.763m due to an in year deficit in 2008/09.
- 9.10 Also included in the Statement of Accounts are the group account statements for the Council and its subsidiary company, Barnet Homes Ltd. The statements are based on the draft accounts received from Barnet Homes Ltd which have been approved by their board but are still subject to audit. Any adjustments which are required to the Barnet Homes Ltd accounts by their external auditor, will also have to be reflected in the group accounts statements for the Council.
- 9.11 In addition to the Statement of Accounts, included in Appendix B is the External Auditors Report under International Standard on Auditing (ISA) 260 for the year 2008. This is the detailed report, required from the External Auditors, on matters arising from the audit of the Council accounts and pension fund accounts. All issues raised by the External Auditor have been addressed in the Statements or the processes of the Council.

10 LIST OF BACKGROUND PAPERS

10.1 None

Legal: MM

CFO: JB



London Borough of Barnet

Annual report to those charged with governance 2007/08

September 2008

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Introduction

Background and purpose of the report

London Borough of Barnet ('the Council') is responsible for the preparation of accounts which record its financial position as at 31 March 2008 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's accounts 'present fairly' the financial position of the Council. Our detailed findings are set out in section two.

Under the Audit Commission's Code of Audit Practice we are also 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'). The pieces of work that have informed our VFM conclusion, and our detailed findings, are set out in section three.

The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Council and the auditor in relation to the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources, have been reproduced in full in Appendices A and B and reflects the scope of our audit.

This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Assistant Director of Resources (Strategic Services) and his team and other officers as appropriate. Auditing standards require us, as the Council's external auditors, to report to those charged with governance certain matters before giving an opinion on the accounts and the Code of Audit Practice requires us to report key matters relating to our VFM conclusion. For the Council, this function was carried out by the Audit Committee at its meeting on 25 September 2008.

The Pension Fund audit was undertaken by pensions specialists within the Firm, this was subject to a separate audit plan and report which was presented to the Pensions Committee on the 10 September 2008. We have provided an unqualified opinion on the Pension Fund within our overall audit opinion to the Council. Findings from our work are included in Appendix C, D and E, and the full report is included for information as Appendix H. Although our report has been acknowledged by the Pension's Committee we note that the overall approval of those accounts rests with the Audit Committee, and as such has been considered alongside the contents of this report.

The accounts opinion

We have performed our audit of the 2007/08 accounts in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards. Our approach is as set out in the Audit and Inspection Plan 2007/08, agreed with the Council.

We have completed our audit and have issued an unqualified opinion on the Council's accounts on the 29 September 2008.

As was the case in 2006/07, the Council continues to prepare good quality accounts which are supported by generally good quality working papers. We recommend, however, that going forward the accounts are provided to us in advance of the 30 June deadline to ensure

feedback can be given prior to approval of the Audit Committee. This should result in a reduction in a number of disclosure adjustments required during the audit.

We have reviewed the Annual Governance Statement ("AGS") and have provided feedback to the necessary officers. We did not have any significant concerns over the level of disclosure in the AGS.

Further details of our accounts audit are given in section two. We note that management have agreed to process some of the adjustments we have recommended, these are detailed in Appendix D. Management has not agreed to process the accounts adjustments described in Appendix E, the Audit Committee has considered these errors and approved managements decision not to adjust.

Finally, we would like to draw to the attention of those charged with governance further significant changes that will happen to the Statement of Accounts in future years. The most significant of which is the full implementation of International Financial Reporting Standards ("IFRS") into the 2010/11 accounts. Although this may seem a long way a way, it is important that Council's start planning now, as there will be significant changes to the accounts, and our experience in other sectors shows that audited bodies that are well planned for the transition to IFRS have fewer amendments to their accounts and would not be charged additional audit fees, compared with those that are not well planned. We would be happy to share our experiences of working with CIPFA in this area, as well as involving our Financial Reporting Advisory Group, who are specialists in planning for IFRS.

Value for Money Conclusion

We have completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we have issued an unqualified VFM conclusion on the 29 September 2008.

In giving our VFM conclusion, we have also considered emerging findings from our 2008 use of resources key lines of enquiry (KLoE) assessment. Following national submission of our KLoE scores and Audit Commission quality assurance, we will write to the Council confirming 2008 Use of Resources scores, in November 2008.

Key messages from this year's Use of Resources opinion work are summarised in section three.

Use of this report

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. This report should be read in conjunction with the Council's draft letter of management representation.

This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of the accounts and 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.

We would like to take this opportunity to remind the Audit Committee of the need to monitor implementation of the recommendations arising out of this report (see Appendix C) and other reports issued during the year (see Appendix F).

Independence

We are able to confirm our independence and objectivity as auditors and note the following:

- we are independently appointed by the Audit Commission
- the firm has been assessed by the Audit Commission as complying with its required quality standards
- the appointed auditor and client service manager are subject to rotation after a period of no longer than five years
- we comply with the Auditing Practices Board's Ethical Standards. We have not undertaken any non-audit work for the Council in 2007/08 (Appendix H).

Acknowledgements

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.

Grant Thornton UK LLP
September 2008

The accounts opinion

Introduction

We summarise in this section matters arising from our audit of the Council's 2007/08 accounts which we are required, under auditing standards, to report to those charged with governance.

Approach to the audit

We carry out work to enable us to report to the Council our opinion as to whether the financial statements 'present fairly' the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 ('the SoRP').

Our approach to the audit was set out in the 2007/08 Audit and Inspection plan. We have planned our audit in accordance with auditing standards and the Audit Commission's Code of Audit Practice.

Other key factors to highlight include:

- we consider the materiality of items in the accounts both in determining the audit approach and in determining the impact of any errors
- we have been able to place appropriate reliance on the key accounting systems operating at the Council for final accounts audit purposes
- we have been able to place reliance on the work of internal audit in respect of the key accounting systems covered by their review
- no significant changes have been made to our audit approach in the year

Financial Performance

The Council has reported a deficit on the Income and Expenditure account of £77m, and a net under spend against the budget by £0.095m (excluding central expenses) in 2007/08. However, this relatively small variation comprises larger offsetting variations within individual services. Of significance were under spends in both children's service (£1,027k) and Housing (£2,237k) and an overspend in Resources of (£2,403k). During the year the Council has made £5.2m contributions to general fund balances, with the overall general fund balance as at 31 March 2008 of £17.4m. Earmarked reserves have also increased to £18.2m to take the total level of reserves and balances, excluding balances held by locally managed schools to over £35m. We have continued to focus on the level of reserves as compared to other neighbouring authorities and note that these balances are now above the average levels. This is encouraging as in past years we have commented that the level of revenue reserves has been relatively low.

Key audit findings

Accounting policies and practices

The Council has adopted appropriate accounting policies, in accordance with the 2007 SoRP.

There was one key area in which the draft accounts did not, in our view, fully comply with the SoRP, relating to financial instruments disclosures, specifically the absence of accounting policies for financial instruments and the impairment of debtors. Management have enhanced the disclosures in the Statement of Accounts so that they comply with the SoRP.

Annual Governance Statement (AGS)

The Council produced an Annual Governance Statement (AGS) for the first time in 2007/08, as required by the CIPFA/SOLACE framework. The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities. We provided feedback from our initial review of the AGS and the Council have subsequently adjusted the AGS for final approval by the Audit Committee. We have reviewed this statement and are satisfied that the disclosures made satisfy the requirements made within the Accounts and Audit regulations 2003 and that the contents of the statement are consistent with our knowledge of the Council.

Financial Instruments

Adoption of the presentation and accounting requirements for financial instruments of FRS 25, 26 and 29 was required for the first time in 2007/08. The presentation requirements are more onerous than in previous years, with more detail to be disclosed in the Statement of Accounts.

We have reviewed the accounts balances and are satisfied that the Council's processes for identifying financial instruments are adequate and in accordance with the SORP. We have also reviewed the Council's accounts disclosures against the CIPFA disclosure checklist and, although we have made some minor recommendations to ensure full SORP compliance, we are satisfied that the initial disclosures submitted for audit were of a good standard.

Revaluation Reserve

2007/08 is the first year in which a UK GAAP compliant revaluation reserve is to be incorporated into the accounts of local Councils. We further note that the opening balance needs to be nil to comply with CIPFA guidance. We have reviewed the implementation of the new requirements and confirm that the Council has complied with these.

Statement of Total Recognised Gains or Losses

During 2006/07, we noted that the Council had £8m included within its 'other' line within the Statement of Total Recognised Gains or Losses (STRGL), this was considered a balancing item and the Council could not reconcile this balance. It was expected that for 2007/08 the Council would not have significant balances included within the 'other' line, except for the collection fund and first year implementation of financial instruments adjustments account. However the Council had originally included £16m within this line in the STRGL. These balances included within 'other' are analysed below:

£4.9m capital grants received in advance - this represents monies that have been accounted for directly through reserves. It is debatable whether these grant monies should be accounted for through liabilities, specifically grants and contributions unapplied (liability account), and once applied transferred to the government grants deferred account and written off over the assets useful life. The Council has agreed to process this change and it is therefore included in Appendix D.

£5.6m capital receipts not relating to disposal of fixed assets - £4.1m of this relates to an old balance sheet item that has been written off directly to the Capital Adjustment Account (CAA) rather than being accounted for through the Income & Expenditure account. This was a result of the balance being carried forward for the past two years as a result of the merge in accounting systems, and the Council had previously assured us that this balance was being reconciled. The Council wrote off the balance to the CAA as a result of not being able to match this to another balance sheet item. As the original entry was over two years ago we do not see that this would require adjustment to the accounts however we note that this treatment is considered to be unnecessary going forward. An additional £1.5m has been included within this line in relation to capital receipts relating to a donated piece of land, which had been pending resolution as to who the capital receipt belonged to, once it was found to be the Council's this has been transferred to the Capital Adjustment Account. This gain on disposal has not previously been recognised through the income and expenditure account and should be in this instance, as such we have included this in unadjusted variance in Appendix E.

Assets previously excluded from the balance sheet (£8m) and duplicate assets (-£1.7m) - During 2007/08 the Council continued to review its asset register throughout the year for accuracy purposes. The result of this review found that there were a number of assets that were previously not included within the asset register and there were a number of duplicate assets. The Council added and removed these assets through direct movements through the CAA, and as such they did not go through the income and expenditure account, and as these affected the net worth of the Council they had to be reflected through the STRGL. The SoRP suggests that the recognition of assets through reserves can be appropriate but it is silent on duplicate assets. We consider that duplicate assets should have been derecognised through the income and expenditure account and reversed through the Statement of Movement of General Fund Balances (SMGFB), we have included the £1.7m in Appendix E.

Other balance sheet items £1.6m - this represents money received in relation to a sale of an asset previously where the Council's ownership was disputed. When the sale went through a creditor was created pending final receipt of ownership documentation. During 2007/08, it was transferred to the Capital Adjustment Account as the ownership was determined to be the Council's. Upon investigation with the Council this item appears to be the same item included under capital receipts not relating to fixed assets for £1.4m. As the Council have been unable to reconcile this other balances we have included this item under Appendix E as a reduction of the deficit by £1.6m which would be reversed through the Statement of Movement of General Fund Balances.

From analysis of the above 'other' line we consider that the income and expenditure account should have been credited with the £3.1m and debited with the £1.7m (net effect £1.4m), these items have been included within unadjusted variances in Appendix E. Further we consider that £4.9m should be accounted for under liabilities rather than included within reserves prior to being transferred to the Government Grants Deferred Account, the action has been agreed with the Council and has been included in Appendix D. We recommend that the Council reviews its accounting procedures prior to closedown and ensure that the going forward the amount of balance included under 'other' with the STRGL be kept to a minimum.

Explanatory Foreword

We are satisfied that the relevant financial information disclosed in the Explanatory Foreword is consistent with the accounts. However, we found that there was some wording within the Explanatory Forward was inconsistent with our knowledge of the Council, we recommend that the Council ensures that its Explanatory Forward is factually accurate.

Additional comments on the accounts are included as follows:

Area	Key messages
Material risks and exposures	<p>We have received the letter of representation from officers of the Council, whereby it was confirmed that there were no material risks and exposures, to date, which should be reflected in the accounts.</p> <p>We have undertaken audit procedures to identify any significant risks and exposures to the Council, we consider the accounts to reflect all significant risks and exposures up to the date of the audit report.</p>
Audit adjustments	<p>We recommended a number of adjustments, mainly to correct classifications and presentational matters, including the disclosure of intangibles, which had been reclassified into tangible fixed assets during the year. However documentation could not be provided to justify this reclassification. Appendix D summarises these adjustments.</p>
Unadjusted errors	<p>We have included a number of unadjusted errors detailed in Appendix E, which management have not agreed to process. The Audit Committee considered these unadjusted errors and agreed with managements decision not to adjust.</p>
Other matters	<p>The overall quality of the Council's working papers to support the 2007/08 accounts remained good.</p> <p>We were presented with draft accounts on 30 June 2008. The Audit Committee approved the draft accounts on 30 June 2008.</p> <p>The appointed day for electors to ask the auditor questions on the accounts this year was 21 August 2008. We have received an objection from a member of the public. We will consider the impact that the issue raised will have on our assessment of the Council's overall Use of Resources score.</p> <p>Having considered the Council's medium term financial strategy and 2008/09 budgets, it is appropriate for the Council to account on a going concern basis.</p> <p>We have not identified any matters, that we have not already reported, that require the attention of the Audit Committee.</p> <p>We have discussed these and other matters arising with the Assistant Director of Resources (Strategic Services) and his team and have reflected their responses to the matters raised in the Action Plan attached at Appendix C.</p>

Next steps

We have completed our audit with the accounts opinion formally signed in accordance with the statutory deadline of 30 September 2008.

We have issued an unqualified opinion on the Council's accounts.

We are required to provide an audit opinion on the consolidation pack that is to be completed as part of Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts however we have completed this work in time for the 1 October deadline.

The Audit Committee should monitor implementation of the recommendations arising from this report.

The VFM conclusion

Introduction

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'). In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements, which are assessed against twelve criteria specified in the Code of Audit Practice.

Approach to the audit

The following pieces of work have informed our assessment against the Code criteria:

- review of relevant findings from the Council's Direction of Travel Statement issued in February 2008
- assessment of the Council's data quality management arrangements, using criteria prescribed by the Audit Commission
- assessment of the Council's arrangements for financial reporting, financial management, financial standing, internal control and value for money, using the Commission's key lines of enquiry (KLoE)

The key findings from each of these pieces of work are summarised in this section of the report.

VFM conclusion

We have completed our work on the Council's arrangements for achieving economy, efficiency and effectiveness in its use of resources and have issued an unqualified VFM conclusion.

Our conclusions for each of the 12 Code criteria are set out in the table below:

Code area	Source of evidence	Arrangements adequate?
Setting, reviewing and implementing strategic and operational objectives	Direction of travel statement	Yes
Communication with service users and other stakeholders and partners	Direction of travel statement	Yes
Management of performance against strategic objectives	Direction of travel statement	Yes
Monitoring the quality of published performance information	Data quality audit	Yes
Maintaining a sound system of internal control	Use of Resources audit	Yes
Managing significant business risks objectives	Use of Resources audit	Yes
Managing and improving value for money	Use of Resources audit	Yes
Maintaining a medium-term financial strategy	Use of Resources audit	Yes
Ensuring that spending matches available resources	Use of Resources audit	Yes
Managing performance against budgets	Use of Resources audit	Yes
Managing the asset base	Use of Resources audit	Yes
Promoting and ensuring probity and propriety in the conduct of business	Use of Resources audit	Yes

Direction of travel statement

We are required to review the Council's latest direction of travel statement in order to satisfactorily conclude on three of the Code criteria (see table above). In completing this work, we are not required to re-perform the work of the corporate assessment team and the Relationship Manager rather we are looking to place reliance on this work.

Our assessment is based on the latest direction of travel statement covering the 2007 calendar year. Based on this work, we assess the Council as having at least adequate arrangements for objective setting, consultation and performance management.

Data quality audit 2007

The audit work that we have used to reach our conclusion in respect of Code criterion on published performance information is our audit of the Council's corporate management arrangements for data quality.

Our review of data quality management arrangements supports our conclusion that the Council's arrangements are adequate for monitoring the quality of published performance information. We will report more fully on data quality at the December Audit Committee.

Use of resources

The audit work that we have used to reach our conclusion in respect of the remaining Code criterion is our audit of the Council's Use of Resources.

The results of this work confirm that, for 2007/08, the Council has at least adequate arrangements in place in the areas covered by the Use of Resources assessment.

We are not able to formally report scores to the Council until after the Audit Commission's national quality assurance processes are complete. We will report the results of our work and confirm scores with the Council in November 2008.

KLoE 2009

There have been significant changes to the use of resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The Council's management arrangements for the 2008/09 financial year will be assessed against the new criteria that represent a 'harder test.'

Whilst we will not formally assess the Council against the new criteria until Summer 2009, as part of next year's plan, we will continue to carry out our use of resources work with reference to revised requirements to help the Council prepare for future assessments.

Appendix A Statement of responsibilities - accounts

The accounts, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions
- maintain proper accounting records
- prepare accounts that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its accounts a statement on internal control.

Auditors audit the accounts and give their opinion, including:

- whether they present fairly the financial position of the audited body and its expenditure and income for the year in question
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error
- comply with statutory and other applicable requirements
- comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal controls, for the purpose of giving their opinion on the accounts. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

Auditors review whether the Annual Governance Statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the statement on internal control covers all risks and controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

Appendix B Statement of responsibilities - VFM

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives
- determining policy and making decisions
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working
- ensuring compliance with the general duty of best value, where applicable
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body
- monitoring and reviewing performance, including arrangements to ensure data quality
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the

audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type
- other risks that apply specifically to individual audited bodies
- the audited body's own assessment of the risks it faces
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work
- the results of assessments of performance carried out by the Commission
- the work of other statutory inspectorates
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.

Appendix C Action plan

Finding	Actions required	Management response	Implementation details
<p>Additional disclosures are required to the Statement of Accounts to comply with the disclosure requirements of the 2007 Local Government SoRP in respect of financial instruments. These specifically refer to impairment of loans and receivables (bad debts) and for an accounting policy on financial instruments.</p>	<p>Additional disclosures to be made to the Statement of Accounts.</p>	<p>Agreed.</p>	<p>Already implemented</p>
<p>There are new regulations relating to the calculation of the Minimum Revenue Provision (MRP) that required a prudent provision to made for debt. In 2007/08 ,Councils have a choice of continuing to use the previous methodology or of adopting the options in the guidance. A statement as to the methodology was also required to be approved by the full Council as soon as practicable. This is also required for 2008/09.</p>	<p>The full Council has not approved the statement as to the methodology used by the Council as yet.</p>	<p>Agreed.</p>	<p>Already implemented</p>

Finding	Actions required	Management response	Implementation details
<p>The Council had a number of items (£16m) included within its 'other' line with the Statement of Total Recognised Gains and Losses (STRGL). It is not expected that the 'other' line should include any items other than the collection fund and financial instruments adjustment accounts.</p>	<p>The Council should ensure that the 'other' line is reduced in 2008/09 with items correctly included in the balance sheet or accounted for through the I&E account.</p>	<p>The majority of these items relate to the continued work in improving the information relating to the Council's asset register and it is anticipated that the work completed through 2007/08 will mean less adjustments are required in future years.</p> <p>Comparisons with other authorities have indicated that, whilst Barnet has a higher amount in the other line than some authorities, there are Councils with a larger figure in that line of their accounts.</p>	<p>Will be worked through as part of the 2008/09 closure.</p>
<p>There were a number of errors with the calculations for intangible fixed assets amortisation, and also a number of incorrect disclosures within the fixed asset note that required amendment during the audit.</p>	<p>The Council should review the intangible and tangible fixed asset note and reconcile to appropriate working papers prior to finalisation of the accounts to ensure that the audit can commence and adjustments are reduced.</p>	<p>Agreed. This was a difficult year for closing fixed assets due to the changing of the accounting requirements within the SORP and not having a software solution. It is expected that this will be resolved ahead of the 2008/09 closure.</p>	<p>Will be worked through as part of the 2008/09 closure.</p>

Finding	Actions required	Management response	Implementation details
<p>There was a difference in the interfund balances, pension fund creditors, and the trial balance. The figure in the accounts did not initially reconcile by £525k. The Council have since been able to reconcile this amount. We believe this issue results due to the use of the Council bank account for Pension Fund purposes.</p>	<p>We have recommended in previous years and reiterate the importance of separating the Council's cash from the Pension Fund's cash, and this is especially important given the move to separate reporting from 2008/09. The Council should also ensure that it reconciles this account during 2008/09.</p>	<p>We accept the importance of ensuring sound controls are in place for differentiating between Council and Pension Fund cash and consequently plan to create a separate Pension Fund bank account in 2008/09</p>	<p>Pension Fund bank account to be created in 2008/09.</p>

Finding	Actions required	Management response	Implementation details
<p>We have reviewed the equal pay claims against the number of cases the Council has received and we are of the opinion that the cases cannot be quantified at this stage and therefore a provision is not required under the accounting standards. However, as these cases have progressed to legal opinion, it is appropriate to disclose a contingent liability.</p> <p>We are also aware that the Council may be subject to claims for overruns in relation to the Aerodrome Road Bridge, the amount cannot be reliably determined and the position was unknown at the time of drafting the accounts. As yet these have not been disclosed as part of the contingent liability disclosures.</p>	<p>We suggest that the Council consider appropriate wording in the contingent liability note to address the equal pay issue and the Aerodrome Road Bridge claim.</p>	<p>Aerodrome Road – agreed. Wording will be added to reflect the potential liability that has become apparent since the approval of the draft Statement of Accounts in June.</p> <p>Equal Pay – not agreed. Whilst the national position on equal pay is noted, the Council has done substantial work to review its practices and policies over a number of years and is not of the view that it faces a material financial liability in future years.</p>	
<p>We have raised some queries over the cashflow statement and have yet to be provided with an adjusted cashflow statement.</p>	<p>The audit team is awaiting the revised cashflow statement so that it may be finally reviewed.</p>	<p>The £22m Pension creditor was double counted in the cashflow revenue reconciliation but the £22m discrepancy caused by removing this item is offset by other necessary adjustments (mainly capital) identified both in the revenue reconciliation and the cashflow statement itself. A revised statement is being prepared.</p>	

Finding	Actions required	Management response	Implementation details
<p>For a number of years we had not seen a copy of the Service Level Agreement (SLA) between Barnet Homes and the Council. This year we have been presented with the SLA and have found that there is an actual reliance placed on Barnet Homes monitoring the tenant debtors of the Council however this has not been included within the SLA.</p>	<p>We recommend that the SLA be revised to include expectations of Barnet Homes over the monitoring of tenant debtors.</p>	<p>Agreed. Future SLAs need to indicate the expectations of Barnet Homes.</p>	<p>Will be led by the Assistant Director of Resources (Shared Services)</p>
<p>Included in the tenant debtors is an amount for Private Sector Tenancy (rent deposit schemes) amounting to £1,768,608. These are for deposits with landlords, the listing is maintained allocating amounts to years and not under each individual for which the deposit is held.</p>	<p>The Council should ensure that it reconciles this balance to individual deposits, without this it cannot be certain if money has in fact been paid over as a deposit which should then be returned upon conclusion of the tenancy.</p>	<p>Agreed, steps will be taken to reconcile this balance to individual deposits in 2008/09</p>	<p>To be actioned in 2008/09</p>
<p>There has been an account carried over since the merge of accounting systems titled 'good received invoices received', this is a debtor balance for £390k. The account has not moved since 2006/07 and has not been matched subsequently.</p>	<p>Given that the merge of accounting systems occurred three years ago we would not expect that there would be any old unreconciled balances remaining within the Council's accounting records.</p>	<p>This balance will be investigated in 2008/09. If it cannot be matched satisfactorily to an actual debtor, it will be written off the Income & Expenditure Account.</p>	<p>To be actioned in 2008/09</p>

Finding	Actions required	Management response	Implementation details
<p>Since the Council has migrated its accounting systems from LAFIS to SAP there were a number of unreconciled balances that have since continued to remain unreconciled. A major balance was subsequently written off to the Capital Adjustment Account (CAA) for £4,092k. We have included in Appendix E some additional accounts that continue to be carried forward unreconciled.</p>	<p>We consider that where these balances have not moved since the migration to SAP that they should be written off or resolved.</p>	<p>Agreed. The movement to the Capital Adjustment Account (CAA) is deemed the most appropriate manner to resolve finally this long-standing issue.</p>	<p>Already implemented with exception of £109k unadjusted error that will be moved to the CAA in 2008/09 finally resolving this issue.</p>
<p>The Council set up a policy on the procedures for considering non enhancing expenditure. For items with a value under £10k the Council were to write these costs off as expenditure. We found that there were additions to land and buildings and council estates that were less than £10k to the value of £258k.</p>	<p>The Council should ensure that its policy in regards to non enhancing expenditure is adhered to.</p>		
<p>As a year end process all officers and members of the Council were circulated for confirmations of related party information. As at the end of September 3 officers had not returned their form despite numerous reminders.</p>	<p>Officers and members should be reminded of their responsibilities to ensure all register of interests are declared on an annual basis.</p>		

Appendix D Accounts adjustments agreed

Accounting adjustments that affect the reported surplus / deficit on the I&E account	
Finding	Impact
No accounting adjustments have been made that affect the reported deficit on the I&E account.	

Accounting adjustments that do not affect the reported surplus / deficit on the I&E account	
Finding	Impact
The original accounts submitted for audit did not have a value for intangible assets, subsequently we have found that intangibles with a net book value of £10.7m should have continued to be disclosed under intangible fixed assets.	Fixed assets have been reduced by £10.7m and intangible fixed assets have been increased by £10.7m.
Included within Creditors - Government Departments was a debtor for £1.7m which had been netted off creditors. This should have been reported under debtors. This has been subsequently adjusted.	Creditors have been increased by £1.7m and debtors increased by £1.7m.
Included within reserves was £4.8m of capital grants received in advance which should have been recognised as a liability pending further application as a government grant deferred to be offset against depreciation. This has been subsequently adjusted.	Reserves have decreased by £4.8m and liabilities increased by £4.8m to account for those capital grants received in advance.

Disclosure adjustments
A number of disclosure adjustments have been agreed to improve the clarity and presentation of the accounts that do not affect the reported financial position.

Appendix E Unadjusted variances not processed

Accounting adjustments that affect the reported surplus / deficit on the I&E account	
Finding	Impact
<p>The Council originally included £12m in the Statement of Total Recognised Gains or Losses (STRGL), we have found that some of these items should have been accounted for through the income and expenditure account. Subsequently, £4.8m of the £12m 'other' items have been adjusted by management as included in Appendix D. The following items are considered incorrectly accounted for and remain unadjusted.</p>	<p>Duplicate assets should have been accounted for through writing off to the I&E an increase in the deficit of £1,723k, further the deficit should have been decreased by the gain in relation to a sale of land which has been realised in year of £1,474k. Additionally the deficit should have been reduced for items that cannot be reconciled for £1,637k. The total impact being a decrease in the deficit of £1,388k and a reduction in reserves of £1,388k.</p>
<p>Our review of cash found that included within the bank reconciliation were a number of unreconciled balances carried forward from the previous accounting system (LAFIS), these amounted to £1,905k debit to the cash balance. In addition we found that a bank account previously kept off balance sheet was transferred into the Council's bank account within the year following the resolution of a dispute, as this dated back to 2004 it was considered by the Council that the item represented monies related to the carried forward balances, this item was a credit on the bank reconciliation for £1,797k and had not cleared the bank to this date.</p> <p>The Council had written off to the Capital Adjustment Account (CAA) in the year £4,092k, which was also related to items that could not be reconciled following the transfer from LAFIS to SAP (current accounting software). From analysis of the above this amount written off the CAA should have been reduced by a further £108k.</p>	<p>The total impact would have been to reduce reserves (CAA) by £108k and to reduce assets (cash) by £108k.</p>

Accounting adjustments that affect the reported surplus / deficit on the I&E account	
Finding	Impact
Our review of impairments found that in one case an impairment was accounted for where the property was sold, however the property that was disposed of was not accounted for in the register. The impairment was effectively a balancing item. The item (£1,325k) should not have been included in the I&E or in the revaluation reserve.	The adjustment would require a decrease in the deficit recorded for the amount of impairment that was charged to the I&E for £1,325k and reduction in the revaluation reserve of £1,325k.
From our review we have found that a small number of assets that were previously not included in the fixed asset register, which were accounted for through the Capital Adjustment Account, have been double counted by £502k.	The adjustment would require a reduction in fixed assets by £502k and reduction in the Capital Adjustment Account by £502k.
In addition we have found that some of the duplicate assets highlighted from the Council's review of the fixed asset register still have accumulated depreciation figures remaining in the fixed asset register which should have been written out to the I&E account. These amounted to £164k.	The adjustment would require an increase of fixed assets by £164k and a reduction in the deficit by £164k.
The amount of amortisation for the year has been overstated on intangible fixed assets by £542k.	The impact of this adjustment would result in a decrease in the accumulated amortisation figure for intangible fixed assets by £542k and reduce the deficit on the income and expenditure statement by £542k.
Total Impact	Reduce the deficit by £3,419k and increase assets by £96k and an overall decrease in reserves by £3,323k.

Accounting adjustments that do not affect the reported surplus / deficit on the I&E account	
Finding	Impact
No accounting adjustments have been noted.	

Disclosure adjustments

A number of disclosure adjustments have been agreed to improve the clarity and presentation of the accounts that do not affect the reported financial position.

In addition, the following adjustments have not been processed through the Pension Fund accounts, further details have been included in Appendix H:

No	Description	Fund account		Net assets statement		Impact on net assets £'000
		DR £'000	CR £'000	DR £'000	CR £'000	
3	Death in Service	262				(262)
	Accruals				262	
	<i>Being unrecognised death benefits that were unpaid as at year end</i>					
7	Debtors			819		
	Cash				819	
	<i>Being contributions received post year end incorrectly accounted for as cash at year-end</i>					
	Draft increase in fund	262	0	819	1081	262

Appendix F Reports issued

External audit reports issued during the year are listed in the table below.

Report title	Date issued
Audit and inspection plan 2007/08	March 2007
Use of Resources audit report 2006/07	November 2007
Data Quality audit report 2006/07	November 2007
Grants certification report 2006/07	December 2007
Annual report to those charged with governance (accounts and use of resources) 2007/08	September 2008
Health Inequalities review	TBC

Appendix G Audit fees update

Audit area	Planned fee 2007/08	Actual fee 2007/08
Financial Statements	140,000	140,000
Use of Resources	222,160	222,160
Data quality and Performance Indicators	54,000	54,000
Whole of Government Accounts	4,840	4,840
Total	421,000	421,000

Code of Practice audit

As shown in the table above, the 2007/08 actual fee equalled the planned fee.

Grant claims certification

Grant claim certification work will be completed between September and December 2008. The certification fee was originally estimated at £90,000.

Our work is charged to the Council based on the cost of certifying each claim and the overall fee normally varies from estimate, depending on the number and complexity of claims to be certified, as well as the quality of claim compilation and supporting documentation.

We will update the Council on the final fee charged for 2007/08, in the grant claims report that we will produce in January 2009.

Non Code work

We have not carried out audit work outside of the Code of Audit Practice audit in 2007/08

Appendix H Pension Fund Audit

Executive summary

Status of the audit

Our audit of the Scheme is nearing completion; subject to the receipt of third party confirmations, finalising the financial statements, and obtaining a letter of representation (which will be prepared and signed in respect of the financial statements of the Council as a whole), we do not anticipate any matters that might prevent our giving clearance on the Scheme's accounts.

Auditor responsibilities

The Council is responsible for the preparation of accounts for the Scheme which record its financial position as at 31 March 2008 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's accounts 'present fairly' the financial position of the Council, which includes the Scheme.

The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Council and the auditor in relation to the accounts have been re-produced in full in Appendices A reflects the scope of our audit. There is no requirement for a value for money conclusion on the scheme specifically. Aspects of the use of resources key lines of enquiry that will inform the value for money conclusion for the Council cover issues relating to the pension fund. As such the audit responsibilities for value for money conclusion have not been included within this report, we refer you to the Council ISA260 report, which will be reported to the Audit Committee on the 25 September 2008 for consideration of the value for money conclusion.

Audit opinion on the financial statements

We are not issuing a separate audit opinion on the pension scheme; our work was performed as part of the audit of the Council's financial statements. The audit opinion on the pension fund remains part of the main auditor's report to the members of the Council.

Management letter

During the course of our audit, no matters came to our attention that we should like to bring to the attention of the trustees, other than as discussed in this letter.

Independence

Ethical standards require us to give you full and fair disclosure of matters relating to our independence.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the APB Ethical Standards and therefore we confirm that we are independent and are able to undertake our work on the financial statements on an objective basis.

2.1 Issues arising from our audit work

We identified a number of issues in the course of our audit work that we would like to bring to the Committees' attention.

Investment managers fees

Newton Investment Management charge both management and performance related fees. The performance fees are charged on an annual basis but are payable over a period of four years. At present only those fees that are due in 2007/08 have been accrued. However, as at the year-end, the fees payable over the following three years were known; they relate to current period performance and therefore should be accrued as a cost in 2007/08.

We have therefore proposed an adjustment to recognise this accrual; the impact on the accounts would be a reduction in net assets of £1,090,764. This adjustment has been processed by the Council.

Investment income

The year-end valuation from Schrodgers included £780,000 worth of accrued income. This was reflected within the investment valuation in the accounts. However a separate debtor was also set up relating to this income, and therefore it has been double counted.

We have proposed to adjust this by reducing the investment assets in the accounts, leaving the accrued income debtor balance, which in our view is the more appropriate treatment. The impact of this adjustment on the accounts would be a reduction in net assets of £780,000. This adjustment has been processed by the Council.

Death benefits

Our testing identified £261,838 worth of death benefits that had been calculated and agreed pre year-end, but had not been settled until post year-end. Under the Scheme's accounting policies, the liability for benefits payable should be recognised as they fall due and therefore an accrual should be made. As discussed with the Council the settlement of this claim is currently with the Council's solicitors and therefore cannot be processed until the final decision is made.

The impact of this adjustment on the accounts would be a reduction in net assets of £261,838, this amount remains unadjusted due to the expectation that the figure will vary from that varied.

Realised Gains

Investment performance is analysed between realised and unrealised gains. During the year there were three property disposals that resulted in a realised gain of £5,072,418. This gain was not included within the realised gain figure in the accounts; instead, it was offset against the unrealised loss on other investments. We have proposed an adjustment to show this gain within realised gains.

The impact of this adjustment on the accounts would be presentational only, with no change to the net assets figure. This adjustment has been processed by the Council.

VAT

The pension scheme reclaims VAT on investment management fees through the Council's main VAT reclamation process. We noted some inconsistencies in the posting of investment managers' fees: the expense recognised sometimes includes VAT (i.e., as if it were not recoverable) and at other times excludes VAT. A policy should be established and communicated to all those involved in such postings to ensure they are aware of the correct procedures for reclaiming VAT and the appropriate accounting treatment.

Tax reclaim

Tax reclaimable on property unit trust transactions relating to 2006 and 2007 had still not been reclaimed from HM Revenue & Customs as at 31 March 2008. The total value of the reclaims was approximately £450k. It is recommended that the process of completing and submitting the tax return is completed on a more timely basis in the future. Currently the scheme is forgoing returns that could have been earned on this balance.

Cash balance

The cash balance in the accounts is made of four separate nominal ledger codes; it is not clear to us why it is necessary or more efficient to use four codes, and we would recommend that these be rationalised if the Scheme is not to have its own bank account in the future.

Nominal Ledger Code	Balance (£)	Comments
924100	62,194	Could not be agreed to LBB nominal ledger as not included as separate nominal code
924210	426,352,855	Agreed to LBB nominal ledger
924952	27,779,696	No movement from prior year. Could not be agreed to LBB nominal ledger as not included as separate nominal code
946030	(402,324,632)	Should agree to LBB - difference of £515k noted.
	51,869,111	

The pension fund does not have their own separate cash balance and therefore the cash balance is treated as an intercompany balance with LBB. These intercompany balances should be reconciled on at least a monthly basis to ensure that there is no double counting or omission of cash balances across the totality of LBB accounts. Account codes 924210 and 946030 should agree to the LBB trial balance. A difference was noted on account code 946030 of approximately £515k, which appeared to be a timing difference. The bulk of this difference related to a transfer out which was correctly recognised before the year end in the pension fund but was not recognised until after the year end within the LBB trial balance. This difference is purely one of timing and has no overall effect on the

financial statements of the Council; however, the issue would not arise if the Scheme had its own bank account.

The pensions team maintains a cash spreadsheet that is intended to reflect the cash position per the nominal ledger. At the year end there was a difference of £12k between the above balances and the cash spreadsheet. Although this difference is not significant in itself, on investigation we determined that it was comprised of several items that would be individually significant to the pension fund account. During our testing we noted that investment management fees paid and March interest earned had been included within the general ledger but were not reflected within the cash spreadsheet.

The maintenance of this cash spreadsheet is seen as a good control, but for it to be effective a detailed reconciliation should be performed on at least a monthly basis detailing all the differences between the general ledger balances and the cash per the spreadsheet. These differences should then be investigated and minimised, providing assurance that the general ledger is an accurate reflection of the true cash position.

Administratively it would be significantly easier if the pension scheme had their own bank account; this would allow the pensions team easily to identify pensions-related payments and receipts and therefore provide assurance that the accounts reflect all cash transactions, and that all expected payments and receipts had been made or received. This would also reduce the risk that payments could be made out of pension funds that do not relate to the pension scheme.

Prior year contributions

The current year contributions figure include £827k of contributions relating to 2006/07. These were contributions for March 2007 that were received in April 2008 but had not been correctly accounted for in the prior year accounts.

Contributions should be accounted for in the period to which they relate. Based on our testing the current year contributions correctly include March 2008 contributions, and therefore the current year contributions figure actually reflects thirteen months of contributions. The error identified is not material to the pension scheme fund account, and therefore no prior year adjustment is permitted under UKGAAP.

Accrued interest

The current year investment assets include accrued interest. This should be disclosed separately in the accounts. Based on GT calculations the estimated value of accrued interest as at the year-end was £573k and this is included within our list of adjustments.

The impact on the accounts is purely presentational, however has been amended by the Council.

Potential liabilities

Retirement lump sums totalling £484,209 were processed within a 30-day period after 31 March 2008. These have been treated correctly from an accounting perspective, as the scheme had not been notified of the member's option until after 31 March 2008. However disclosure should be made of all

the potential liabilities that existed at the year-end where members had not made their final benefit decision. The £484,209 is an estimate of this figure, based on the assumption that lump sums paid in April 2008 relate to members that retired before the year end; however, the committee should satisfy themselves that there are no further material items which should be disclosed.

Transfers out of the scheme are accounted for on a cash basis, as per the accounting policy. However there was a transfer out accounted for post year end that had been confirmed by the receiving scheme and member before the year end, which should be disclosed as a potential liability. This amounted to £162,485.

Both these items have no effect on the scheme's net assets as they relate purely to narrative disclosures within the accounts. The disclosure has been amended by the Council.

Pensioners numbers

It was noted that pensioner numbers included on the draft accounts did not include widows and dependents. This should be updated in the accounts to be consistent with the prior year.

The number of pensioners in the scheme should be disclosed as 5,899 as opposed to the draft figure of 5,052. The disclosure has been amended by the Council.

2.2 Internal controls and risk management systems

Roles and responsibilities of the Committee

The Committee is responsible for the identification, assessment, management and monitoring of risk and for designing and implementing an appropriate system of internal control for safeguarding the Scheme's assets.

What is appropriate in particular areas of the Scheme's finances will depend on the Committee's assessment of risk and the significance of the errors or misstatements that might occur.

Impact of accounting systems and internal control on the audit

Although our audit is not designed to test all internal controls, or identify all areas of control weakness, auditors are required to evaluate the design of an entity's controls, including relevant control activities, over risks which could lead to material misstatement in the financial statements and determine whether they have been implemented.

It has been noted that the a follow up review has been conducted by the internal audit department on the Pension Fund activities and we recommend that actions points coming out of this review are followed up by the pensions team.

Summary of findings

Activity level controls

Our review of controls at the activity level assessed only the controls performed by the Council's staff in the Treasury Services Department (i.e. it does not cover controls performed by service providers) and only to areas which have a material significance to the financial statements. These being:

- Investments
- Contributions
- Benefits
- Expenses

Results

Issue	Recommendation
System documentation	A formal set of policies and procedures should be established by the Treasury Services Department. This should include documentation on their systems and controls.
The Treasury Services Department maintains cost control and realised gain spreadsheets for all the Scheme's investments. This is used to check the valuation reports received from the Scheme's investment managers. It was noted that at 31 March 2008 there was an unreconciled difference on the Schroders spreadsheet.	The treasury manager should ensure this control is performed on a monthly basis, to ensure any internal or external error is identified on a timely basis.

Audit adjustments

Adjusted misstatements

Details of adjustments processed during the audit of the pension scheme figures are detailed below:

No	Description	Fund account		Net assets statement		Impact on net assets £'000
		DR £'000	CR £'000	DR £'000	CR £'000	
	Draft increase in fund					9,133
1	Investment managers fees Accruals <i>Being unrecognised investment managers' performance related fees</i>	1,091			1,091	(1,091)
2	Unrealised gains Investments <i>Being investment income accounted for twice within investments and accrued income</i>	780			780	(780)
4	Realised Gains Unrealised Gains <i>Being the realised gains on the property disposals</i>		5,072			
5	Death in Service Transfers out <i>Being a correction of a mis-posting between fund account items</i>	64			64	
6	Investments Accrued Interest <i>Being the accrued interest included in the investment valuation</i>			573	573	
	Draft increase in fund	7,007	5,136	573	2,444	7,262

Unadjusted misstatements

The following adjustments have not been processed:

No	Description	Fund account		Net assets statement		Impact on net assets £'000
		DR £'000	CR £'000	DR £'000	CR £'000	
3	Death in Service Accruals <i>Being unrecognised death benefits that were unpaid as at year end</i>	262			262	(262)
7	Debtors Cash <i>Being contributions received post year end incorrectly accounted for as cash at year-end</i>			819	819	
	Draft increase in fund	262	0	819	1081	262

Adjusted misstatements

No other non-trivial misstatements were identified in the course of our audit work.

Yours faithfully

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