

MEETING

AUDIT COMMITTEE

DATE AND TIME

WEDNESDAY 16 DECEMBER 2009

AT 7.00PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

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.

Aysen Giritli: Acting Democratic Services Manager

Democratic Services contact: Chidilim Agada 020 8359 2037

Media Relations Contact: Chris Palmer 020 8359 7408

CORPORATE GOVERNANCE DIRECTORATE

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

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If you wish to let us know in advance that you will be attending the meeting, please telephone Chidilim Agada on 020 8359 2037. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

ORDER OF BUSINESS

Item No.	Title of Report	Contributors	Page Nos
1.	MINUTES	-	-
2.	ABSENCE OF MEMBERS		
3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-	-
4.	PUBLIC QUESTION TIME (If any)	-	-
5.	MEMBERS' ITEMS (If any)	-	-
6.	Internal Audit Interim Annual Report 2009-10	HoIA	1 – 51
7.	Use of Resources 2008/9; Report from External Auditors	HoC	52 – 97
8.	Progress on Internal Control Improvement Plan	HoC	98 – 106
9.	Introduction of International Financial Reporting Standards (IFRS)	HoSF	107 – 119
10.	Adult Social Services – Directorate Risk Register	DASS	120 – 126
11.	Internal Audit Strategy	HoIA	127 – 133
12.	Independent Advisors	HoIA	134 – 137
13.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-	-
14.	MOTION TO EXCLUDE THE PRESS AND PUBLIC:- That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 9 of Part 1 of Schedule 12A of the Act (as amended)		
15.	ANY EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-	-

Fire/Emergency Evacuation Procedure

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Meeting	Audit Committee
Date	16 December 2009
Subject	Internal Audit Interim Annual Report 2009-10
Report of	Interim Head of Internal Audit
Summary	The Committee is asked to note the 2009-10 Interim Internal Audit Annual Report and appendices.

Officer Contributors	Richard King - Interim Head of Internal Audit
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A: 2009/10 Internal Audit Interim Annual Report Appendix B: 2009/10 Internal Audit Annual Audit Plan Update Appendix C: 2009/10 Internal Audit Performance Indicators Appendix D: 2009/10 Internal Audit Risk Analysis Summary
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Richard King, Interim Head of Internal Audit 020 8359 3167

1 RECOMMENDATIONS

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

2 RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 10th March 2009 included in the work programme for 2009/10, the Internal Audit Interim Annual Report for 2009/10.
- 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 Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:

“We will deliver value for money for our residents.”

- 3.2 We will continue to build on the solid foundations of the last few years, developing the core assets of people, finance, technology and information, to ensure that we are a modern, customer-focused organisation. (Corporate Plan 2009/10)

4 RISK MANAGEMENT ISSUES

- 4.1 The purpose of the Internal Audit Interim Annual Report 2009/10 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 2009/10 (for work that has not previously been reported in the 2008/9 Annual Report).
- 4.2 The report identifies those areas which are of significant risk in the work undertaken by Internal Audit during this period.

5 EQUALITIES AND DIVERSITY ISSUES

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

6. 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 in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

Introduction

- 9.1 The report provides summary details in Appendix A of all Internal Audit reports which have been agreed and/or finalised with Directorates/Services as at 12th November 2009. The report also identifies and gives more detail on those areas which are considered to be 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 most recurring area of weakness was:
- Objectives / goals not being achieved (**38** instances out of a total of **104** reported risks).

For the above area of weaknesses occurrence reported in the Annual Audit Annual Report for 2008-9 was 45 out of 126.

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 29% 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 71% 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 interim annual report provides summaries of the findings at follow-up audits. Follow-ups indicate how the level of audit assurance has changed as a result of management implementation of agreed actions. Summary of the assurance revisions on the 25 follow-ups conducted in the report period are detailed below. It is encouraging to note that there are no areas with 'no' assurance and 19 of the areas reviewed are now at 'satisfactory' or 'full' level of assurance. However, 6 areas remain at 'limited' assurance indicating that further management action is required to fully implement agreed actions or mitigate identified risks.

Analysis of Assurance Levels on Follow-up	No.
Full assurance from satisfactory, limited or no	4
Satisfactory assurance from satisfactory, limited or no	15
Limited assurance from limited	5
Limited assurance from no	1
Total	25

Customer Evaluation Questionnaires

- 9.7 The Audit Committee at the meeting on 20 March 2006 asked that Internal Audit reinstate the performance indicator on Customer Evaluation Questionnaires to comply with the CIPFA Code of Best Practice for Internal Audit. Performance for the past three years is summarised below:

2007/08

25 questionnaires sent; 15 questionnaires returned (60%). An average score of **2.1** was achieved where 1 = excellent; 2 = highly effective; 3 = perfectly satisfactory; 4 = not quite good enough and 5 = unacceptable.

2008/09 (ongoing)

37 questionnaires sent to date; 17 questionnaires returned to date (46%). An average score of **2.5** was achieved.

2009/10 (ongoing)

8 questionnaires sent to date; 3 questionnaires returned to date (38%). An average score of **2.3** was achieved.

Internal Audit performance Management

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

The PI regarding percentage of audit plan completed refers to the achievable plan i.e. after any reviews have been deferred or cancelled and taking newly commissioned reviews into account.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM
Finance: JW

**Internal Audit
Interim Annual Report
2009-10**

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INTERNAL AUDIT ACTIVITY - Since 29th May 2009 SUMMARIES BY SERVICES

- 1 Finance
- 2 Corporate Services
- 3 Children's Service
- 4 Adult Social Services
- 5 Environment and Operations
- 6 Planning, Housing and Regeneration
- 7 Commercial
- 8 Chief Executive
- 9 Corporate Governance

AUDIT REPORT SUMMARIES FOR HIGH RISK AREAS (No Assurance)

- Finance
- A1 Treasury Management
- Adult Social Services
- A2 Blue Badge
- A3 Appointeeship
- A4 Deputyship
- Planning, Housing and Regeneration
- A5 Section 106 Payments

Internal Audit Activity Summary: Finance**Audit Work**

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Treasury Management	3	6	No Assurance	31/10/2006	Full
Supporting People Programme Grant	0	2	Satisfactory	None	N/A
Stroke Services Grant	0	1	Satisfactory	None	N/A

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Treasury Management	2	0	0	3	0	0	Full	No Assurance
Local Area Agreement Grant	0	0	0	1	0	0	Satisfactory	Satisfactory

Other Work

System	Type of work	Assurance
Milly Apthorp	Grant Work	Limited

Key

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

Audit Work

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Working with Partners	0	4	Limited	None	N/A
Self Service	0	2	Satisfactory	None	N/A

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Housing Benefit	0	0	0	2	0	0	Full	Satisfactory
Qsmart SAP Calibrator	0	1	0	2	2	0	Limited	Limited

Other Work

System	Type of work	Assurance at Follow-up	Assurance at original Audit
Electronic Document Record Management System	Project	Satisfactory	Limited
Customer Services - West of Borough	Project	Satisfactory	Satisfactory

Key

Y - Mitigated
P - Partially Mitigated
N - Not Mitigated

Internal Audit Activity Summary: Children's Service

Audit Work

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Contact Point	1	0	Limited	None	N/A
Individual Budgets	0	4	Limited	None	N/A

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Child Protection	0	0	0	1	0	0	Full	Satisfactory
Barnet Connexions	0	0	0	1	2	0	Satisfactory	Satisfactory
Cleaning Contract	0	1	0	1	1	0	Limited	Limited

Key

<p>Y - Mitigated P - Partially Mitigated N - Not Mitigated</p>
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Internal Audit Activity Summary: Adult Social Services**Audit Work**

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Blue Badge	5	2	No Assurance	27/07/2002	Satisfactory
Appointeeship	8	4	No Assurance	None	N/A
Deputyship	6	9	No Assurance	15/01/2004	Satisfactory
Integrated Community Equipment Service	0	6	Limited	04/04/2008	Satisfactory

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Meals Service	0	4	0	1	2	1	Limited	No Assurance
Business Continuity	0	0	0	1	0	0	Satisfactory	Limited
Data Quality	0	0	0	2	1	0	Satisfactory	Satisfactory

Other Work

System	Type of work	Assurance at Follow-up	Assurance at original Audit
Choice & Independence - Programme Governance	Project	Full	Satisfactory

Key

Y - Mitigated
P - Partially Mitigated
N - Not Mitigated

Internal Audit Activity Summary: Environment and Operations

Audit Work

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Public Transportation and Traffic Management	0	3	Limited	15/03/2005	Satisfactory

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Administration of Term Contracts	0	0	0	0	1	0	Satisfactory	Satisfactory
Parking Control	0	0	0	2	3	0	Satisfactory	Satisfactory
Final Accounts	0	0	0	1	4	1	Limited	Limited
Trading Standards & Licensing	0	0	0	0	1	0	Satisfactory	Satisfactory

Other Work

System	Type of work	Assurance at Follow-up	Assurance at original Audit
Transport	Project	Satisfactory	Satisfactory

Key

Y - Mitigated
P - Partially Mitigated
N - Not Mitigated

Internal Audit Activity Summary: Planning, Housing and Regeneration

Audit Work

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Section 106 Payments	5	9	No Assurance	None	N/A
Temporary Accommodation	0	8	Limited	07/03/2006	Satisfactory

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Barnet Homes Monitoring	1	0	0	2	1	0	Satisfactory	Limited
Homelessness	0	1	0	0	1	3	Limited	Limited
Grants	1	0	0	0	2	0	Satisfactory	Limited

Other Work

System	Type of work	Assurance at Follow-up	Assurance at original Audit
Strategic Planning	Project	Satisfactory	Satisfactory

Key

Y - Mitigated
P - Partially Mitigated
N - Not Mitigated

Internal Audit Activity Summary: Commercial

Audit Work

System	Priority 1	Priority 2	Assurance of Original Audit	Assurance on Follow-up	Assurance at last Audit
Accommodation Strategy	0	2	Satisfactory	None	N/A
Income from Property and Industrial Assets	1	6	Limited	None	N/A

Other Work

System	Type of work	Assurance at Follow-up	Assurance at original Audit
Mill Depot Relocation	Project	Satisfactory	Satisfactory

Key

<p>Y - Mitigated P - Partially Mitigated N - Not Mitigated</p>
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Internal Audit Activity Summary: Chief Executive

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance at original Audit
	Y	P	N	Y	P	N		
Data Quality - Key Lines of Enquiry	0	0	0	1	1	0	Satisfactory	Satisfactory

Key

<p>Y - Mitigated P - Partially Mitigated N - Not Mitigated</p>
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Internal Audit Activity Summary: Corporate Governance

Audit Work

System	Priority 1	Priority 2	Current Assurance	Date of last Audit	Assurance at last Audit
Anti Crime Agenda	1	3	Limited	None	N/A
Registration of Electors	0	3	Limited	22/09/2004	Satisfactory

Follow-up Work

System	Priority 1			Priority 2			Assurance at Follow-up	Assurance of original Audit
	Y	P	N	Y	P	N		
Internal Control Checklist	0	0	0	1	3	0	Limited	Limited

Key

<p>Y - Mitigated P - Partially Mitigated N - Not Mitigated</p>
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Appendix A - Internal Audit Interim Annual Report 2009-10

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
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Finance

16/10/2009

No

Q3 2009-2010

Report Title

Treasury Management

1 Objective of System

1.1 The objective of the Treasury Management function is to effectively manage the Authority's cash flows, its borrowing and its deposits, and the management of the associated risks whilst pursuing optimum performance and rates of return consistent with these risks as reflected by the Council's Treasury Management Strategy. The objective of the system itself is to ensure that transactions are authorised, compliant with the Treasury Management Strategy and correctly treated and recorded on the Council's accounting statements.

2 Scope of Audit

- 2.1
- Legislation, Strategy, Policy and Procedures,
 - Security of Assets,
 - Selection of Counter Parties,
 - Cash Flow Forecasting,
 - Recording of Investments Made,
 - Recording of Loans Secured,
 - Systems Reconciliation,
 - Management Reporting and Performance Review.

3 Executive Summary

3.1 We can give No Assurance that the system objectives will be achieved. There are weaknesses in the system of controls that may put some of the system objectives at risk. This is a key financial systems audit of Treasury Management on the effectiveness of arrangements for investing and borrowing, in the light of any lessons learned following the failure of Icelandic banks which affected Councils nationally. The sample period selected for testing was April 2008 to April 2009 to meet external audit sampling requirements of covering the full financial year. The Icelandic Bank Scrutiny Working Group issued a final report in April 2009 which highlighted findings in relation to the treasury management strategy that was in place at the time money was being deposited with Icelandic Banks during 2008/09. Further, an independent review was commissioned to look at specific transactions relating to the £27.4m loss with the said institutions. No Icelandic Bank transactions have been selected as part of this audit as agreed at the planning meeting to agree the scope of this work.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	3	6
4.2 Number of actions agreed	3	3

All reported risks were accepted by management, but the management agreed to take action to mitigate 6 risks and accepted to tolerate the remaining 3.

4.3 Priority 1 risks

- **Risk: Counter Party Credit Ratings**

There is a risk of significant financial loss resulting from Council investments with a counterparty which no longer has an acceptable financial rating

Management Action:

The report issued each Friday shows the credit rating of the outstanding deposits.

Weekly reports giving the same information from the Independent Investment Advisors are also kept on file.

- **Risk: Recording of Investments Made**

There is a risk of inappropriate investment if transactions which do not comply with the Treasury Management Strategy are not identified as a result of ineffective segregation of duties and management review of the investments made.

Management Action:

The “yellow” cards referred to in the main body of the report have been replaced with the dealing ticket system. These not only give the name of the officer who did the deal but are also countersigned by the Treasury Manager for compliance with the strategy.

- **Risk: Management Reporting Systems - Compliance**

There is a risk of financial loss through the failure to identify non compliance to the Treasury Management Strategy, transactional inefficiencies and process failures in a timely manner.

Management Action:

Compliance is dealt with in the weekly / monthly quarterly reporting as detailed in the management action for risk 2. Risk 2 management action - Since April 09 a weekly compliance report is issued each Friday giving details of all deposits, name of the counter party & status. It also details non compliant deposits i.e. the Icelandic bank deposits. The report is issued to the Director of Finance, the Assistant Director of Finance and the Head of Finance – Capital & Treasury.

In addition Treasury activities are reported quarterly to the Cabinet Resources Committee (officers & members) the first report was for the year to 31 March 09 and again for the quarter to 30 June 09. Minutes are kept of these meetings.

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

5.1 Follow-up undertaken in quarter 3. The assurance has now moved to Full.

Appendix A - Internal Audit Interim Annual Report 2009-10

Service Area

Issue Date

Assurance of Planned

Original Audit Follow-up Date

Adult Social Services

08/09/2009

No

Q1 June - 2010-2011

Report Title

Blue Badge

1 Objective of System

1.1 The objective of the Blue Badge Scheme is to maximise peoples' independence that improves equality of opportunity and access for the most severely disabled in a manner that respects the needs of others. The Blue Badge Scheme currently enables severely disabled people to park without charge or time limit in the on-street parking environment, and for up to three hours on yellow lines, unless a loading ban is in place.

2 Scope of Audit

- 2.1
- Policy and compliance
 - Roles and responsibilities
 - Procedures – assessment, review of decision, approval, issue of blue badge, collection of fees, stock control, reconciliation, renewals, cancellations, reissues.
 - Monitoring

3 Executive Summary

3.1 Audit can provide No assurance based on our review that the objective of the Blue Badge service will be achieved effectively and efficiently.

4 Risks

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

4.3 Priority 1 risks

- **Risk: Service Delivery**

Without timely and comprehensive service reviews and establishing formal service delivery arrangements, there is a risk that service objectives may not be delivered effectively and efficiently and improvements may not be identified and incorporated on time.

Management Action:

We will conduct a service review which will consider relevant best practice guidance and recommendations of the Department for Transport (DfT) in order to implement effective service delivery arrangements. An action plan of changes will be identified as part of the review. Discussions will take place with Environment service to determine where the service is best located which will impact on changes.

- **Risk: Data Recording**

Without identifying necessary management information and statutory data requirements effectively and in the absence of robust systems for capturing information, including accurate data processing, there is a risk that necessary information may not be available to monitor service delivery effectively and that fraud or error may not be prevented or detected.

Management Action:

Management information requirement on statutory areas and other operational areas will be identified in order to establish an effective framework of management information and reporting.

Data requirements will be specified to ensure effective capturing of management information on the database system. The data base will be amended to ensure the effective capturing of data and report generation.

Routine data quality checks will be implemented to ensure the accuracy and completeness of records on the database system.

- **Risk: Processing Applications**

Without implementation of robust procedures for verification and administration of applications, there is a risk that blue badges may be issued to those not entitled to.

Management Action:

The current processes for verification and administration of applications will be reviewed in line with the service review and revised where necessary to ensure that blue badges are issued only to those entitled; necessary quality reviews will be implemented.

The current application forms will be reviewed and revised in line with the best practice guidance. In addition, the revised form will seek proof of identity, address and National Insurance Number for individuals.

Written procedures will be produced to capture the revised processes and made available to staff; relevant staff will be trained to implement the processes effectively.

- **Risk: Data Protection Declaration**

Without updating the declaration section on the application forms in line with the best practice guidance issued by the DfT there may be non-compliance with the Data Protection Act if data is shared for any control purpose e.g. detection and prevention of fraud.

Management Action:

The current application forms will be reviewed and updated in line with the best practice guidance in respect of Data Protection.

- **Risk: Fraud prevention and detection**

There is a risk the service may not be able to prevent and/or detect misuse of the Blue Badge scheme in the absence of robust fraud prevention and detection processes and protocols.

Management Action:

ASSD will liaise jointly with Parking service and CAFT to develop a formal protocol for fraud prevention and detection.

The existing corporate approach will be identified to inform the development of a formal Fraud Prevention Strategy, and current processes and protocols will be reviewed and updated to ensure consistency with the strategy.

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

5.1 Initial discussions were held with Environment. A discussion paper has been prepared for Corporate Directors to confirm the best location and some best practice issues relevant to the delivery of the service. Once these are determined then a review will be initiated to take into account the recommendations.

Appendix A - Internal Audit Interim Annual Report 2009-10

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Adult Social Services	11/11/2009	No	Q4 2010-2011

Report Title

Appointeeship

1 Objective of System

1.1 The objective of the appointeeship function is to ensure that client funds and financial affairs are managed in an effective and efficient manner. The Council has to apply to the Department for Works and Pensions (DWP) to receive the legal power to act on behalf of the clients. Clients are often those that are mentally incapable of managing their money and who might be at risk of abuse. The Council discharges this function under the provisions of Section 49 of the National Assistance Act 1944 and the Mental Health Act 1983.

2 Scope of Audit

- 2.1
- Policy and Procedures
 - Roles and Responsibilities
 - Operational Arrangements
 - Arrangements to prevent fraud or loss of client assets
 - Performance Management and Reporting Arrangements

3 Executive Summary

3.1 We can provide No Assurance that management have implemented an adequate framework of internal controls and that these controls operate effectively against all significant risks. Control is generally weak, and there is significant non compliance with basic controls which leaves the system open to error or abuse. It is acknowledged that management has already taken steps to address some of the main issues reported and a project plan has been drafted to review the service's working practices.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	8	4
4.2 Number of actions agreed	8	4

4.3 Priority 1 risks

- **Risk: Policies & Procedures**

There is a risk of inefficient, ineffective or non compliant working practices. This may lead to failure to achieve desired outcomes, poor value for money and non compliance with legislation.

Management Action:

The service will develop policies and procedures which will cover areas of processes, roles and responsibilities in consultation with other appropriate teams/officers. (Supply Management/Care Management).

- **Risk: Assessment of Clients**

There is a risk that clients may be assessed incorrectly and that the Council may be subject to legal challenge.

Management Action:

Customer Financial Manager will liaise with Care Management to confirm how clients are assessed to determine whether they are unable to manage their finances, including the documentation to be retained to evidence this assessment, the timescales/triggers within which to undertake the assessment and the independent management review of the social worker's assessment to verify the accuracy and validity.

- **Risk: Referrals**

Where referrals are incomplete, inaccurate or not actioned in a timely manner, there is a risk that clients' safety is compromised (e.g. financial abuse cases) and of the Council failing to demonstrate its duty of care and due diligence.

Management Action:

Service will develop documented referral criteria, which includes who are eligible for appointeeship. Standard referral form has been drafted and will be used by Service for referrals to ensure that only clients who have been assessed as requiring assistance in managing their finances as well as meeting the appointeeship service referral criteria are accepted.

The possibility of highlighting residential care service users who become appointeeship clients on SWIFT (or software used by Deputyship Administration Team) will be explored and the use of the spreadsheet maintained by the Appointeeship Administrator will be reviewed as part of this exercise. This will also assist in ensuring that referrals are not missed or not processed in a timely manner. We will reconcile existing clients with those on SAP.

- **Risk: Accounting Arrangements**

There is a risk of misstatement of income and expenditure figures and wastage of resources if the management accounting arrangements are not appropriate to the needs of the business.

Management Action:

A process will be put in place to reconcile client balances (debtor and creditor accounts) as shown on SAP with bank account balances.

The management accounting coding structure (including the need to raise multiple debits for each type of benefit income) will be reviewed to ensure that the correct cost centres and general ledger codes are used such that income and expenditure are not overstated. Any errors will also be picked up by the relevant budget managers.

- **Risk: Client Income**

There is a risk of inappropriate debt collection and misstatement of income figures if contracts are not raised accurately and in a timely manner. This may ultimately lead to undue hardship on clients and legal challenge.

Management Action:

Customer Financial Manager will liaise with the Business Improvement Team to explore the possibility of reconciling SWIFT and SAP to ensure that residential care service users who are appointeeship clients have a corresponding debit representing the client contribution amount raised on SAP. This will also highlight whether the debit representing the amount repayable to the clients (personal allowance, specific benefits etc) have also been raised.

Where the debit has not been raised or has not been raised in an accurate or timely manner, this will also be flagged by the relevant budget manager and communicated to the Appointeeship team.

The need to have a more systematic process to check whether clients are receiving their maximum benefit entitlements will be explored and implemented if necessary. The Customer Financial Manager will liaise with the SAP Improvement and Control team to explore the possibility of automating the annual uprating of contracts (debts representing income receivable from DWP) and Purchase Orders for the payment of personal allowance and other benefits repayable to the clients.

- **Risk: Client Expenditure**

There is a risk of undue hardship on clients if monies due (e.g. personal allowance and DLA etc) to the clients are not paid or not paid in a timely manner.

There is a risk of financial loss to the Council if payments made are not accurate or appropriate.

Management Action:

The Customer Financial Manager (or delegated officer) will verify the accuracy and validity of the framework orders raised by Appointeeship Administrator (ideally via SAP authorisation process) to ensure that duplicate, inaccurate or untimely payment is not made.

Any errors will also be picked up by the relevant budget managers and flagged up to the Appointeeship team.

- **Risk: Arrangements to prevent fraud or loss of client assets**

There is a risk that clients are subject to financial abuse and that the Council may not be able to demonstrate that clients' monies are being spent in their best interests and that the income is being kept safe in the interim.

Management Action:

Appropriate processes will be put in place to ensure that the Council receives assurance that any monies passed on to third parties or back to the clients are used to meet the clients' needs. Care Management and Supply Management teams (contract Monitoring) will be consulted during the design of these processes.

- **Risk: Performance Management**

There is a risk that management are not aware whether service objectives are being achieved (due to mismanagement of client funds) and whether value for money is being obtained (due to inappropriate or inadequate resource allocation) where specific performance management information is not requested or received and reviewed regularly.

Appendix A - Internal Audit Interim Annual Report 2009-10

Management Action:

Appropriate PIs will be established, monitored and reported on an appropriate frequency basis to the relevant parties.

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

5.1 The service requested the audit of this area to help inform the planned restructure and review of this work area along with the Deputyship function, steps have been taken to address the issues raised in the report through an improvement project linked to the restructuring of the service.

Appendix A - Internal Audit Interim Annual Report 2009-10

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Adult Social Services	11/11/2009	No	Q4 2010-2011

Report Title

Deputyship	
------------	--

1 Objective of System

1.1 The objective of the Deputyship function is to ensure that client funds and financial affairs are managed in an effective and efficient manner. Deputyship is a service which commits the council to greater control and responsibility over the client finances, where there is no relative willing or able to undertake the duties. It will include managing all finances.

The Council has to apply to the Court of Protection to receive the legal power to act on behalf of the clients. Clients are often those who are mentally incapable of managing their money and who might be at risk of abuse. The Council discharges this statutory function on behalf of the Public Guardianship Office under the provisions of Section 49 of the National Assistance Act 1944 and the Mental Health Act 1983.

2 Scope of Audit

- 2.1
- Policy and Procedures
 - Roles and Responsibilities
 - Operational Arrangements
 - Arrangements to prevent fraud or loss of client assets
 - Performance Management and Reporting Arrangements

3 Executive Summary

3.1 We can provide No Assurance that management have implemented an adequate framework of internal controls and that these controls operate effectively against all significant risks. Control is generally weak, leaving the system open to significant potential error or abuse.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	6	9
4.2 Number of actions agreed	6	9

4.3 Priority 1 risks

- **Risk: Policies & Procedures**

There is a risk of inefficient, ineffective or non compliant working practices. This may lead to failure to achieve desired outcomes, poor value for money and non compliance with legislation

Management Action:

The service will develop policies and procedures which will cover areas of processes roles and responsibilities.

- **Risk: Assessment of Client Needs**

There is a risk that clients may be assessed incorrectly and that the Council may be subject to legal challenge.

There is a risk that the Council may not be able to demonstrate appropriate management of clients' finances.

Management Action:

We will also review existing cases, develop referral criteria. Planned service restructure will also address resource issues. Will benchmark against other local authorities (Performance Indicators and workload).

- **Risk: Bank Reconciliation**

There is a risk of error going undetected where bank accounts are not regularly reconciled to the income and expenditure ledger.

Management Action:

Bank reconciliation process will be reviewed to ensure it is being done correctly. Un-presented cheques will be cancelled in a timely manner and clearance of the suspense account will be reviewed by management. Any adjustments made (e.g. recording of standing orders, direct debits, direct transfers etc) in Quicken during the bank reconciliation process will be dated correctly. Will develop policy of peer supervision and file audit validation checks to prime documents and Quicken.

- **Risk: Client Expenditure**

There is a risk that the Council may not be able to demonstrate that decisions have been made in the best interests of the clients.

There is a risk of financial loss if payments made are not accurate, timely or appropriate.

Management Action:

Will review process to ensure that decisions are made in best interests of client. Subject to restructure proposals, will develop policy of peer supervision and file audit validation checks to prime documents.

Invoices will be recorded on the date of receipt and stamped to ensure payment is made within payment terms and conditions. Other expenditure will be recorded on the date of the decision/request from client.

The possibility of developing budget plans for each client (in consultation with all relevant stakeholders such as client, social workers, family etc) to estimate and forecast income and spend will be considered.

Cost effective methods of payments will be utilised to minimise wastage of resources on invoice processing, cheque runs etc.

Appendix A - Internal Audit Interim Annual Report 2009-10

- **Risk: Arrangements to prevent fraud or loss of client assets**

Where monies are passed on to third parties and the Council does not obtain assurances that the monies are being spent to meet the clients' needs, there is a risk of error and fraud. There is a risk that clients are subject to financial abuse and that the Council may not be able to demonstrate that it is spending the clients' monies in their best interests and keeping the income safe in the interim.

Management Action:

Appropriate processes will be put in place to ensure that the Council receives assurance that any monies passed on to third parties or back to the clients are used to meet the clients' needs. Care Management and Supply Management teams (contract Monitoring) will be consulted during the design of these processes.

- **Risk: Performance Management**

This is a risk that management are not aware whether service objectives are being achieved (due to mismanagement of client funds) and whether value for money is being obtained (due to inappropriate or inadequate resource allocation) where specific performance management information is not requested or received and reviewed regularly.

Management Action:

Appropriate PIs will be established, monitored and reported on an appropriate frequency basis to the relevant parties.

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

5.1 The service requested the audit of this area to help inform the planned restructure and review of this work area along with the Appointeeship function, steps have been taken to address the issues raised in the report through an improvement project linked to the restructuring of the service.

Appendix A - Internal Audit Interim Annual Report 2009-10

Service Area	Issue Date	Assurance of Original Audit	Planned Follow-up Date
Planning	16/11/2009	No	Q3 2010-2011

Report Title

Section 106 Payments

1 Objective of System

1.1 The objective of Section 106 of the Town and Country Planning Act 1990 is to seek contributions to mitigate the impact of developments when granting planning permission for development; and to secure contributions to ensure delivery of sustainable development and maximise community benefit.

2 Scope of Audit

- 2.1
1. Statutory Requirements / Council Policies / Local Procedures
 2. Roles and Responsibilities
 3. Processing and Monitoring S106 Contribution / Refunds/ non collection of agreed contributions
 4. Accounting of S106 Agreements on SAP (when should the income due be recognised on SAP).
 5. Monitoring Delivery of expected Benefits
 6. Management Information

3 Executive Summary

3.1 We can give no assurance that the objective will be achieved. There are areas where processes need further improvement or are yet to be established.

Management action has been agreed for all the reported risks. The Planning Obligations Officer has taken a co-ordinated approach to develop processes for an important function that was previously administered in a fragmented manner. There is a need to prioritise the management of S106 function.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	5	9
4.2 Number of actions agreed	5	9

4.3 Priority 1 risks

- **Risk: Adoption of Supplementary Planning Documents**

There is a risk of not optimising S106 income and therefore benefit to the community resulting from uncertainty and confusion for both developers and the Council over the range of obligations and the levels of contributions that would be sought in the absence of adopted SPDs.

Management Action:

The local development scheme is currently being revised and the new scheme for delivery of the LDF will be taken to members in January 2010 to set out:

- *Titles of the Supplementary Planning Documents (SPDs) that will be undertaken and*
- *The timeframe for delivering them.*

We will know by 1st April 2010 (when CIL regulations are published, but hopefully sometime beforehand) which community needs are to be included under the CIL charging schedule and which under SPDs.

In the interim, a guidance note will be produced for planning officers on when negotiating for certain contributions is appropriate. This will be supplemented by Service Level Agreements with departments to ensure effective planning consultations

- **Risk: Policy on Condition Applications**

There is a risk of legal challenge from the use of Conditions on the grounds that it may be unlawful on the part of the Council to require Conditions to be met, particularly where an applicant only submits details of the requirement without a payment and the application refused subsequently.

Management Action:

Advice will be sought from Legal to review and confirm that the process is robust and that a policy position is formally established.

- **Risk: Verification Activated of S106 agreements**

There is a risk of not maximising income and cash flow to the Council, particularly in the current economic downturn, in the absence of an effective process for verifying activated S106 agreements.

Management Action:

A full appraisal of all development sites listed as currently 'untriggered' or 'requiring a visit' will be completed in December 2009.

A review of the roles and responsibilities will undertaken, which will establish and enable more active monitoring at regular intervals.

- **Risk: Income Collection Procedures**

There is a risk that the Service may not be able to effectively avoid the costs associated with collecting income through unapproved collection methods i.e. invoicing cost, staff costs, arrears management, risk of bad debts, etc in the absence of an agreed policy for collecting s106 contributions.

Where efficient income collection processes are not utilised, i.e. through use of SAP, there is a risk that income may not be collected on a timely basis or at all, thus resulting in additional and unnecessary tasks being carried out by Officers.

There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of clear separation of duties for the collection, recording and preparing banking of income received by the service.

Management Action:

A full review of s106 income collection procedures will be undertaken and therefore these issues will need to be discussed with the Chief Finance Officer in liaison with legal services to ensure appropriate procedures are established that minimise this risk.

- **Risk: Debt Monitoring**

In the absence of an effective process for managing (including debt write-offs), analysing and reporting debt there is a risk loss of income and poor cashflow resulting from debts not being paid or not paid on time.

Management Action:

Process and Indicators for monitoring debt will be established as part of the meeting with the Chief Finance Officer.

Debt monitoring information will be produced by the Planning Obligations Officer and overview provided by line management.

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

5.1 None received.

2009/10 Interim Internal Audit - Audit Plan Update By Services
Since 29th May 2009

2009/10 Interim Internal Audit - Audit Plan Update by Services **Since 29th May 2009**

Finance

- Page 1** Stroke Service Grant 2009/10 (New)
Page 2 Supporting People Grant 2009/10 (New)
Page 3 Postal Remittances 2009/10 (New)
Page 4 Treasury Management 2009/10 follow-up (New)

Corporate Services

- Page 5** Electronic Document Record Management System (Phase 2) 2009/10 (Deferral within 2009/10)

Children's Service

- Page 6** Procurement and Contracts 2009/10 (Deferral within 2009/10)
Page 7 Integrated Children's System 2009/10 (Deferral within 2009/10)
Page 8 Children's Centre Service 2009/10 (Deferral within 2009/10)
Page 9 Contact Point 2009/10 follow-up (New)

Adult Social Services

- Page 10** Deputyship 2009/10 (New)
Page 11 Mental Health Partnership with MIND (Deferral within 2009/10)

Environment and Operations

- Page 12** Cashless Parking Project 2009/10 (Deferral within 2009/10)

Planning, Housing and Regeneration

- Page 13** Housing Systems Review 2009/10 (Deferral within 2009/10)

Audit Committee

- Page 14** Various

Various

- Page 15** Follow-ups (Deferred)

New audit in 2009/10

SERVICE AREA: Finance

TITLE OF ORIGINAL AUDIT: Stroke Services Grant

DATE AUDIT REQUESTED: 2009/10 Quarter 1

REQUESTED BY: Director of Resources

Reason(s) for the new work

Statutory requirement for Internal Audit to provide assurance on the grant usage.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

Audit was conducted in Q1. We provided a 'Satisfactory' assurance.

New audit in 2009/10

SERVICE AREA: Finance

TITLE OF ORIGINAL AUDIT: Supporting People Grant

DATE AUDIT REQUESTED: 2009/10 Quarter 1

REQUESTED BY: Director of Resources

Reason(s) for the new work

Statutory requirement for Internal Audit to provide assurance on the grant usage.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

Audit was conducted in Q1. We provided a 'Satisfactory' assurance.

New audit in 2009/10

SERVICE AREA: Finance

TITLE OF ORIGINAL AUDIT: Postal Remittances

DATE AUDIT REQUESTED: 2009/10 Quarter 4

REQUESTED BY: Acting Director of Resources

Reason(s) for the new work

To provide assurance on the management controls and arrangements for the receipt of postal remittances.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New audit in 2009/10

SERVICE AREA: Finance

TITLE OF ORIGINAL AUDIT: Treasury Management follow-up

DATE AUDIT REQUESTED: 2009/10 Quarter 3

REQUESTED BY: Interim Director of Finance

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

Audit is in progress.

Deferral within 2009/10

SERVICE AREA: Corporate Services

TITLE OF ORIGINAL AUDIT: Electronic Document Record Management System (Phase 2)

ORIGINAL PLANNED DATE FOR AUDIT: 2009/10 Quarter 2

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 4

CHANGE REQUESTED BY: EDRM Programme Manager

Reason(s) for the change

The start of the project has been delayed pending finalisation of the Information Management Paper to strategically govern EDRM direction.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferral within 2009/10

SERVICE AREA: Children's Service

TITLE OF ORIGINAL AUDIT: Procurement and Contract

ORIGINAL PLANNED DATE FOR AUDIT: 2009/10 Quarter 1

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 2

CHANGE REQUESTED BY: Acting Deputy Director Safeguarding and Social Care

Reason(s) for the change
Staff dealing with end of year issues and implementation of the new Children's Integrated System.

Risk to the Corporate Plan
None

Client Comment
None

Audit Comment
Audit is in progress.

Deferral within 2009/10

SERVICE AREA: Children's Service

TITLE OF ORIGINAL AUDIT: Children's Centre Service

ORIGINAL PLANNED DATE FOR AUDIT: 2009/10 Quarter 2

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 3

CHANGE REQUESTED BY: Acting Deputy Director Safeguarding and Social Care

Reason(s) for the change

There are a number of work streams currently in progress that would best be completed prior to the audit. These include a fundamental review of funding arrangements and the development of the Sure Start Phase 3 programme.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

Audit is in progress.

Deferral within 2009/10

SERVICE AREA: Children's Services

TITLE OF ORIGINAL AUDIT: Integrated Children's System

ORIGINAL PLANNED DATE FOR AUDIT: 2009/10 Quarter 2

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 4

CHANGE REQUESTED BY: Acting Deputy Director Safeguarding and Social Care

Reason(s) for the change

At the planning stage of the audit the ICS team had no manager. Also, the service had commissioned an external review of the use of ICS and this was underway. It was also thought that we would be midway with the implementation of ICS Phase 3 and also the rest of the Social Care Division going 'live' with ICS. It was felt that an objective and helpful overview could not be achieved within the state of flux.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2009/10

SERVICE AREA: Children's Services

TITLE OF ORIGINAL AUDIT: Contact Point follow-up

DATE AUDIT REQUESTED FOR: 2009/10 Quarter 3

REQUESTED BY: Service Development Manager, Children's Service

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

Audit is in progress.

New 2009/10

SERVICE AREA: Adult Social Services

TITLE OF ORIGINAL AUDIT: Deputyship

DATE AUDIT REQUESTED FOR: 2009/10 Quarter 1

REQUESTED BY: Assistant Director, Performance & Supply Management

Reason(s) for the new work

To provide assurance on the arrangements for the Deputyship Service and to monitor risks to the clients.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

The audit was conducted in Q1. We provided a 'No' Assurance.

Deferral within 2009/10

SERVICE AREA: Adult Social Services

TITLE OF ORIGINAL AUDIT: Mental Health Partnership with MIND

ORIGINAL PLANNED DATE FOR AUDIT: 2009/10 Quarter 3

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 4

CHANGE REQUESTED BY: Head of Strategic Commissioning

Reason(s) for the change

The timing for the audit was identified in January prior to the establishment of the joint commissioner for mental health and the setting up of a project for the review of all voluntary sector agreements which is now in progress overseen by the newly established Strategic Commissioning Team.

It was agreed with NHS Barnet that as the MIND contract is funded separately by both LBB and NHS Barnet it would be vital to conduct a joint review for which there is now a plan to complete by the end of quarter 3.

Audit will therefore bring most value to the processes by testing this approach through the application of audit principles as it is intended that we will roll out this approach more widely to providers where there are similar funding arrangements. The intention is to work up an effective joined up approach, working with partners and the market to maximise efficiency by adopting a whole systems approach.

Risk to the Corporate Plan

None

Client Comment

The joint review already in progress using a detailed and comprehensive template will be audited and therefore gain maximum value for the audit process.

Audit Comment

None

Deferral within 2009/10

SERVICE AREA: Environment and Operations

TITLE OF ORIGINAL AUDIT: Cashless Parking Project

ORIGINAL PLANNED DATE FOR AUDIT: 2009/10 Quarter 1

REVISED PLANNED DATE FOR AUDIT: 2009/10 Quarter 4

CHANGE REQUESTED BY: Assistant Director Environment & Operations

Reason(s) for the change

The current Parking Service review meant that the team operating the service and those carrying out the review would have been in a position to comprehensively engage with an audit of the Cashless Parking issues.
At the time the Parking Services Manager had just left and we needed to consider the position and the future plans for every part of the service.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferral within 2009/10**SERVICE AREA:** Planning, Housing and Regeneration**TITLE OF ORIGINAL AUDIT:** Housing Systems Review**ORIGINAL PLANNED DATE FOR AUDIT:** 2009/10 Quarter 1**REVISED PLANNED DATE FOR AUDIT:** 2009/10 Quarter 3**CHANGE REQUESTED BY:** Head of Housing & Environmental Health**Reason(s) for the change**

The appointment of the Consultants to lead on the Housing Systems Review delayed due to the procurement process. Start date to commence the review known from 1st September. As a result there was a delay in agreeing the audit scope and it was considered that there was no added value for the audit commence in quarter 1.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

Audit is in progress.

New audits in 2009/10 Various

SERVICE AREA: Various

TITLE OF ORIGINAL AUDITS: 13 (2nd) Follow-ups of Follow-ups

Cash Collection, Banking & Treasury Management

Business Continuity

Capital Expenditure

Cashiers System

Registrar's

SEN Budget & Contract

Laundry Service

Customer Billing

Housing Revenue Account

Principle Development Agreement

Central Contract Monitoring

Partnership Arrangements

Consultation

REQUESTED BY: Audit Committee at Committee meeting 29th June 2009.

Reason(s) for the new work

To provide the Audit Committee with confirmation that outstanding management actions identified at the first follow-up audits have been implemented.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

Follow-ups have been scheduled for Q3 and Q4.

Deferred Follow-ups from 2009/10 to 2010/11
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SERVICE AREA: Various

TITLE OF ORIGINAL AUDITS:

Temporary Accommodation 09/10 - Follow-up
 Income from Property and Industrial Estate 09/10 - Follow-up
 Integrated Community Equipment Service 09/10 - Follow-up

ORIGINAL PLANNED DATES FOR FOLLOW-UPS: 2009/10 Various Quarters

REVISED PLANNED DATES FOR FOLLOW-UPS: 2010/11

Temporary Accommodation 09/10 - Follow-up (quarter 3)
 Income from Property and Industrial Estate 09/10 - Follow-up (quarter 4)
 Integrated Community Equipment Service 09/10 - Follow-up (quarter 1)

REQUESTED BY: Acting Head of Internal Audit

Reason(s) for the new work
Audits completed in 2009/10. Follow-ups deferred to 2010/11 to take account of implementation dates of agreed actions.

Risk to the Corporate Plan
None

Client Comment
None

Audit Comment
None

Internal Audit Performance Indicators 2009-10 @23/11/2009

PI Ref	PERFORMANCE INDICATOR	TARGET 2009/10 (annual & cumulative)	2009-10 Position at end of:		
			Q1	Q2	Position as at:23/11/2009
1	Percentage of 2009/10 audit plan completed compared to what was planned.	87.5% This is the combined figure for systems, follow-ups and projects.	4% complete or at draft report plus 35% at various stages of work in progress	16% complete or at draft report plus 33% at various stages of work in progress	37% complete or at draft report plus 35% at various stages of work in progress
2	Percentage of Audit reports followed up within 12 months of issue of final report	100%	9% complete or at draft report plus 37% at various stages of work in progress	25% complete or at draft report plus 30% at various stages of work in progress	38% complete or at draft report plus 33% at various stages of work in progress

Appendix D

Risk Analysis Interim Annual Report 2009-10		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			
Finance	Treasury Management	1	3	2	0	1	2	9	3	6
Finance	Supporting People Programme Grant	0	0	1	0	1	0	2	0	2
Finance	Stroke Services Grant	0	0	0	0	0	1	1	0	1
Corporate Services	Working with Partners	0	2	0	0	1	1	4	0	4
Corporate Services	Self Service	0	0	1	0	0	1	2	0	2
Children's Service	Contact Point	0	0	0	0	0	1	1	1	0
Children's Service	Individual Budgets	0	0	0	0	0	4	4	0	4
Adult Social Services	Blue Badge	1	1	1	0	3	1	7	5	2
Adult Social Services	Appointeeship	4	0	1	0	2	5	12	8	4
Adult Social Services	Deputyship	4	1	2	0	2	6	15	6	9
Adult Social Services	Integrated Community Equipment Service	2	2	1	0	0	1	6	0	6
Environment and Operations	Public Transportation and Traffic Management	0	0	1	0	0	2	3	0	3
Planning, Housing and Regeneration	Section 106 Payments	5	0	4	0	4	1	14	5	9
Planning, Housing and Regeneration	Temporary Accommodation	1	1	1	0	1	4	8	0	8
Commercial	Accommodation Strategy	0	0	0	0	0	2	2	0	2
Commercial	Income from Property and Industrial Assets	2	0	1	0	2	2	7	1	6
Corporate Governance	Anti-Crime Agenda	0	0	2	0	0	2	4	1	3
Corporate Governance	Registration of Electors	1	0	0	0	0	2	3	0	3
TOTALS		21	10	18	0	17	38	104	30	74
								% of total	29%	71%

AGENDA ITEM: 7

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Meeting	Audit Committee
Date	16 December 2009
Subject	Use of Resources 2008/9; Report from External Audit
Report of	Interim Head of Compliance
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2008/09 accounts.

Officer Contributors	Patrick Clackett - Interim Head of Compliance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A - Use of Resources 2008/09 - Findings and Conclusions by External Auditors
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Patrick Clackett, Interim Head of Compliance 020 8359 7249

1. RECOMMENDATIONS

- 1.1 That the findings and twelve recommendations by the External Auditor be noted.**
- 1.2 That the committee considers the action that the Council is planning to take in response to the recommendations.**
- 1.3 That a report on the implementation of the action plan be submitted to the next meeting of the Committee in March 2010.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Effective use of resources is essential if the Council is to achieve its Objectives and Plan.

4. RISK MANAGEMENT ISSUES

- 4.1 Failing to use the council's resources effectively is a major risk to the achievement of its objectives and functions. The Use of Resources action plan includes measures to improve the effectiveness of risk management.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Accurate financial reporting is important to ensure the management of resources to enable 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. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The Use of Resources report and the management response action plan are fundamental to improving the council's use of resources. There are direct consequences for all the implications listed above.

7. LEGAL ISSUES

- 7.1 None other than what may be contained in the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 Within the Council's Constitution, the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance".

9. BACKGROUND INFORMATION

9.1 Introduction

The Council's use of resources and value for money assessment is carried out annually by the appointed external auditors (Grant Thornton). This first year of Use of Resources under CAA is a new expanded assessment which covers more elements than previously, and is more demanding in that it focuses on outcomes rather than processes.

The external auditors have awarded the Council a Use of Resources score of 3 out of 4 for 2008/9, which means the Council is judged to be managing its resources well and providing good value for money. This is a good achievement for the Council, particularly since it appears that at present only one London borough has achieved a 4. (in contrast to last year, when 8 councils in London achieved a 4 out of 4). Barnet is amongst 9 London councils with a 3 out of 4

The Council's score will be published on the Audit Commission's CAA website in December, alongside the score for Managing Performance which is also 3 out of 4, and combine to create an Organisational Assessment score of 3 out of 4.

The full Use of Resources report is appended to this report.

The Council's Audit Committee have a formal role in receiving the final Use of Resources report, and then monitoring the implementation of the agreed action plan through the rest of the financial year

9.2 Council's Response

Council has fed back to the external auditors on:

- Any changes required to the narrative or the action plan. Only one minor correction was requested.
- The management responses to each element of the action plan. These can be seen on pages 26 to 33 of the appended report.

Feedback has been coordinated through a corporate level steering group, chaired by the Assistant Chief Executive. This steering group will monitor progress with the action plan and prepare the council's evidence for the 2010 Use of Resources assessment.

The Use of Resources framework comprises three themes, each of which has three or four 'Key Lines of Enquiry'. In no area of the Use of Resources framework did Barnet achieve the maximum score of 4 out of 4, which suggests that there is room for improvement across the whole assessment area.

9.3 Use of Resources 2008/9 Scores

The Council's scores are presented in the table below, where Level 2 meets only minimum requirements – performs adequately, Level 3 exceeds minimum requirements – performs well, Level 4 significantly exceeds minimum requirements – performs excellently. Level 1 represents a failure to meet the minimum requirements.

Theme / KLOE		Score
Theme 1 - Managing finances		3
1.1	Financial planning	3
1.2	Understanding costs	2
1.3	Financial reporting	3
Theme 2 - Governing the business		3
2.1	Commissioning and procurement	2
2.2	Use of data	3*
2.3	Good governance	3
2.4	Internal control	2
Theme 3 - Other resources		2
3.1	Environmental management	2*
3.2	Asset management	2
3.3	Workforce management	N/A

* This indicates the KLOEs which have a dominant impact on the overall score

The highest priority improvement actions identified by Grant Thornton are:

- Embedding recent improvements in the control framework around treasury management and addressing the identified weaknesses in internal control generally;
- Reviewing the causes of slippage on the Capital programme and strengthening planning, procurement and management of the Capital programme;
- Improving the sign off process for the accounts;
- Articulating and quantifying the financial and non financial benefits from Future shape and core efficiency programmes;
- Developing an up to date procurement strategy;
- Demonstrating a clear understanding of carbon emissions and water consumption; and
- Implementation of the new Capital, Assets and Property strategy

These priorities have been reflected in the management responses to the action plan.

9.4 **Taking the action plan forward and next year's assessment**

Significant progress is already under way on many of the areas identified in the action plan. For example, the Council has commissioned several reviews of its treasury management strategy and operations, there is a clear improvement plan for internal control, a new approach is being developed for managing capital and other projects, Future Shape is being rolled out and integrated with financial planning, governance arrangements for the audit of accounts are being reviewed, there will shortly be a new strategy for procurement and commissioning under a new Commercial Director, a new asset management strategy is in development and the assets register will be linked to SAP.

External Audit have indicated that the timetable for next year's assessment will start earlier than this year's and begin in January, before the financial year has even completed. The assessment for 2009/10 will be based upon:

- identifying new outcomes for 2009/10 and evidence that outcomes from 2008/09 have been sustained;
- areas in which the Council feel that substantial improvements have been made to processes and procedures; and
- areas in which new audit risks have been identified

The steering group is working to bring together evidence for these areas and to implement the management responses in the action plan. Progress will be reported to subsequent meetings of the Audit Committee.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JW
Finance: MAM



Use of Resources 2008/09 - Findings and Conclusions

London Borough of Barnet

October 2009

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B	CAA and the new Use of Resources Framework
C	Scoring criteria and rules
D	KLOEs specified for assessment in 2008/09 and 2009/10

1 Key messages

1.1 Context

Under the Audit Commission's Code of Audit Practice, we are required to reach a conclusion on whether the London Borough of Barnet ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). This report presents the results of our value for money and use of resources work in 2008/09. We have separately issued our annual report to those charged with governance (ISA260). The key messages from both of these reports will be summarised in the annual audit letter.

We described in our Audit Plan (May 2008) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from these pieces of work:

- our assessment of the Council's Use of Resources (UoR), using the three themes within the Audit Commission's new assessment framework themes and Key Lines of Enquiry ('KLoE');
- specific work on locally identified audit risks, which contribute to our VFM conclusion by feeding into our UoR assessment scores; and
- risk-based spot check work to assess the quality of data underlying a small sample of key performance indicators.

In 2009, the Audit Commission introduced a new framework and methodology for Use of Resources (UoR) assessments across local government, police forces, fire authorities and primary care trusts. The new framework emphasises *outcomes* over *processes*, and brings new areas into the assessment, such as environmental and workforce management. The new assessment presents a more robust challenge than the old framework, based on different scoring criteria. It should be noted, therefore, that changes from prior year scores do not necessarily reflect a real change in performance. Further detail about the new framework and the link to Comprehensive Area Assessment (CAA) are set out in appendix B.

1.2 Key messages

The Council's UoR scores in the three themes are summarised in the table below. A score of 1 indicates inadequate performance, and a score of 4 indicates excellent performance. For a full explanation of scoring criteria, please see appendix C.

Table 1: UoR scores

Theme	2008/09 score
1 Managing finances	3
2 Governing the business	3
3 Managing resources	2

We have assessed the Council as performing well in the areas of managing finances and managing resources. The managing finances assessment reflects particular strengths in the areas of integrated financial and service planning, and financial reporting, with arrangements for understanding costs being assessed as adequate. We have assessed the Council as performing well overall in the good governance theme, based on good performance in the areas of "use of data", and "good governance". Commissioning and procurement and internal control have been assessed as adequate. The Council has adequate arrangements for managing natural resources and assets.

To support our conclusions in the good governance theme, we undertook spot-checks of four performance indicators, and found no significant data quality issues with these. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.

1.3 High-priority actions

Key recommended actions for the Council arising from our assessment include the following;

- The Council should look to embed recent improvements in the control framework around treasury management, through relevant training sessions for those elected members with responsibility for governance of the treasury management function.
- The Council should review the causes of slippage on the Capital expenditure programme for 2008/09 and consider the need to strengthen the planning, procurement and management arrangements for the Capital programme.
- The governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee.
- Ensure that the Council is able to clearly articulate and quantify the financial and non-financial benefits arising from all areas of the Future Shape and core efficiency programmes. Show that service review and analysis activity as part of this is leading to the targeted levels of improvement.
- The Council should clarify the impact of the developing Future Shape programme on commissioning and procurement arrangements, including development of an up-to-date procurement strategy, a clear approach to sustainable procurement and a clear articulation of expected outcomes from these.
- Show that the identified weaknesses in internal control have been successfully addressed, leading to a more rigorous processes of challenge and review leading to clear action. Key challenges include improving the coverage and strategy of internal audit, and improving the organisation's performance in responding to arising action plans. Members should also demonstrate more impact on risk management arrangements.
- Show that the Council has a clear understanding of carbon emissions and water consumption, and is proactively delivering reductions in both areas

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- Show that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes in these areas. Show that efforts to develop an integrated asset register have been successful. Clarify the impact of the developing future shape programme on asset management arrangements corporately and with partners.

In other areas the Council will retain and improve on current assessment scores by demonstrating sustained and new outcomes in 2009/10 - see section 2.5 for more detail. Further details of work to support our 2008/09 Use of Resources assessment are given in section two.

1.4 Next steps

We will continue to work with the Council during the year to help prepare for the 2009/10 Use of Resources assessment. For further details on next year's assessment, please see appendix D.

The recommendations arising from our review are set out in appendix A. We have issued recommendations only in areas currently assessed at level 2. We would like to take the opportunity to remind the Audit Committee of the need to monitor implementation of recommendations.

1.5 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 includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

1.6 Acknowledgements

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

2 Detailed findings

2.1 Introduction

In carrying out our audit work, we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether the London Borough of Barnet (the Council) has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources ('VFM conclusion'). The UoR assessment forms the backbone of this process. The UoR Key Lines of Enquiry (KLoEs) are prescribed by the Audit Commission and applied at all Councils, Police Forces, Fire Authorities and NHS PCTs. Approach to the audit

The assessment was carried out between April and August 2009. We reviewed the Council's arrangements against the KLOE framework prescribed by the Audit Commission. Our work was based on review of the Council's voluntary self-assessment and supporting evidence, and meetings with senior management and officers.

2.2 2008/09 UoR assessment

The 2008/09 KLOE and theme scores are shown in the table below;

Table 2: UoR theme and KLoE scores

Theme / KLOE		Score
Theme 1 - Managing finances		3
1.1	Financial planning	3
1.2	Understanding costs	2
1.3	Financial reporting	3
Theme 2 - Governing the business		3
2.1	Commissioning and procurement	2
2.2	Use of data	3*
2.3	Good governance	3
2.4	Internal control	2
Theme 3 - Other resources		2
3.1	Environmental management	2*
3.2	Asset management	2
3.3	Workforce management	N/A**

*Some KLOEs have an overriding impact on theme scores - see Appendix C for more details of scoring criteria and arrangements.

**Different KLOEs are specified for assessment each year and across types of organisation. See appendix D for details.

2.3 2008/09 VFM conclusion

Under the Code of Audit Practice (the Code), auditors have a responsibility to conclude whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness

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in its use of resources. This conclusion is the value for money (VFM) conclusion. Section 3 of the Code sets out the scope of these arrangements and the way in which auditors will undertake their work.

Auditors inform and limit their VFM conclusion by reference to relevant criteria. These criteria cover particular areas of audited bodies' arrangements, specified by the Commission under the Code. From 2008/09, the KLOE for the scored use of resources assessment also form the criteria for the VFM conclusion. The Commission will specify each year which of the use of resources KLOE will form the relevant criteria for the VFM conclusion at each type of audited body.

Auditors address a 'yes' or 'no' question for each criterion – that is the audited body either has proper arrangements or it does not. A 'no' judgement will be equivalent to level 1 performance for the use of resources assessment, and a 'yes' judgement will be equivalent to level 2 performance or above. Criteria with a 'no' judgement will automatically apply in the following year regardless of whether or not they are specified.

For bodies subject to a scored use of resources assessment for CAA, the KLOE forming the relevant criteria for the 2008/09 and 2009/10 VFM conclusion are those specified at Appendix D.

On the basis of the KLOE scores assessed in 2008/09 for the London Borough of Barnet, we issued an unqualified use of resources opinion.

2.4 Recommendations

The key findings in each of the KLOEs, and areas for improvement, are set out in the sections 4-6. Our recommendations focus on KLOEs that were assessed at levels 1 or 2, or weaker areas where an overall score of 3 was assessed based on our rounded judgement. In other areas, the Council will be able to achieve an improved assessment score through a combination of the following;

- demonstrating strong outcomes for the community and VFM improvements across the scope of the KLOE;
- showing innovation or recognised best practice;
- demonstrating effective partnership working leading to improved outcomes; and
- showing strong performance and value for money compared with others.

3 Identifying outcomes, outputs and achievements

3.1 Identifying outputs, outcomes and achievements

In order to score level 3 or above in the new UoR assessment framework, organisations were required to show that processes are *effective* and having the *intended impact*. This is an important shift in emphasis from the previous framework, within which organisations could achieve top scores largely by demonstrating excellent processes. The table below gives generalised examples of the types of outcome that have led to higher scores.

Table 4: Illustrative examples of outcomes, outputs and achievements by KLOE

NOTE - these examples are for illustration only and do not comprehensively cover each KLOE. Refer to section 2 for KLOE headings.

	Outcome	Output	Achievement
1.1	Investment in priorities leads to improved performance	Savings targets met, performance reward grant achieved	Positive external assessment
1.2	Improved relationship between costs and performance	Service reviews completed identifying opportunities	Development of effective corporate efficiency programme
1.3	Healthy financial position	Improved financial skills	Early close of accounts, clean audit
2.1	Improved service performance at lower cost	Completed commissioning / procurement exercises	Innovative approach to joint commissioning External recognition for procurement
2.2	Better-informed decisions and robust data to stakeholders	Improved internal performance reporting	Finding and fixing problems with own or partner data
2.3	Flexibility and responsiveness whilst maintaining focus	All members trained in ethical behaviour	Achieving a more balanced political process
2.4	Risks identified and mitigated, frauds recovered	Development and review of risk registers	Development of effective partnership risk framework
3.1	Reducing emissions and water consumption	Training of environmental champions	Enrolment in carbon reduction programme
3.2	Improving condition of assets	Income from disposal of unwanted assets	Better office accommodation
3.3	Meeting skills gaps, improving staff satisfaction	Reducing turnover and sickness absence	Investors in people accreditation

There are some common sense principles that should be taken into account when seeking to identify outcomes;

- organisations should not have to identify new outcomes for the purposes of UoR assessment. These should be identified and captured through existing management activity; organisations should understand how their processes help them to achieve their priorities;
- outcomes and outputs should be measurable where possible, but if this is not the case then a qualitative description of the improvement is still useful;
- there may not be a 1-to-1 relationship between processes and outcomes. There may be a small number of outcomes that arise as the net effect of a processes across a KLOE area; and
- Councils should discuss any issues of interpretation with their auditors before investing time and effort in self-evaluation, if this is the preferred approach.

3.2 Engagement in the assessment process

Barnet engaged effectively with the assessment process in 2008/09. Our early discussions with senior officers helped the Council to prepare a high-quality and focused self-assessment, and a comprehensive pack of supporting evidence. We undertook a series of awareness-raising workshops with groups of officers from across the Council. Our subsequent workshops on KLOEs 1.2, 2.1, 2.2, 3.1 and 3.2 were well attended and useful.

For the 2009/10 assessment, we anticipate a less time-intensive process. The assessment is likely to focus on the following areas in particular;

- identifying new outcomes for 2009/10 and evidence that outcomes from 2008/09 have been sustained;
- areas in which the Council feel that substantial improvements have been made to processes and procedures; and
- areas in which new audit risks have been identified.

3.3 Our approach to ensuring consistency

In line with the Audit Commission's move to Comprehensive Area Assessment, the new use of resources framework has been designed to provide more flexibility to recognise local issues, priorities and achievements. This has given auditors more freedom to establish the individual story of each organisation, rather than applying a rigid best practice template. To support this, both the Audit Commission and Grant Thornton have put in place new arrangements for ensuring that judgements and scores are reached in a fair and consistent way.

The Audit Commission has;

- provided extensive guidance and training;
- introduced an area-based challenge process bringing together auditors within each region to discuss and challenge indicative scores;
- increased the visibility of comparative scores and commentary for auditors; and

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- undertaken a detailed final quality assurance process including statistical analysis across suppliers, regions and types of organisation.

Grant Thornton has;

- provided internal training and guidance;
- developed a network of regional leads to oversee the audit process nationally;
- undertaken a number of internal consistency and challenge sessions, comparing our clients with each other and with their regional neighbours; and
- undertaken detailed review and quality control of scores and conclusions.

4 Managing Finances

Theme summary

We have assessed theme 1 at level 3. The Council's strong performance in the areas of financial planning and financial management counterbalances some still developing outcomes from the Council's work on understanding and managing costs. The Council has strong integrated financial and service planning, and responded effectively when the Icelandic banking crisis was recognised. The recent work undertaken on current Treasury Management arrangements was satisfactory. From a stable financial platform, strong outcomes are being delivered in key service areas, including educational attendance and attainment. The Council has good corporate arrangements for setting and controlling cost levels, and a number of initiatives aimed at improving understanding and management of costs. The real benefit of these has yet to be fully felt in most cases. The Council has a strong track record of delivering efficiencies. Financial reporting is good, with a high level of integration between presentation of financial, performance, risk and HR information. Reports to the public are of a high quality and include information on the Council's environmental impact. The 2008/09 audit of accounts proceeded smoothly, in line with previous years, although there is scope to improve governance arrangements for accounts closure and sign-off.

KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

1.1.1 - Integrated service and financial planning

The Council shows a good track record of financial planning, which is aligned to strategic plans and links successfully with service plans. The Medium Term Financial Strategy delivers the commitment to sub-inflation council tax increases, whilst achieving corporate plan objectives within balanced budgets.

1.1.2 - Engaging stakeholders in financial planning

The Council has a demonstrable track record of engaging with the local community and hard to reach groups. Equalities issues are assessed as standard in each report to Council committees. Examples of stakeholder engagement influencing actual financial decisions were provided (e.g. £300,000 efficiency from re-profiling of services in Children's Centres).

1.1.3 - Managing spending within resources

The Council has consistently managed spending within budgeted levels and the MTFs shows a sound financial base over the next 3 years. Delivery of the 2008/09 revenue budget was effectively managed and, despite some slippage on the capital budget, overall management of the annual spending has been satisfactory, with mitigating action taken where necessary by the Corporate Resources Committee.

1.1.4 - Financial skills and accountability

Lines of financial accountability are in place and there is a good track record of developing the financial skills of staff. This is re-enforced by job descriptions and the appraisal process, including non-finance staff. Directorate Heads of Finance are in place. Regular Training on financial issues is provided for Members and non-financial staff. Finance teams meet once a month to participate in “learning lunches” and these meetings are used to raise awareness of emerging financial issues.

Key outcomes delivered by the Council across all areas of this KLOE are;

- Planning to mitigate the effects of the recession has been effective. A set of recession indicators is being monitored quarterly in 2009/10 to assess impact. Savings of £10-£15m p.a. have been planned in the MTFs. The Council has built up reserves in the general fund over the past 3 years - £7m in 2008 and £1.4m in 2009 - bringing the available funds to £17.4m, in excess of the £15m minimum agreed by the cabinet. In addition to this, £15.6m of new earmarked reserves in 2008/09 have contributed to a total of £31.7m in place to deal with specific identified cost pressures.
- The Council has delivered £7.8m of planned efficiency savings in 2008/09, through the budget setting and monitoring process. Further budget reductions totalling £2.4m were made from Adult Social Services, Central Expenses and Environment & Transport. The total saving for the year was therefore £10.2m (3.5 % of net cost and ahead of the national target).
- The VFM profile compares well with neighbouring boroughs - with average to low costs and above average performance across the services. E.g, education spending (40% of budget) is average but key stage 3 achievement is upper quartile. Adult Social Services (10% of the budget), has increased by 25% over a five year period with corresponding performance improvements - in 2008/09, 75% of stretch performance targets were met in full.
- The 2009 Place Survey results show that the Council is in the upper quartile of user satisfaction for Cultural and Environmental services (accounting for 10% of the revenue budget), including street cleaning, waste and recycling. Other key services such as transport and leisure are at least comparable to other London boroughs. Overall resident satisfaction levels are upper quartile and there is a low reported perception of problems such as anti-social behaviour.
- The Council has responded strongly since the collapse of leading Icelandic Banks in 2007/08 and 95% of deposits are expected to be reclaimed. Recent audit work on treasury management indicated that a number of issues around internal control were in the process of being addressed, but key system risks have now been effectively mitigated. We do not consider that general issues around internal control (see KLoE 2.4) have impacted materially on financial management.

Recommendation 1 - Treasury Management Training for Members

The Council should look to embed recent improvements in the control framework around treasury management, through relevant training sessions for those elected members with responsibility for governance of the treasury management function.

Recommendation 2 - Capital Programme

The Council should review the causes of slippage on the Capital expenditure programme for 2008/09 and consider the need to strengthen the planning, procurement and management arrangements for the Capital programme.

KLOE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

The Council meets the basic requirements for understanding costs and using cost information in decision making, but is performing well in delivering efficiencies. In order to achieve level 3 overall, the Council will need to (a) show a systematic analysis of cost drivers across all relevant parts of the Council (b) show a broader understanding of the total resources available to significant partnerships, and this is likely to emerge through work on the "future shape" programme; (c) demonstrate that the cost / benefit analysis processes feeding into decision-making is rigorously and consistently applied, alongside an effective assessment of social and environmental impacts. At present the Council has only been able to demonstrate this for a selection of the most significant / high-risk initiatives.

1.2.1 - Understanding costs

The Council has a range of mechanisms for reviewing costs and exploring the links between costs and activity and performance. There are some corporate processes for reviewing costs across the range of services provided by the Council, such as cost centre profiles, which put budget information in the context of level and quality of service. There is a clear link between an understanding of costs and decision-making within social care and education, where national unit cost data are readily available, although the Council has not sought to systematically develop unit cost data in other areas. There is a consistent approach to investment appraisal and cost / benefit analysis for the capital programme, although this is less well defined for revenue expenditure. Whole life costing has been used to support specific projects, although it is not in mainstream use corporately. There are a number of examples of the Council working to improve its understanding of cost drivers and associated factors in specific areas such as residential care, accommodation, modernisation - with some VfM improvements in these areas. The Council has a clear view on levels of partnership resource commitment in key areas (e.g. the Children's Trust), but there is no overview of the total resource available to key partners.

1.2.2 - Supporting decision-making

Cost and performance information are systematically reviewed and challenged alongside each other through the Council's integrated finance and performance review process. Cost variances and budget pressures are monitored and feed into the financial planning process. Most spending decisions are accompanied by a business case, although the sections relating to option analysis, costs, benefits and impacts are completed with varying degrees of rigour. More detailed work is undertaken for larger or high-risk projects; for example an especially robust process of cost / benefit analysis has been developed to support the Primary School Capital Investment Programme, leading

to better informed commitment of resources in this area. A good understanding of operational costs in social care and housing is supporting VfM improvements in these areas.

1.2.3 - Achieving efficiency

The Council has a good track record of delivering efficiencies, with £89million total budget reductions from 2003/04 to 2009/10. In 2008/09 alone, Adult social care delivered £3million savings and Children's social care delivered £2million, both arising largely from service transformation and contracting efficiencies. The Council has ambitious plans for developing its efficiency programme further, set out in the "future shape" programme. The risk of non-achievement of targets is evaluated within the Council's MTFS, linked to scenario planning and analysis of likely demand. The Council is reporting NI179 efficiency gains of just under £7.3million in 2008/09, reflecting approximately 95% achievement of target. There was a further £2.39million budget reduction in the same year. Benchmarking shows that spend on services per head and local taxation are relatively low.

Recommendation 3 - demonstrating outcomes from efficiency and VfM programmes

Ensure that the Council is able to clearly articulate and quantify the financial and non-financial benefits arising from all areas of the Future Shape and core efficiency programmes. Show that service review and analysis activity as part of this is leading to the targeted levels of improvement.

Recommendation 4 - improving understanding of total resources available across key partnerships

Show that, through the future shape programme, the Council is working with other organisations to improve understanding of the total resources available to significant partnerships.

Recommendation 5 - Whole-life costing

Whole-life costing techniques are in use in some areas, but the Council should develop and apply clear criteria and procedures for more mainstream use, both for significant policy decisions and within the corporate project management framework

KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

1.3.1 - Financial monitoring

The Council produces relevant, timely and reliable financial monitoring and forecasting information to a good standard. Internal Audit review and test financial systems to ensure information processes are adequate, as part of their cyclical programme.

1.3.2 - Good information

The Council has an effective system for producing and reporting financial and performance information. Information can be accessed real time by designated users via the intranet. Reports can be customised providing budget holders with flexibility. Comprehensive monitoring information is

presented monthly to Cabinet Resources Committee (CRC). Reports to CRC are clearly written with avoidance of jargon to promote public accessibility. Annual performance reports to CRC incorporate financial and PI performance information to inform future planning decisions.

1.3.3 - Accounts that present fairly

The 2007/08 draft accounts submitted for audit required adjustments and included some unadjusted amounts in relation to the STRGL, although these were not material to the opinion. The working papers submitted for audit in 2008/09 were of a good standard, were available electronically and were linked to the accounts. The Council's 2008/09 accounts were prepared in accordance with the SORP and in accordance with their own and statutory timetable. The timetable for the UoR assessment process required us to base our judgements on past experience (i.e. 2007/08) as well as the process up to the midpoint of the 2008/09 audit fieldwork. Although the remainder of the 2008/09 audit process was generally good, in line with previous years, we noted that the governance arrangements for the completion and sign off of the 2008/09 accounts audit demonstrated some points for development, specifically in regard to role of the Audit Committee and the Pensions Committee. We found that the Audit Committee date was subject to a late amendment which put it back to the 29th September, one day before the statutory deadline. Furthermore, the agenda for the meeting did not give priority to the audit reporting and accounts sign off. In addition, the agenda of the Pension Committee did not reflect the need for the results of the pensions audit to be included as a standing item, and therefore the pension audit report was circulated and approved by members outside of the formal meeting.

A level 3 assessment is appropriate overall given generally good arrangements in this area, but we consider that the governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee. The Council will need to demonstrate that it has addressed these issues in order to support a level 3 assessment in 2009/10.

1.3.4 - Information to the public

The Council has a good track record of publishing comprehensive information on its website and through other media. The 2007/08 Annual report was also published on line and includes some of the examples of community feedback and what was done by the Council in response. The Council has recognised the public's difficulty in understanding its annual accounts and publishes them in summary form, including easy to follow graphical representations. Environmental, Diversity and social impacts are addressed under the risks section of all reports put to committee.

Key outcomes delivered by the Council across all areas of this KLOE include the following;

- The Council delivered a General Fund surplus of £1.6m in 2008/09 and £7m in 2007/08. The 2008/09 surplus includes £7.8m of planned efficiency savings in delivered through the budget setting and monitoring process. High quality management information has contributed to this, by providing opportunity for member action to remedy shortfalls in the plan. Further budget reductions totalling £2.4m were made from Adult Social Services, Central Expenses and Environment & Transport. Total saving for the year was £10.2m (3.5 % of net cost ahead of the national target). In addition to this, £15.6m of new earmarked reserves in 2008/09 have contributed to a total of £31.7m in place to deal with specific identified cost pressures.

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- The Council demonstrates good evidence of Member intervention as a result of information provided to governing committees. A good example is the internal investigation that resulted from the Iceland Banks issue, where members took immediate action to mitigate the associated risks.
- The Council has a good track record of delivering high quality accounts and, in 2007/08, there were no significant material errors reported. The 2008/09 accounts process was well managed overall, with accounts again submitted by the deadline and a comprehensive set of working papers provided on the first day of the audit. The accounts were presented to the Audit Committee prior to approval, with a good level of supporting information, including a list of answers to common queries, reflecting best practice. There is some scope for improvement in governance arrangements and accounts sign-off processes, as detailed above.
- The Council publishes high quality information for residents on its website. An annual financial and performance report has been produced for a number of years, which summarises the Council's service and financial performance in a clear and user friendly format. This was a result of a review process in prior years which addressed of how information could be better presented to the layman. The website is clearly arranged to user needs and provides immediate access to Council meeting papers.

Recommendation 6 - Governance Arrangements for the Audit of Accounts

The governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee.

5 Governing the business

Theme summary

The Council has achieved a 3 for this theme, but by a relatively narrow margin. Use of data, and arrangements for data quality are a key strength. Over recent years, the Council has become increasingly data-driven and intelligence-led, and effectively links performance measurement to corporate priorities. There is a track record for finding and fixing data quality issues, which is now being extended to partnership data. Governance arrangements are also strong, as the Council has demonstrated a flexible and responsive constitution, a healthy political interface and good leadership at officer and member level. There are examples of members proving effective leadership and upholding standards of ethical behaviour. The Council also has a good grip on partnership governance. Commissioning and procurement has currently been assessed at level 2, reflecting scope to develop improved strategic frameworks in both areas. The Council's future shape programme is expected to have a significant impact here. The Council has also had a number of control issues in recent months which, although not of a fundamental nature, have held its performance to a 2 in the area of internal control. The Council has begun to respond to these issues and progress will be reviewed in the 2009/10 assessment.

KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

Barnet meets basic requirements in all areas of this KLOE and exceeds them in respect of (i) involving stakeholders and (ii) modernisation through use of IT. In order to meet level 3, the Council will need to (a) provide a clearer view on the impact of existing joint commissioning and 3rd sector commissioning approaches (b) show that there is an identifiable corporate approach to commissioning, or at least a clear understanding of all significant areas of commissioning activity and the link to corporate / shared priorities (c) show that the corporate procurement team is helping services to deliver VfM improvements, working to an up-to-date procurement strategy and (d) demonstrate clear outcomes from service reviews in previous years. Some of these may emerge from the developing future shape programme.

Clear vision

Barnet has a clear approach to commissioning within some services, which follow local approaches based on a range of commissioning strategies, rooted in the community strategy. There is no distinct corporate approach to commissioning, although the future shape programme will address this. A range of needs assessments have been undertaken i.e. joint strategic needs assessment (focusing on health), crime and disorder strategic assessment, children and young people's needs assessment, and housing needs assessment.

The Joint health commissioning framework, shared between the Council and the PCT, provides an umbrella to a range of specific health commissioning strategies. These are underpinned by the Borough Health Profile and the Joint Strategic Needs Assessment, completed in late 2008. The Children's & Young People's Plan fleshes out the aims set out in the sustainable community strategy, and sets out joint commissioning intentions. A third sector commissioning framework is in place,

which aims to provide clear interface between the Council and VCS, aligning commissioned activity to corporate objectives. The Council has given a number of further examples of how suppliers and stakeholders are involved in the commissioning process.

Service redesign and modernisation

The Council developed a customer access strategy in 2007 and has begun implementation of this. Key outputs to date include corporate implementation of a CRM system and the opening of a new customer access centre at Burnt Oak. Housing are about to embark upon a LEAN systems review. Adult Social Services and Children & Young People have undergone extensive transformation in 2008/09, focusing on rationalisation of front-office, leading to approx £5million savings in the 2009/10 budget.

Understanding the supply market

The procurement strategy dates from 2006/07, with an update under development. This has been delayed, whilst the impact of the future shape programme is assessed. The corporate procurement team is at full capacity for the first time in a number of years, and there is a sense that the team is well positioned to make progress in this area. The procurement team is just starting to work on detailed spending category analysis, and will feed back to managers with guidance and advice on improvements. There is a 3rd sector commissioning framework helping to align activity to corporate and shared priorities. Barnet Voluntary Services Council has helped to build capacity and support the voluntary sector in accessing opportunities.

Option appraisal

The procurement code of practice sets out a Gateway review process. The capital appraisal process mandates an option appraisal, but this is completed with varying degrees of rigour. There are a range of collaborative procurement approaches, including stationery, nuisance vehicles and a master vendor agreement with Hayes for temporary and agency staff. Children's services undertook joint procurement with Enfield, Haringey and Waltham Forest for a client caseload management system. Construction projects are subject to an approved list of vendors. The Council has undertaken some awareness-raising around sustainable procurement, but does not have a finalised sustainable procurement strategy.

Recommendation 7 - Commissioning and procurement

The Council should clarify the impact of the developing Future Shape programme on commissioning and procurement arrangements, including development of an up-to-date procurement strategy, a clear approach to sustainable procurement and outcomes from these.

KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

The Council has effective arrangements for data quality, and uses information in a focused way to measure its progress. Strengths in this area are partially offset by apparent weaknesses in arrangements for ensuring data security and compliance with data protection act and freedom of information acts. Our judgement is that level 3 is appropriate, but the Council will need to ensure that its current efforts to develop an integrated corporate approach to data security are effective.

2.2.1 - Relevant and reliable data

The Council's data quality policy and strategy was refreshed and re-launched in early 2009 at a staff workshop, which we attended. Reviews of performance data by the corporate performance team and internal audit did not identify any significant data quality weaknesses in 2008/09. There is a well-established process for collecting, recording, analysing and reporting corporate performance data through the corporate performance framework, which relies on shared and interlinked excel spreadsheets. There have been incremental improvements to the design, presentation and efficiency of this process over recent years. Each corporate performance indicator has a nominated owner. All corporate performance indicators which rely on data from a 3rd party are clearly identified, and there is a relationship manager in place for each indicator - for example a joint health analyst acts as the link point for data shared with the PCT. Data sharing protocols are in place for key partnerships e.g. the LSP and CYP board, and data quality is emphasised in the Council's partnership toolkit. Examples show that this approach to assuring quality of partnership data has worked in practice with, for example, weaknesses in health performance data being identified by the Council and addressed by the PCT. The Council has taken steps to address historical weaknesses in the quality of data shared with its housing ALMO.

2.2.2 - Data to support decision-making

The quality and presentation of performance reports has improved over recent years, with reports on an exception basis and supporting analysis and commentary provided. The format for 2009/10 reports was consulted on at the workshop in February 2009, and internal performance staff and partners were given an opportunity to comment on the presentation and design of these. The Council has a business intelligence team, which sits within the "strategic hub". There are numerous examples of work undertaken within this team, and in conjunction with the GIS team, of detailed analysis feeding into strategy development, commissioning, service delivery, and business planning, leading to better informed decisions. Examples include helping to assess best locations for primary school based on population projections, and spatial analysis of complaints and customer data to support service improvement.

2.2.3 - Data security and compliance

Overall arrangements for data security are adequate, although a recent internal audit investigation found weaknesses in arrangements to ensure compliance with the Data Protection Act. The Council addressed these in the first quarter of 2009, and work continues with the aim of developing an integrated corporate approach to data security and compliance. Developing practice in this area is counterbalanced by strengths across other areas of this KLOE.

Recommendation 8 - Data protection act

Show that the Council has implemented effective arrangements for ensuring compliance with the requirements of the Data Protection Act.

2.2.4 - Monitoring performance against priorities

The Council operates a range of cyclical review mechanisms, focusing on cost and performance data. All monitoring takes place in the context of corporate objectives, and linkages are set out clearly in reports. First Stat meetings draw a range of stakeholders together to focus on performance against specific priorities. The alignment of performance indicators to objectives, specification of

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targets and resource limits are clearly set out in the corporate plan and supporting service plans. The LSP uses the same First Stat approach as the Council.

Data quality spot-check and housing benefits data quality results

To support our judgements for KLOE 2.2, we undertook detailed spot-checks of a number of the Council's key performance indicators. Where we identified significant concerns around the quality of the underlying data which would be likely to lead to a material misstatement, we have reported findings to the Audit Commission. Our summary findings are set out in the table below;

Table 5 - data quality spot-check results

Performance Indicator	Significant concerns?
<p>NI 62 - Stability of placements for looked-after children: number of moves.</p> <p>NI 66 - Looked after children cases which were reviewed within required timescales.</p> <p>NI 67 - Child Protection Cases which were reviewed within the required timescales.</p>	NO
Summary of findings	
<p>Overall, the data reported does comply with the Audit Commission's data quality criteria of accuracy, validity, reliability, timeliness, relevance and completeness. The quality of the data is a function of both the ability of the ICS system to ensure data is captured correctly but also of the checks and balances undertaken by staff to ensure that the data is robust and reported on an accurate and timely basis. The efficiency of the gathering and reporting of data for this indicator could be enhanced by reducing reliance on these double-checking measures. This may happen as the system is developed further and users of the system (particularly Social Workers) gain more confidence in it.</p>	

Performance Indicator	Significant concerns?
NI 185 - Carbon emissions from Council operations.	NO
Summary of findings	
<p>Our overall judgement is that the Council has done an adequate job of calculating this indicator with the resources and data at their disposal. In order to reduce the likelihood of error, there should be; - less reliance on manual entrance/calculation - a more robust approach to identifying relevant external contractors and securing data from them - a more robust approach to securing data from schools</p>	

In reaching conclusions for KLOE 2.2, we also considered the results of the data quality aspects of our work on housing benefits. From our work carried out on HB COUNT, we have not identified any issues that would have a material impact on scores for KLOE 2.2.

KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?

The Council has effective arrangements across all areas of this KLOE.

2.3.1 - Good governance

The Council's constitution is reviewed annually by a dedicated committee. There is evidence to show that this review process leads to more balanced and transparent governance, demonstrated by flexibility around speaking rights for trade unions, and a rebalancing of the roles of the general functions committee and the joint chairs committee. There is good visibility of member and officer leadership, with regular internal communication and innovative use of social media. The Chief Executive has undertaken a series of "ward walks", accompanied by operational officers. Members have taken an effective community leadership role in response to high-profile issues, for example to minimise fallout within local communities from the Israel / Gaza conflict.

There are also several examples of members taking a proactive role in upholding standards of good governance, including;

- addressing fallout from the Icelandic banking crisis; and
- completing a review of the role and function of overview and scrutiny.

Effective arrangements are in place for training and development of senior officers and members. Members have a dedicated training calendar, and are encouraged to evaluate the courses they attend. New members undergo an induction process, and are provided with a comprehensive information pack. The new Chief Executive is working to further improve the effectiveness of leadership at officer level.

2.3.2 - Focus on purpose and vision

A clear vision is set out in sustainable community strategy and corporate plan. The council has a long-term track record of transformation and change, which are indicative of a focus on purpose and vision e.g. Modernising Core Systems, Modernising Ways of Working, Future Shape. There is a trend of improved performance outcomes in key areas over recent years, evidenced by good levels of attainment for most services in the final CPA assessment, and a positive "direction of travel" assessment.

2.3.3 - Ethical behaviour

The Council has an active Standards Committee, which reviews its work plan annually. This has recently been refreshed with 5 new members, for whom training has been provided. The Committee provides an annual report to full Council, which summarises any breaches of the codes of conduct. The Monitoring officer undertakes 2-yearly reviews of ethical governance, with some improvements evident between 2006 and 2008. A statutory code of conduct for members has been adopted and is reflected in the constitution, and a code of conduct for officers is incorporated into the terms and conditions of employment. Members' allowances are set by an independent Remuneration Committee, and the results are published.

2.3.4 - Governance for partnerships

Partnership governance is included in the Council constitution of 2008. The LSP adopted a new governance framework in 2008, as did three partnership boards. Through a detailed partnership mapping exercise, the Council has confirmed that all of its partnerships were either covered by contractual arrangements, or were part of the LSP family of partnerships and therefore subject to the governance arrangements approved by Cabinet in 2008. The exercise also highlighted a small number of areas where partnerships were in the form of significant contracts, which needed strengthened arrangements, particularly in the field of Leisure, and action is now being taken. There are good links with the voluntary and community sector through Barnet Voluntary Services Council. The Council has seen some key successes through its work with partnerships; e.g. good links with further and higher education, generally good local satisfaction, and high educational attainment.

KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control?

The Council meets most basic requirements for risk management and internal control, although improvement is needed in some areas. The work of the corporate anti-fraud team is leading to positive outcomes. In order to meet level 3, the Council will need to; (a) demonstrate member ownership of and involvement with risk management, and that the audit committee provides an appropriate level of challenge (b) show that partnerships have put in place effective risk management arrangements leading to improved outcomes. (c) show that the Council's positive action in response to weaknesses in internal control has been successful, and that Internal Audit's strategy and coverage has been improved.

2.4.1 - Risk management

Solid risk management processes and procedures are in place, but the role of members and specifically the impact of the Audit Committee in relation to risk management is not clear. The risk management strategy was developed in 2007, and this is reviewed and updated annually. Service risk registers are held locally and are linked to service plans. These are reviewed at least quarterly by departmental management, and through the finance and performance review process. The Corporate risk register is held by corporate risk management team, and is aggregated from service risk assessments. It is reviewed by corporate directors group and refreshed on a quarterly basis. All risks are set in the context of corporate priorities, assigned a corporate owner, and assessed in the context of likelihood and impact. The Council has provided two examples of significant risks identified, the mitigating actions taken, and improved outcomes achieved as a result. All committee reports include a section on risk.

Risk management training was undertaken council-wide in 2007, with some top-up training since. A new web-based system for risk management is in the process of being implemented, and there will be a further round of training linked to this. There is a risk management forum for practitioners across the Council. The corporate approach to risk management gives assurance over change risks, linked to major corporate initiatives. There are well-established approaches to project and programme management, led centrally by the project support team and capital and assets group. Risk identification and management is embedded as a part of this. There is an established "managing change" approach that covers the HR aspects of transformation, and a corporate organisational development and change team. A programme board is set up for the future shape programme, and risk assessments have been undertaken of this. LSP and partnership management boards have developed their own risk registers, and these are reviewed annually, although the Council has not shown the impact that this is having in practice.

2.4.2 - Anti-fraud and corruption

The Council's corporate anti-fraud team (CAFT) can demonstrate good outcomes in 2008/09, including recovery and repayment of significant amounts of money erroneously paid out in benefits or obtained by fraud. There were 28 successful prosecutions in relation to benefit fraud, and five members of staff were dismissed following internal fraud investigations. The service has been involved in high-profile work to prosecute residents who misuse "blue badges" for parking leading to six arrests and the seizure of over 50 blue badges. The service also puts effort into proactive work, internal communication, and publication of successes in the local and national press.

2.4.3 - System of internal control

Our overall view is that the Council's arrangements for internal control are adequate. However, weaknesses have been identified leading to the Council commissioning a third-party review of internal control reported in July 2009. This raised concerns in some areas, especially in relation to the corporate control culture and role and function of internal audit. Additionally, there has been a significant specific weakness in the application of the Treasury Management Strategy and supporting procedures. The Council has begun to respond proactively to these issues, although they were not fully resolved within the assessment period. Key challenges also include improving the coverage and strategy of internal audit, and improving the organisation's performance in responding to arising action plans.

Recommendation 9 - Addressing weaknesses in internal control

Show that the identified weaknesses in internal control have been successfully addressed, leading to more rigorous culture of challenge and review, leading to clear corrective action. Key challenges include;

- improving the coverage and strategy of internal audit;
- improving the organisation's performance in responding to and following up on action plans arising from internal audit activity; and
- demonstrating improved member and audit committee involvement and impact in the strategic management of risks.

6 Other resources

Theme summary

The Council has adequate arrangements in place for environmental and asset management, but significant outcomes are still developing in both cases. The Council has established a baseline position for carbon emissions, and should now be able to demonstrate the impact of its energy saving and related initiatives. The Council has also had some clearly visible successes in improving its office accommodation, and the new capital, assets and property strategy sets out a roadmap for improving asset management in a broader sense. This, alongside the future shape programme, leaves Barnet well placed to demonstrate positive outcomes and increase its score in next year's assessment.

KLOE 3.1 - Is the organisation making effective use of natural resources?

Measurement and quantification

Systems for understanding and measuring consumption of natural resources are adequate overall, but are at different stages of development. There is a generally good understanding of carbon emissions arising from corporate operations and the figure for NI185 is expressed with a reasonable margin for error. Good energy consumption information is available for the largest office buildings, and the quality of data from smaller sites is improving.

The Council is working with the Energy Saving Trust to develop a carbon emissions reduction plan, and is developing a clear baseline against which to target reductions. Energy audits of the Council's four main offices have been undertaken to support this. The Council does not have a clear overview of consumption of water across its sites, although there has been some work with individual schools focusing on this area.

Office recycling schemes have been in place for some time, but the Council has not found it easy to obtain accurate information about the impact of these. There has been some success in reducing consumption of printer paper and toner. Regarding biodiversity and green spaces, the Council has a Green Spaces Operational Plan, which sets out its approach to managing and promoting biodiversity, and collaborates with the London Wildlife Trust in this area. The Council has eight green-flagged parks, each with its own management plan which addresses biodiversity. The Council works actively with "friends of" groups for parks.

Sustainable procurement

The Council recognises the importance of developing a formal approach to sustainable procurement, but has not achieved this yet. In practice, there are some examples of sustainability principles being followed; for example the new recycling contract which was specified to require the contractor to monitor their own environmental performance and report monthly. However, six months into the new contract, it is not clear that any monitoring information has yet been provided.

Accommodation

The Council has a long-term approach to consolidating office accommodation and encouraging flexible working, making these improvements with funding delivered by disposal of unwanted assets. Qualitatively, it is clear that this should have a positive impact on resulting emissions, but it is not clear that this has formed part of the cost / benefit analysis undertaken to support the accommodation strategy. The Council's new Capital, Asset and Property Strategy (CAPS) sets out a programme of work to improve the energy efficiency of the main offices, supported by an "energy bank" invest-to-save funding pool. Defunct office furniture is passed to a contractor who breaks it down into constituent parts and recycles it where possible.

Partnership working

Structures for partnership working on environmental issues are in place, but it is not yet clear that partners have worked together to add value in this area. The LSP includes an environmental forum as an offshoot of the executive, and "green events" have been undertaken for LSP partners. The Council has put in place an "environmental charter" programme for small and medium-enterprises, encouraging them to seek Council-awarded accreditation for their environmental performance. The Council has also been active in promoting green issues within the Civic Network. Internally, the Council has a voluntary network of officers comprising the staff "Green Forum". This group has undertaken some awareness-raising activity, and influenced the decision to provide recyclable packaging within staff canteen areas.

Recommendation 10 - reducing carbon emissions and water consumption

This area encompasses a wide range of activity, but there are two key areas in which the Council will need to demonstrate outcomes in order to improve its current assessment score;

- show a clear understanding of carbon emissions across the full range of Council services, and a year-on-year reduction to emissions quantifiable by volume and cost saving.
- show effective measurement of water consumption across all Council assets, and year-on-year reductions of consumption.

Within both areas, as well as providing a clear overview it will be useful to link specific initiatives to measurable reductions in the targeted area, for example the impact of installing low-carbon technology in a particular building.

KLOE 3.2 - Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

3.2.1 - Strategic approach

The Council's Capital, asset and property management strategy was finalised in late 2008. This replaces previous asset management plan from 2005. The document sets out management of capital, assets and property as a business process to support achievement of corporate objectives. The strategy is a step forward from its predecessor in that it seeks to develop a corporate overview across the full range of Council assets, but remains largely inward-looking. There is an asset management work stream within the Council's future shape programme which, it is anticipated, will build on the Council's approach to asset management in partnership. Property and asset management sit within the resources directorate, and services hold assets in "stewardship". Housing assets are governed by

the HRA business plan 2004. The decent homes programme is nearing completion, and the Council (with Barnet Homes) is planning for next steps.

3.2.2 - Performance management

Work to implement the CAPS strategy is gathering pace at the moment, with a key initial task being to aggregate all property information from the current separate sources into a single database. The corporate property team is currently looking at system options for this. This will be a significant challenge which will require a change to the perceptions around asset ownership and responsibility. A project officer has been appointed to deliver this, and the estimated contract value for a new system is £150k. Asset data is currently distributed across a range of locations and systems, with variable visibility and usability. Management of office accommodation is robust, as SAP provides clear visibility of spending data. The Council's Primary Schools Investment Programme (PSCIP) is based on a robust dataset derived from comprehensive surveying and analysis at the outset. Governance arrangements for the programme are good. There is an ongoing library refurbishment programme. There appears to have been limited member involvement in development of asset management policy, as the CAPS was largely officer-led. However, there is an ongoing challenge role with the lead cabinet member for policy and resources focusing on this area. A clear approach to capital investment appraisal is set out in the CAPS strategy.

3.2.3 - Asset management in partnership

The Council has a long-term strategic partnership with Middlesex University, which has led to asset rationalisation and exchange between the two organisations, to mutual benefit. There are a range of other Council assets being made available for mixed use with LSP partners and the voluntary and community sector. A key focus on the schools programmes is ensuring extended use of schools for local community benefit. At this stage, the Council has not transferred any assets to community ownership, and is looking for effective models to support this.

Recommendation 11 - Asset management

Show that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes in these areas. Clarify the impact of the developing future shape programme on asset management arrangements corporately and with partners

Recommendation 12 - Developing an integrated asset register

Show that the new Council has been successful in developing an integrated Asset Register, consolidating the existing separate databases for each portfolio, and is improving management and oversight of the asset base as a result.

Appendix

A Action plan

No.	Recommendation	Priority	Corporate Directors Group owner	Implementation details
1	<p>Treasury Management Training for Members</p> <p>The Council should look to embed recent improvements in the control framework around treasury management, through relevant training sessions for those elected members with responsibility for governance of the treasury management function.</p>	Medium	Deputy Chief Executive (S151)	<p>From May 2009 the council responded promptly to issues arising from the Icelandic banking crisis by undertaking initially an external review of the control framework then an external assessment of compliance with the treasury management strategy. Internal audit have then carried out a short review. As a result the Treasury Management strategy has been revised, counter party limits tightened and an action plan to address weaknesses in the control framework has been produced. Training is being directed at Cabinet members with responsibility for governance of the treasury management function, and the impact of this training will be evaluated.</p>
2	<p>Capital Programme</p> <p>The Council should review the causes of slippage on the Capital expenditure programme for 2008/09 and consider the need to strengthen the planning, procurement and management arrangements for the Capital programme.</p>	High	Commercial Director & Deputy Chief Executive (S151)	<p>The capital programme is currently being reviewed by Strategic Finance to understand the causes of slippage. As part of this review, account will be taken of the need to link capital spend with funding and also effective cash flow management. Medium term capital planning and forecasting will be introduced as part of this with a view to linking future funding options and limitations.</p> <p>Project management arrangements have been tightened with greater clarity on project lifecycle management & governance. Project Consultancy has enhanced the</p>

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No.	Recommendation	Priority	Corporate Directors Group owner	Implementation details
				<p>project management guidance including the intranet self help pages and support to departments and the creation of the Investment Appraisals Board. The IAB has a representative from Finance who challenges capital proposals and requires business cases at various stages of the lifecycle to be presented with detailed financial implications and options.</p> <p>The council will shortly be putting in place a new procurement strategy and is reviewing the corporate delivery model for procurement to strengthen the buying process. The SAP optimisation project is also reviewing the procurement processes and systems to enhance the management of corporate buying and to enhance management information.</p>
3	<p>Demonstrating outcomes from VfM and efficiency programmes</p> <p>Ensure that the Council is able to clearly articulate and quantify the financial and non-financial benefits arising from all areas of the Future Shape and core efficiency programmes. Show that service review and analysis activity as part of this is leading to the targeted levels of improvement.</p>	High	Deputy Chief Executive (S151), Director of Corporate Services & Assistant Chief Executive	<p>The council has been restructured to create a new Deputy Chief Executive post who will lead the value for money workstream of the Future Shape implementation programme. Three Directors covering Finance, Corporate Services and Commercial Services will work together on driving forward value for money projects, as part of core business. Finance is supporting departments to identify the financial benefits and efficiencies from the Future Shape programme. Financial benefits will be evident through the budget setting process, whilst non-financial benefits will be illustrated through corporate and national performance measures.</p>

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4	<p>Improving understanding of total resources available across key partnerships</p> <p>Show that, through the future shape programme, the Council is working with other organisations to improve understanding of the total resources available to significant partnerships.</p>		Director of Corporate Services & Assistant Chief Executive	<p>The Future Shape programme aims to develop a one public sector approach for the borough of Barnet, which involves the local strategic partners coming together on all areas where it is efficient and effective for them to do so. The most immediate proposals are that the LSP explores the potential for, and works towards setting up:</p> <ul style="list-style-type: none"> o a common 'strategic insight' function (by April 2011) to share our understanding and analysis of information about our residents, their experiences and the place they live in. It is expected that a common commissioning function will also be explored. o a single customer service organisation for the Barnet public sector by the end of 2011 o Shared services for some property and back office support services by June 2011 o a range of prototypes, involving the development of new ways of solving our hardest challenges (eg. Supporting the disadvantaged) through more effective use of our combined resources. All these projects will require identification of the shared resources available and how they can best be used. <p>A new LSP governance structure should be implemented by April 2010 and a refresh of the Sustainable Community Strategy for 2011-21 will take place by October 2010, which will also involve an</p>

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				appraisal of partnership resources.
5	<p>Whole-life costing</p> <p>Whole-life costing techniques are in use in some areas, but the Council should develop clear criteria and procedures for more mainstream use within the corporate project management framework and demonstrate that these are consistently applied.</p>	Low	Director of Commercial Services	The importance of realistic financial planning and analysis as part of compiling both outline and main business cases is stressed as part of the project management guidance. The importance of seeking appropriate financial advice, of considering both capital and ongoing revenue costs and the realisation of benefits is also emphasised. A clear demonstration that the project manager understands the holistic impact of their project, including whole life cost implications, is part of the business case assessment. Investment Appraisals board also considers this as part of the appraisal of the financial viability of key projects.
6	<p>Governance arrangements for the Audit of Accounts</p> <p>The governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee.</p>	High	Deputy Chief Executive (S151) & Director of Corporate Governance	The arrangements for next year's Audit Committee are being revised to enable sufficient time to be allocated for sign off of the accounts. The timetable for the close of accounts process is also being reviewed to ensure that, for example, accounting periods are closed off within two weeks to speed up the production of the draft balance sheet and statement of accounts.
7	<p>Commissioning and procurement</p> <p>The Council should clarify the impact of the developing Future Shape programme on</p>	Medium	Director of Commercial Services	A new strategy for procurement and commissioning is being developed. It is essential that this is future proofed and enables the clarity and control but also the flexibility

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	<p>commissioning and procurement arrangements, including development of an up-to-date procurement strategy, a clear approach to sustainable procurement and outcomes from these.</p>			<p>required to deliver the Future Shape programme. The new strategy will also emphasise the importance of understanding and controlling corporate procurement across the piece, focusing on compliance with corporate processes and optimisation of our procurement opportunities by analysing and effectively managing our category spends. There are some specific good examples in key projects as well as the integration into the contract procedure rules as part of the ongoing review process. Work has been undertaken to further integrate sustainable procurement into our procurement processes and strategies and we have engaged with London Remade in embedding sustainable procurement into core processes.</p>
8	<p>Data protection act</p> <p>Show that the Council has implemented effective arrangements for ensuring compliance with the requirements of the Data Protection Act.</p>	Medium	Director of Corporate Governance	<p>Directors have approved the creation of a small corporate team to lead on, promote and strengthen Data Protection across the Council. Their work will be supported by a network of service-based Link Officers who will drive forward improvement at a local level. Data Protection is currently the subject of an internal audit process, and the Information Commissioner's Office will shortly be undertaking an external audit and working with us on our priorities going forward. A new Data Protection Policy and Staff Guide are in draft form and compliance work is underway. A paper detailing Directors will be updated on progress on Data Protection in December 2009.</p>

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9	<p>Addressing weaknesses in internal control</p> <p>Show that the identified weaknesses in internal control have been successfully addressed, leading to more rigorous culture of challenge and review, leading to clear corrective action. Key challenges include;</p> <ul style="list-style-type: none"> • improving the coverage and strategy of internal audit; • improving the organisation's performance in responding to and following up on action plans arising from internal audit activity; and • demonstrating improved member and Audit Committee involvement and impact in the strategic management of risks. 	High	Deputy Chief Executive (S151) & Director of Corporate Governance	<p>An internal control improvement action plan has been developed (based upon the recommendations of specially commissioned external consultants) and an interim Head of Compliance and an interim Head of Internal Audit has been appointed to drive forward support the implementation of the plan. Progress against the plan is being tracked by the Statutory Officers Meeting on a monthly basis. A new Internal Audit Strategy is being formulated and will be reported to the Audit Committee in December 2009. The interim Head of Internal Audit is in the process of undertaking a significant review of the plan for internal audit activity in 2010 & 11 to ensure that it better reflects corporate plan objectives. A corporate restructure at senior officer level in October 2009 has re-designated the Head of Audit post as Chief Internal Auditor and Deputy Director of Corporate Governance to signify the importance of the role and the activity within the organisation. Ongoing training and development of the Audit Committee Members has been a regular feature at meetings over the past 18 months.</p>
10	<p>Reducing carbon emissions and water consumption</p> <p>This area encompasses a wide range of activity, but there are two key areas in which the Council will need to demonstrate outcomes in order to</p>	Medium	Director of Environment and Operations	<p>In February or March 2010 the Council plans to hold an "Environment and Sustainability Month" with activities specifically designed to raise awareness of environment and sustainability issues across the council through targeted staff briefings and recycling events.</p> <p>As part of 'enviro month' the Council is developing</p>

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	<p>improve its current assessment score;</p> <ul style="list-style-type: none"> • show a clear understanding of carbon emissions across the full range of Council services, and a year-on-year reduction to emissions quantifiable by volume and cost saving. • show effective measurement of water consumption across all Council assets, and year-on-year reductions of consumption. <p>Within both areas, as well as providing a clear overview it will be useful to link specific initiatives to measurable reductions in the targeted area, for example the impact of installing low-carbon technology in a particular building.</p>			<p>proposals to launch a borough-wide, visual ‘enviro’ campaign to raise awareness of environment and sustainability issues amongst residents.</p> <p>A longer term approach to sustainability was set out in a paper “A New Sustainable Model For Barnet Council” and considered by Directors Group on 17 November 2009. It recommending the following actions:</p> <ul style="list-style-type: none"> o AMR (Automated Meter Reading) should be installed for gas & water & electricity in as many council-owned properties as possible o That increased resources should be deployed to support an expansion in the collection and reporting of carbon emission and water usage data o The continuation of the Energy Efficiency Investment Programme (EEIP), to include: <ul style="list-style-type: none"> a. Power reduction & light controls at NLBP b. Insulation works & heating system upgrades & water conservation at schools and pavilions c. Lighting controls at libraries and back office areas <p>2 That attempts should be made to effect a change in staff culture so that employees cut waste, energy use and car use</p> <p>3 That work should start now to identify a greener council fleet</p>

Appendix

No.	Recommendation	Priority	Corporate Directors Group owner	Implementation details
11	<p>Asset Management</p> <p>Show that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes in these areas. Clarify the impact of the developing future shape programme on asset management arrangements corporately and with partners</p>	Medium	Director of Corporate Services & Director of Commercial services	<ul style="list-style-type: none"> o The Future Shape work around the property strand has mapped out a development path for asset management as part of the development of estate management function going forward. The property functions of the council are now consolidated within the Commercial Directorate. The revision of the estate strategy is critical and currently underway, involving understanding our estate and how we use it and identifying the opportunities to share and enhance the usage of our buildings and also to rationalise the portfolio we maintain. This work will ensure our estate is fit for purpose and capable of supporting the future shape objectives. Flexibility in our operational estate and effective management of our commercial portfolio are essential in achieving these goals. The current Accommodation project work is also a critical element of enabling the flexible working essential within the transformation planned over the near future.
12	<p>Developing an integrated asset register</p> <p>Show that the new Council has been successful in developing an integrated Asset Register, consolidating the existing separate databases for each portfolio, and is improving management and oversight of the asset base as a result.</p>	Medium	Director of Corporate Services & Director of Commercial Services	<ul style="list-style-type: none"> o The council is undertaking a comprehensive review of its requirements for an asset management system and the asset register, ensuring that best use is made of the SAP asset module. This should lead to a consolidated asset register and improved management and oversight of the asset base.

B CAA and the new Use of Resources Framework

The Old UoR Regime

Local authorities' Use of Resources (UoR) has been assessed by external auditors under the Comprehensive Performance Assessment (CPA) regime since 2005. Until 2008, this took the form of an assessment in each of the following 5 areas;

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

Authorities received an overall UoR score, and a score for each area as set out below;

Score	Key
1	Below minimum requirements - performing inadequately
2	At only minimum requirements - performing adequately
3	Consistently above minimum requirements - performing well
4	Well above minimum requirements - performing strongly

This score directly influenced each organisation's overall CPA score and had a significant impact on external perception and reputation.

The move to Comprehensive Area Assessment

The CPA regime provided an effective roadmap and stimulus for improvement, which helped many authorities to move in the right direction, focusing on externally validated strengths and weaknesses. This was reflected by a national picture of gradually improving scores and assessment results from 2005-8, and improving services to the public.

However, in order to build on the success of CPA, the Audit Commission recognised the need to:

- Ask "how well are people served by their local public services?" rather than "how well are people served by their Councils?"
- Focus on outcomes for an area, not just on individual organisations
- Consider local priorities rather than apply a "one-size fits all" approach
- Consider whether performance is likely to improve in the future, rather than how it has improved in the past

Appendix

- Place less importance on compliance and rules to reflect local differences

In late 2007, the Audit Commission began to consult on a new framework for comprehensive area assessment (CAA), of which an updated UoR assessment would be a key component. The CAA framework that emerged focuses on *areas* rather than the *organisations* within them, and holds local partners jointly to account for their impact on the things that matter to the area as a whole. The CAA asks three key questions:

- How well do local priorities express community needs and aspirations?
- How well are the outcomes and improvements needed being delivered?
- What are the prospects for future improvement?

The CAA does not give an overall score, as was the case for CPA. However, there will be green flags given for innovative or exceptional performance and red flags given to indicate concerns about outcomes and performance.

CAA - key changes

CPA	CAA
Local government focus	All sectors and partners
Institution based	Area based
One size fits all	Focus on local priorities
Performance	Outcomes and perceptions
Collaboration between regulators	Joint assessment
Cyclical inspection	Continuous assessment, proportionate inspection
Focus on past performance	Focus on future improvement

Source:- Audit Commission

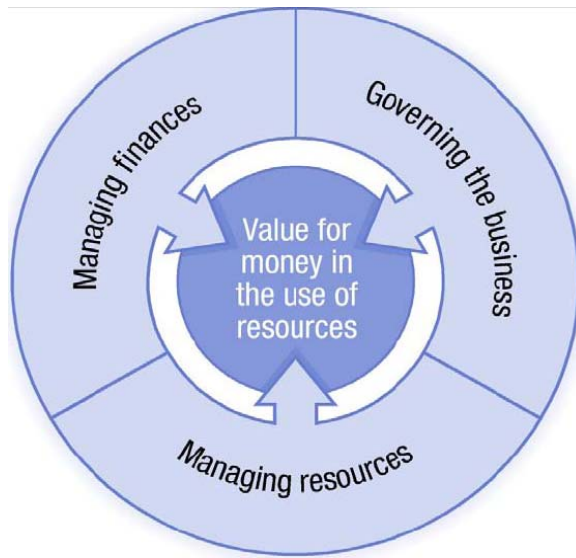
Use of Resources under CAA

Alongside the area assessment, CAA will include organisational assessments for key public sector organisations including councils, primary care trusts (PCTs), police forces and fire authorities. Each organisational assessment consists of two components; an assessment of how effectively the organisation is addressing its own priorities, called "managing performance" for councils, and an updated UoR assessment will be applied similarly across the different types of organisation.

The new UoR framework under CAA applies from 2008/09. The diagram below shows the overall approach to the revised UoR framework. There are three themes replacing the five areas included in the old framework, and a number of key lines of enquiry (KLOEs) within each theme.

Appendix

Use of Resources under CAA (source: the Audit Commission)



The individual KLOEs for each theme are detailed in the main body of this document. Scoring criteria are set out in appendix C.

C Scoring criteria and rules

The table below summarises the criteria used to reach scored judgements for each KLOE.

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently
Arrangements consistent with established professional practice and guidance, meet statutory requirements and operate effectively.	Implemented effective arrangements that are: ➤ forward looking and proactive in identifying and developing opportunities for improvement; and ➤ include more sophisticated measuring and assessment techniques.	Demonstrating innovation or best practice .
Arrangements sufficient to address the KLOE.	Outputs and outcomes demonstrate arrangements which are effective and have the intended impact , and show evidence of effective partnership working .	Demonstrating strong outcomes for the community including through partnership working .
Arrangements achieve minimum acceptable levels of performance .	Evidence of performing consistently above minimum acceptable levels and achieving VFM .	Evidence of performing well above minimum acceptable levels and achieving excellent VFM .

Theme scores are derived from a numerical average of the KLOE scores within that theme. In some cases such as theme 2 or theme 3 when only 2 out of 3 KLOEs are assessed, the average of KLOE scores could result in a number ending in .5. In such cases the following rules apply in 2008/09;

- For theme 2, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 2.2. Examples - KLOE scores of 3,2,2,2 = theme score of 2. KLOE scores of 3,2,3,2 = theme score of 2. KLOE scores of 2,3,3,2 = theme score of 3.
- For theme 3, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 3.1. Examples - KLOE scores of 3,2 = theme score of 3. KLOE scores of 2,3 = theme score of 2.

The Audit Commission document at the link below details the overall approach to UoR framework and full details of scoring methodology.

Appendix

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

In addition the Commission published auditor guidance for the UoR framework. This is available at the link below. This provides details of the specific KLOE's and expected indicators for levels of performance;

<http://www.audit-commission.gov.uk/localgov/audit/UoR/Pages/guidance.aspx>

Appendix

D KLOEs specified for assessment in 2008/09 and 2009/10

Some KLOEs are assessed on a rotating basis. The table below summarises the KLOEs that were assessed and formed the basis for the VfM conclusion in 2008/09;

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial planning	Y	Y	Y
1.2	Understanding costs	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning and procurement	Y	Y	WCC
2.2	Use of data	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Internal control	Y	Y	Y
Theme 3 - Other resources				
3.1	Environmental management	Y	N	N
3.2	Asset management	Y	N	Y*
3.3	Workforce management	N	Y	Y

*only assessed at PCTs with a significant asset base.

For the 2009/10 assessment, the following KLOEs will be assessed and will form the basis for the VfM conclusion. Scores achieved in 2008/09 will continue to apply for 2009/10 for those KLOEs not being assessed in year 2;

Appendix

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial planning	Y	Y	Y
1.2	Understanding costs	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning and procurement	Y	Y	WCC
2.2	Use of data	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Internal control	Y	Y	Y
Theme 3 - Other resources				
3.1	Environmental management	N	Y	Y
3.2	Asset management	Y	N	N
3.3	Workforce management	Y	N	Y

*only assessed at PCTs with a significant asset base.

Full details of the scoring methodology are provided at the Audit Commission's website at;

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

AGENDA ITEM: 8

Page nos. 98 - 106

Meeting	Audit Committee
Date	16 December 2009
Subject	Progress on the Internal Control Improvement Plan
Report of	Interim Head of Compliance
Summary	To note and comment on progress on the Internal Control Improvement Plan

Officer Contributors	Patrick Clackett - Interim Head of Compliance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Patrick Clackett, Interim Head of Compliance 020 8359 7249

1. RECOMMENDATIONS

- 1.1 That the Committee notes and comments on progress on the Internal Control Improvement Plan presented as Appendix 1.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Implementation of the improvement plan is essential to strengthen the councils internal control environment and to therefore safeguard the council's objectives.

4. RISK MANAGEMENT ISSUES

- 4.1 The Internal Control Improvement plan has specific actions to improve and enhance the council's approach to risk management.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Strong internal controls is important to ensure the management of resources to enable 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. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Effective internal controls are key to the council making best use of its resources.

7. LEGAL ISSUES

- 7.1 None other than what may be contained in the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including to consider the Council's compliance with its own and other published standards and controls.

9 BACKGROUND INFORMATION

- 9.1 In May 2009, the Council commissioned an external high level review of its system of internal control with a view to assessing its robustness, identifying any other potential areas of weakness, and providing practical recommendations for improvements.

The review concluded that although the council currently scored adequately for use of resources and has made substantial improvements to its financial management over the last few years, the review identified some urgent issues that need to be addressed quickly to avoid a repetition of the weakness identified in relation to Treasury Management and to put LBB in a more secure position going forward.

In response to the review, and also to address issues arising from last year's Annual Governance statement, the Corporate Directors Group agreed an Internal Control Improvement plan. Progress on this plan is being monitored through the Statutory Officer group meetings.

9.2 **Key Issues**

There has been progress on most of the key issues outlined in the improvement plan:

- a scheme of delegation is being drafted,
- compliance reporting is being developed to provide greater assurance to the CFO,
- the Internal Control Checklist process has been improved and a new approach will start from January 2010 onwards,
- risk registers are being reviewed by this committee,
- an interim Chief Internal Auditor has been appointed to develop a new audit strategy and approach,
- there is regular contact between risk management and Directors, and
- the process for the Annual Governance statement is being revised.

However, key issues still to be progressed are:

- Identifying managers with responsibility for ensuring a robust control system is put in place in respect to all processes within their service(s), for testing compliance with these controls by themselves and Internal Audit,
- Failures in control systems identified by compliance testing to be immediately notified by the responsible manager to the Director.
- Responsible managers to report bi-annually (September & March) through to Directors on (i) the appropriateness of the control systems in place, (ii) the level of compliance testing undertaken by themselves (and/or nominated staff) and the outcomes of that testing, and (iii) actions taken on recommendations outstanding from Internal Audit Reviews since the last bi-annual report.

The Head of Compliance and the Chief Internal Auditor are working jointly on a framework to address the above issues.

Compliance testing of the internal control systems will be matched to internal audit findings around common causes of systems weaknesses and external auditor reporting on the internal control system to ensure that all weaknesses have been addressed.

9.3 Further Action

The framework for accountability and compliance testing of control systems will be developed during December and will be reported to a subsequent meeting of this committee.

A map of the councils internal control environment has been developed and once refined and discussed with Directors will also be presented to the committee to assist members with a strategic view of key issues and concerns.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MAM
Finance: JW

Action	Timing	Update – Nov 09	Responsibility
1 Establish a common Scheme of Delegation for all Directors, supplemented by service specific elements.	September 2009	A group chaired by the Director of Corporate Governance is developing a common Scheme of Delegation together with revised Financial Regulations. The group is at drafting stage.	Director of Corporate Governance + all Directors
2a Directors, in conjunction with their management teams, to identify named managers that are responsible for ensuring a robust control system is put in place in respect to all processes within their service(s), and for testing compliance with these controls.	August 2009	A new Interim Chief Internal Auditor has been appointed and is meeting with Council Directors to discuss a new audit approach and strategy; Directors have yet to identify leads and local governance arrangements.	Directors & Management Teams
	Ongoing	Internal audit is now taking a pro active approach to controls design. Audit planning for 2010/11 is about to commence and this will include a change in direction to ensure a balance of audit work related specifically to compliance testing of key financial systems.	Responsible managers
2b Responsible managers are entitled to consult Internal Audit on (i) the design of control systems (e.g. separation of duties, recording of actions/decisions), and (ii) the balance of compliance testing to be undertaken by themselves (and/or nominated staff) and Internal Audit.	Ongoing	A pro forma will shortly be issued jointly by the Head of Compliance and the Chief Internal Auditor to enable responsible managers to undertake and record compliance testing of the systems they are responsible for.	Responsible managers
2c Any failures in control systems identified by compliance testing to be immediately notified by the responsible manager to the Director.	Ongoing	Failures in control systems will be reported to responsible managers and the Chief Finance Officer will receive an immediate report on such failings with clear action plans to address them.	Responsible managers
2d Responsible managers to report bi-annually (September & March) through to Directors on (i) the appropriateness of the control systems in place, (ii) the level of compliance testing undertaken by themselves (and/or nominated staff) and the outcomes of that testing, and (iii) actions taken on recommendations outstanding from Internal Audit Reviews since the last bi-annual report.		A summary compliance report is being developed for the CFO which will identify amongst other issues; <ul style="list-style-type: none"> • Results of management compliance tests • Contract compliance issues/reporting • Key financial systems performance and error/reconciliation reports(e.g duplicate payments, 	Interim Head of Compliance

Action	Timing	Update – Nov 09	Responsibility
		<ul style="list-style-type: none"> • Revenue/capital budget monitoring and performance • Treasury management performance • Performance information from internal audit and CAFT • Tracking of external audit/close of accounts reports and issues • Income/debt performance and write offs • Use of resources action planning milestones <p>Bi annual reporting on the appropriateness of control systems needs to be built into the Annual governance statement and Internal Control Checklist process</p>	Director of Corporate Governance
<p>3 The Internal Control Checklist (ICC) process to be improved by the following measures:-</p> <p>3a The key corporate themes / risks to be tested during each cycle of the ICC to be agreed in advance by the Meeting of Statutory Officers.</p> <p>3b The ICC to incorporate service specific items agreed between the Director, Head of Insurance & Risk and Chief Internal Auditor in each cycle.</p> <p>3c Weaknesses identified by the ICC process to be incorporated in Directorate risk registers, and revised internal control systems as appropriate.</p>	<p>August 2009</p> <p>September 2009</p> <p>Ongoing</p>	<p>Statutory officers group has agreed the key corporate risks/themes for testing during the ICC process. A report summarising results of last years ICC process and setting out the approach for 2009/10 has been prepared and will be presented to Corporate Directors Group in December.</p> <p>Service summaries from the 2008/9 cycle have been reported back to service performance leads to address weaknesses. Services are required to verify evidence of effective controls and put in place service improvement plans for any red/amber response of 60% or more and team improvement plans for remaining red responses.</p> <p>Risks arising from the issues identified by the ICC need to be built into service improvement plans and reported as part of regular service monitoring reports.</p> <p>Directors are being asked to champion and challenge the ICC process, to nominate responsible officers and to review ICC question to ensure they are inclusive of service specific issues. Some changes – to finance and</p>	<p>Head of Insurance & Risk and Chief Internal Auditor</p> <p>Directors, Head of Insurance & Risk and Chief Internal Auditor</p> <p>Directors</p>

Action	Timing	Update – Nov 09	Responsibility
		<p>performance – have already been identified. The ICC will form a regular agenda item as senior management teams. The ICC cycle for 209/10 will commence in January 2010.</p> <p>Risk registers are being tested by the Head of compliance/Chief Internal Auditor to ensure that they have been revised for weaknesses identified through the ICC process and that control systems have been revised as appropriate.</p>	
<p>4 Directorate and major project risk registers to be presented to the Audit Committee at least annually.</p>	<p>Ongoing</p>	<p>Agreed with Audit Committee and a cycle is being agreed. Risk registers going to AC will be presented to the Statutory Officers Meeting first.</p> <p>The Adult Social Services register is being presented to the December meeting of the Audit Committee.</p>	<p>Directors and Chief Internal Auditor</p>
<p>5 Interim Chief Internal Auditor to establish an Audit Strategy, to be considered initially by the Meeting of Statutory Officers and subsequently CDG, and which:-</p> <ul style="list-style-type: none"> i) incorporates recommendations on internal and external resources ii) fosters productive links between Internal Audit and senior management iii) incorporates a framework for review, and measuring the effectiveness of Internal Audit. 	<p>August 2009</p>	<p>An interim Chief Internal Auditor has been appointed and a revised Audit Strategy is being presented to the December meeting of the Audit Committee</p>	<p>Chief Internal Auditor</p>

Action		Timing	Update – Nov 09	Responsibility
6	The Annual Audit Plan (AAP).			
6a	The AAP will clearly indicate “key systems” as determined in consultation with the External Auditor.	December 2009 and ongoing	Internal audit have met with external audit to agree the key systems relevant to the opinion of external audit and also those that although not material should be an essential part of internal audit coverage.	Chief Internal Auditor
6b	The AAP will comprise a mixture of risk based systems reviews, compliance audits, end to end process reviews, value for money audits, etc.	December 2009 and ongoing	The AAP is being developed in response to these action points.	Directors and Chief Internal Auditor
6c	The final draft of the AAP will be prepared by the Chief Internal Auditor, after consultation with Directors, and be submitted for endorsement to CDG prior to being reported to the Audit Committee.	2010/11 audit cycle and ongoing		Chief Internal Auditor and Audit Committee
6d	The AAP will be reported to the Audit Committee for member approval. A mid-year progress report and year end report will also be reported to the Audit Committee.			
7	Chief Internal Auditor and Insurance & Risk Manager to maintain regular contact with Directors and their management teams.	Ongoing	The Risk Manager has been meeting has been meeting with service performance leads and is attending SMT’s re risk management (including demonstrating a new IT system for risk management) and discussing the ICC process	Directors & management teams, Head of Insurance & Risk and Chief Internal Auditor
8	The Triennial review of the internal audit function will be completed as a matter of urgency.	March 2010	Terms of reference for the triennial review have been agreed and the exercise will commence shortly.	Chief Internal Auditor and External Audit
9	Electronic versions of all finalised internal audit reports are to be held centrally for all officers and all Members to view, review and appreciate emerging	March 2010	In progress with support from IS	Chief Internal Auditor

Action	Timing	Update – Nov 09	Responsibility
control issues that may have an impact on a broader range of services.			
10 Meeting of Statutory Officers to comprise Chief Executive, Director of Resources/Finance, Director of Corporate Governance, Chief Internal Auditor, Insurance & Risk Manager. For safeguarding matters, the Director of Adult Services and Director of Children’s Service will attend as well.	Ongoing	Complete	Chief Executive supported by officers detailed in action description
11 Annual Governance Statement (AGS). 11a The draft AGS to be considered first by the Meeting of Statutory Officers, prior to it going to CDG and then onto the Audit Committee. 11b The AGS covering report to the Audit Committee to include a recommendation that ... the Audit Committee having considered and commented on the AGS, recommends the Leader and Chief Executive to sign it. 11c Regular progress reports on actions in the AGS to be made to the Meeting of Statutory Officers.	Ongoing	Planning for the AGS process is underway, linked to the arrangements for the ICC process	Director of Corporate Governance
12 Audit Committee terms of reference to be reviewed.	August 2009	Initial review complete and consideration to be given to developing the AC’s role in relation to risk management by enhancing the ToR.	Audit Committee
13 This action plan to be reported to the Audit Committee, along with progress reports (after first having been reviewed by the Meeting of Statutory Officers).	Next Audit Committee and ongoing	This action plan is being reported to the December Audit committee.	Audit Committee Statutory Officers Meeting

AGENDA ITEM: 9

Page nos. 107 - 119

Meeting	Audit Committee
Date	16 December 2009
Subject	Introduction of International Financial Reporting Standards (IFRS)
Report of	Interim Director of Finance
Summary	To inform Committee of the implications for the Council of the introduction of IFRS and to note progress to date.

Officer Contributors	Paul Stock – Assistant Director of Strategic Finance Maria Christofi – Interim Head of Strategic Finance Hayley Woolard – IFRS Project Accountant
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A - LAAP 80
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Hayley Woolard IFRS Project Accountant 0208 359 7135

1. RECOMMENDATIONS

- 1.1 That the Committee note the likely implications for the Council of the introduction and implementation of International Financial Reporting Standards (IFRS).**
- 1.2 That the Committee note the progress to date.**
- 1.3 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 29 June 2009 (Statement of Accounts 2008/09).
- 2.2 Audit Committee 29 September 2009 (Statement of Accounts 2008/09 Final).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The implementation of International Financial Reporting Standards (IFRS) will enable readers of the Statement of Accounts to have a clearer understanding of the Council's financial position and enable closer comparison with other financial institutions including private sector companies.
- 3.2 The introduction of IFRS will further support the council in meeting its corporate priority to provide 'more choice and better value' to our residents as set out in the Corporate Plan 2009-10.
- 3.3 Additionally, the introduction of IFRS will support the priority theme known as 'a relentless drive for efficiency' of the council's Future Shape transformation programme.

4. RISK MANAGEMENT ISSUES

- 4.1 There is a definite risk if IFRS is not adopted of the council's statement of accounts being qualified and not complying with legal requirements.
- 4.1 The purpose of this report is to mitigate financial risks to the authority by identifying the consequences of the IFRS implementation at an early stage to enable members and officers to take corrective action if and when required and to prepare for the implications upon resources and reporting formats.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is not considered that this matter is likely to raise any concerns under the council's equalities policy or compromise any commitments outlined in Barnet's Equality Scheme 2007/08 – 2010/11.

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

6.1 There are implications on staff in Human Resources and Property Services regarding the completion of various schedules; holiday pay and leasing. These can be managed within the current resources and hopefully the task of completing these schedules will lead to better working practices and data collection within these teams.

6.2 In 2007/08 an IFRS reserve was created to fund the implementation process.

7. LEGAL ISSUES

7.1 The Council has a statutory responsibility to provide a Statement of Accounts which complies with IFRS.

8. CONSTITUTIONAL POWERS

8.1 Within the Council's Constitution, the functions of the Audit Committee are detailed and include "to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance"

9 BACKGROUND INFORMATION

9.1.1 Listed entities in the UK private sector adopted IFRS in 2005. Experience shows that considerable effort was needed to convert to this new regime for public limited companies. Central Government and the NHS are currently in their comparative years for IFRS as they adopted the requirement the year prior to Local Government.

9.1.2 Under the Accounts and Audit (England) Regulations 2003 (as amended) the council's accounts must comply with proper practice. The regulations define this proper practice as the Local Authority Statement of Recommended Practice (SORP). Currently the SORP complies with UK Generally Accepted Accounting Practice and not IFRS.

9.1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) have announced that the first IFRS-based Code of Practice on Local Authority Accounting will be issued in December 2009. Consultation has been carried out on changing the governance framework for the issue of the code.

9.1.4 The impact of many of the IFRS's will be presentational with new terminology and statements being introduced and will significantly increase the level of disclosure notes required in the Statement of Accounts.

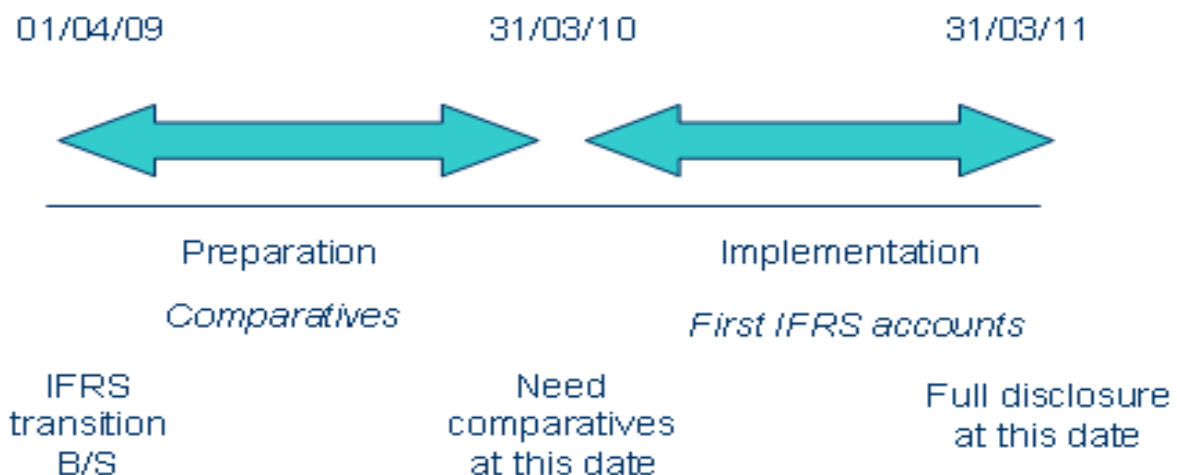
9.1.5 There are a number of areas which will have a significant impact on the accounts and a small number which could potentially have an impact on the council's general fund reserve or increase the demands on the Local Taxpayer. CIPFA has been discussing with Government officials the need to consider whether legislation is needed to offset any effect the move to IFRS might have on budget requirements.

9.1.6 This table shows the main issues to consider with the introduction of IFRS:

Significant Differences	Some Differences	No Significant Differences
<ul style="list-style-type: none"> • Fixed Assets • Leases • Format of Accounts • Employee Benefits 	<ul style="list-style-type: none"> • Related Party Disclosures • Impairments • Intangible Assets • Investment Properties • Disclosures • Group Accounts 	<ul style="list-style-type: none"> • Stocks • Post Balance Sheet Events • Government Grants • Provisions • Financial Instruments

9.2 THE TIMETABLE

9.2.1 In March 2009 CIPFA published Local Authority Accounting Panel (LAAP) Bulletin 80 which contained a high level implementation timetable, shown at Appendix A. A timeline is graphically illustrated below:



9.2.2 In order to be IFRS compliant in 2010/11 (which will include the production of the first statement of accounts under the new regime), it is a requirement under International Accounting Standard (IAS) 1 for first time adoption to produce 2 years of comparative balance sheets. This has required local authorities to begin the preparation and conversion to IFRS much earlier which has resulted in the transition date so far in advance of the first

statement of accounts. Therefore the balance sheet at 1st April 2009 will require restatement on an IFRS compliance basis as part of the transition to IFRS accounting.

- 9.2.3 Preliminary discussions have taken place with Barnet's external auditors Grant Thornton regarding the approach to be taken and to determine what the new expectations are under IFRS. All authorities have been required to complete a questionnaire, the purpose of which is to inform the Audit Commission of progress including any examples of best practice which could be used to assist all authorities.

9.3 KEY AREAS

- 9.3.1 The areas where IFRS could have a significant impact are as follows;

Employee Benefits

- 9.3.2 This requires authorities to accrue for the employee benefits that have been earned by staff but not taken at the end of the financial year, such as annual leave. Officers have been compiling this information as part of the closure of accounts for 2008/09.

- 9.3.3 A key risk here is that there may be a revenue impact on the General Fund and Housing Revenue Account. CIPFA are investigating the potential for mitigating the financial effects of this accrual with further guidance expected in 2010..

Leases (including all contractual arrangements regarding assets)

- 9.3.4 For accounting purposes there are two types of leases; finance leases and operating leases. Operating leases are 100% revenue expenditure and finance leases are reflected on the Balance Sheet. These have payments split between capital expenditure and interest payments.

- 9.3.5 Under IFRS the rules for determining whether a lease is treated as an operating or finance lease have been significantly revised and more judgement is necessary. In addition to this there may be embedded leases within existing contracts, which are in the process of being identified.

- 9.3.6 All existing leases covering property and equipment will need to be reviewed as part of this work.

Fixed Assets

- 9.3.7 There are some significant changes to the way in which fixed assets will need to be accounted for under IFRS. For example, the definition of intangible fixed assets has been widened and as such more intangible assets may need to be recorded on the authority's balance sheet.

- 9.3.8 IFRS also reiterates the requirement to move to component accounting. This means that where an asset is made up of several material parts with different

life expectancies they will need to be accounted for separately. The Royal Institute of Chartered Surveyors (RICS) will be issuing guidance on how to achieve this in April 2010.

Financial Statements

9.3.9 The format of the financial statements will be different under the IFRS code. In particular, the primary financial statement will be a "Movement in Reserves Statement". Replacing the previous "Statement of Movement on the General Fund Balance", this new statement is intended to give the reader of the accounts a clearer picture of the economic cost of the Council's activities. Also, the disclosure requirements for the Statement of Accounts will be considerably increased which is likely to lead to an increase in the length and detail of the Statement of Accounts.

9.4. PROGRESS TO DATE

9.4.1 Work in Barnet has started on areas where significant differences have been identified; leasing, employee benefits systems and assets. Weekly progress meetings have been in place since August with Property Services, particularly with the qualified valuers. The Authority's SAP consultants, Logica, have completed an analysis of our SAP working practices with a view to recommending improvements to the system to ensure the efficient implementation of IFRS.

9.4.2 Work on IFRS implementation, with the exception of the SAP systems analysis, is currently being undertaken entirely by in-house staff. It may be necessary during the implementation to consider external staff if additional technical expertise is required. If this does occur it is most likely to be in areas of the greatest technical complexity

9.4.3 Barnet has been a proactive partner in the setting up and running of the London IFRS Forum and has attended each of the meetings held. These are a valuable source of knowledge exchange and information.

9.5 SUMMARY

9.5.1 The move to IFRS accounting is a statutory requirement and therefore the deadline for its implementation must be complied with. It is likely to increase the Finance sections' workload in the short term and the size of the Statement of Accounts publication going forward. Once the procedures have been finalised they should be manageable within current resources.

9.5.2 Regular communication and progress meetings with the Chief Finance Officer, Assistant Director of Strategic Finance, the Implementation Team, Cabinet Member for Resources and Grant Thornton (External Auditors) will ensure that the progress being made is in line with both the recommended timetable and audit requirements.

10. LIST OF BACKGROUND PAPERS

- 10.1 Local Authority Accounting bulletins, CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010 - Invitation to Comment

Legal: MAM
Finance: MC

LAAP BULLETIN 80

March 2009

Implementation of IFRS – Outline Project Plan

AT THE HEART OF
PUBLIC SERVICES 

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the SORP, BVACOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the SORP, BVACOP or Prudential Code.

Please address any queries to CIPFA Technical Enquiry Service for CIPFA members and students
020 7543 5888

The Chartered Institute of Public Finance and Accountancy
Registered with the Charity Commissioners of England and Wales Number 231060

INTRODUCTION

1. This Bulletin is relevant to all bodies who will be required to account under the IFRS-based Code of Practice on Local Authority Accounting in 2010/11.
2. From 2010/11, local authorities' Statements of Accounts will be prepared under an IFRS-based Code of Practice on Local Authority Accounting. This is part of a wider public-sector move to international standards.
3. In central government, departments are required to meet four 'trigger points' set by HM Treasury. These specify the dates by which the opening IFRS balance sheet and the figures for the comparative year are to be prepared and audited. For local government, no formal 'trigger point' dates have been set. This bulletin seeks to address the absence of formal dates through an outline project plan. The project plan is however guidance rather than a formal requirement.

OUTLINE PROJECT PLAN

4. The following outline project plan is intended to provide a starting point for authorities looking to develop their own project plans. More detailed steps, specific to each authority, will be required to support each step in the outline project plan. Similarly, whilst the outline project plan identifies major milestones such as the restatement of the opening balance sheet, authorities will need to identify their own interim milestones. The dates outlined in the plan will enable an authority to achieve the introduction of IFRS by 2010/11, but are the latest dates that CIPFA would recommend. The adoption of earlier dates is encouraged.
5. Authorities are encouraged to discuss their project plan with those responsible for the governance arrangements, e.g. Cabinet, the Audit Committee etc. Senior management throughout the organisation should also be aware of the project plan, as the implementation will require input from staff outside finance. LAAP would expect these groups to be kept informed throughout the implementation process, and that IFRS implementation would be part of the internal audit programme.
6. Authorities are also strongly advised to discuss their project plan with their external auditors¹. Auditors will wish to consider undertaking work at various stages in the adoption of IFRS (e.g. the restatement of the opening IFRS balance sheet), and authorities are advised to discuss the timetable with auditors.
7. Benefits that may arise from early external audit involvement are as follows:
 - Early identification of any difficulties or problems with the restatement of the opening IFRS balance sheet may result in less time being required to resolve these issues. This in turn may help to avoid errors occurring and prevent abortive work being undertaken.
 - Early identification of any difficulties with the restatement of the opening IFRS balance sheet may also avoid these issues impacting on the 2010/11 budget.
 - Early engagement with auditors may provide authorities with reassurance that their project plan is appropriate, or alternatively may allow for the plan to be amended in a timely manner; an inappropriate plan could lead to abortive work, or alternatively could result in a number of key tasks requiring completion in a short timescale.

¹ In agreeing an audit timetable with their external auditors, authorities may wish to refer to the fee arrangements that will apply in the relevant jurisdiction.

8. The outline project plan is as follows:

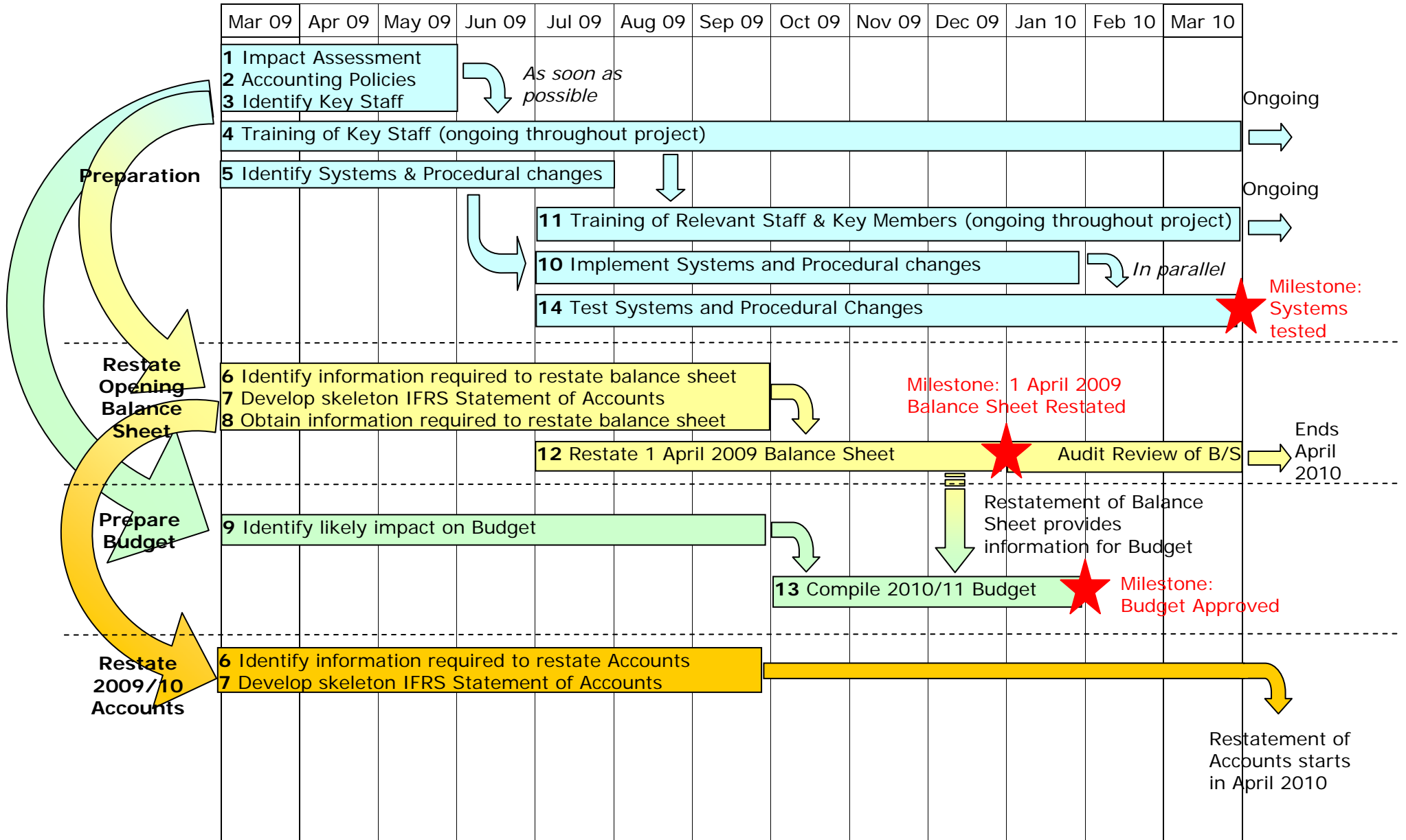
	Step	Dependency	Dates	Areas for Discussion with External Audit
1	Carry out high level impact assessment using information on CIPFA web site (and other resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Other Areas		As soon as possible; completion of this stage by May 2009 recommended	Ongoing – discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues / difficulties etc.
2	Identify changes to accounting policies	In parallel with step 1	As soon as possible; completion of this stage by May 2009 recommended	
3	Identify key staff (finance, legal, property, HR, other) Assess whether resources adequate Allocate responsibilities Develop detailed project plan	Based on impact analysis in step 1	As soon as possible; completion of this stage by May 2009 recommended	
4	Key staff trained on IFRS transition		At an early opportunity, then ongoing throughout project	
5	Identify systems and procedural changes (including Chart of Accounts changes) required		March 2009 - end July 2009	
6	Identify information (e.g. leases and holiday pay) required to restate 1 April 2009 balance sheet and 2009/10 accounts		March 2009 - September 2009	
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	Accounting policies in step 2	March 2009 - September 2009 (assumes CIPFA/LASAAC agree formats in March 2009)	
8	Obtain information required to restate 1 April 2009 balance sheet	Identified during step 6	March 2009 - September 2009	

	Step	Dependency	Dates	Areas for Discussion with External Audit
9	Identify likely impact on budgets (if any)		March 2009 – September 2009	
10	Implement systems and procedural changes	Identified in step 5	July 2009 – January 2010	
11	Training for all relevant staff and members		Ongoing from July 2009	
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS)	Obtained in steps 7 & 8	July 2009 – December 2009*	Auditors will wish to consider the implications for reviewing balance sheet and / or processes and arrangements
13	Compile 2010/11 and later budgets on IFRS basis, building on restatement of balance sheet, taking into account changes to the final version of the Code and any regulations proposed by government to mitigate the impact on General Fund / HRA	Impact from step 9	October 2009 – January 2010	No direct input, but previous discussions and results of any audit work in step 12 may inform budget decisions where auditors involved at an early date
14	Testing of systems and procedural changes	Follows on from step 10	July 2009 – March 2010*	Auditors will wish to consider the implications for relevant work on systems
15	Restate 2009/10 accounts in parallel with main 2009/10 accounts process (including reconciliations between UK GAAP and IFRS)	See steps 6, 7, 8, 12	April 2010 – December 2010*	Auditors will wish to consider the implications for their work
16	Produce 2010/11 accounts on IFRS basis		April 2011 – June 2011	Normal audit procedures – accounts signed by 30 September 2011 (31 October 2011 in Northern Ireland)

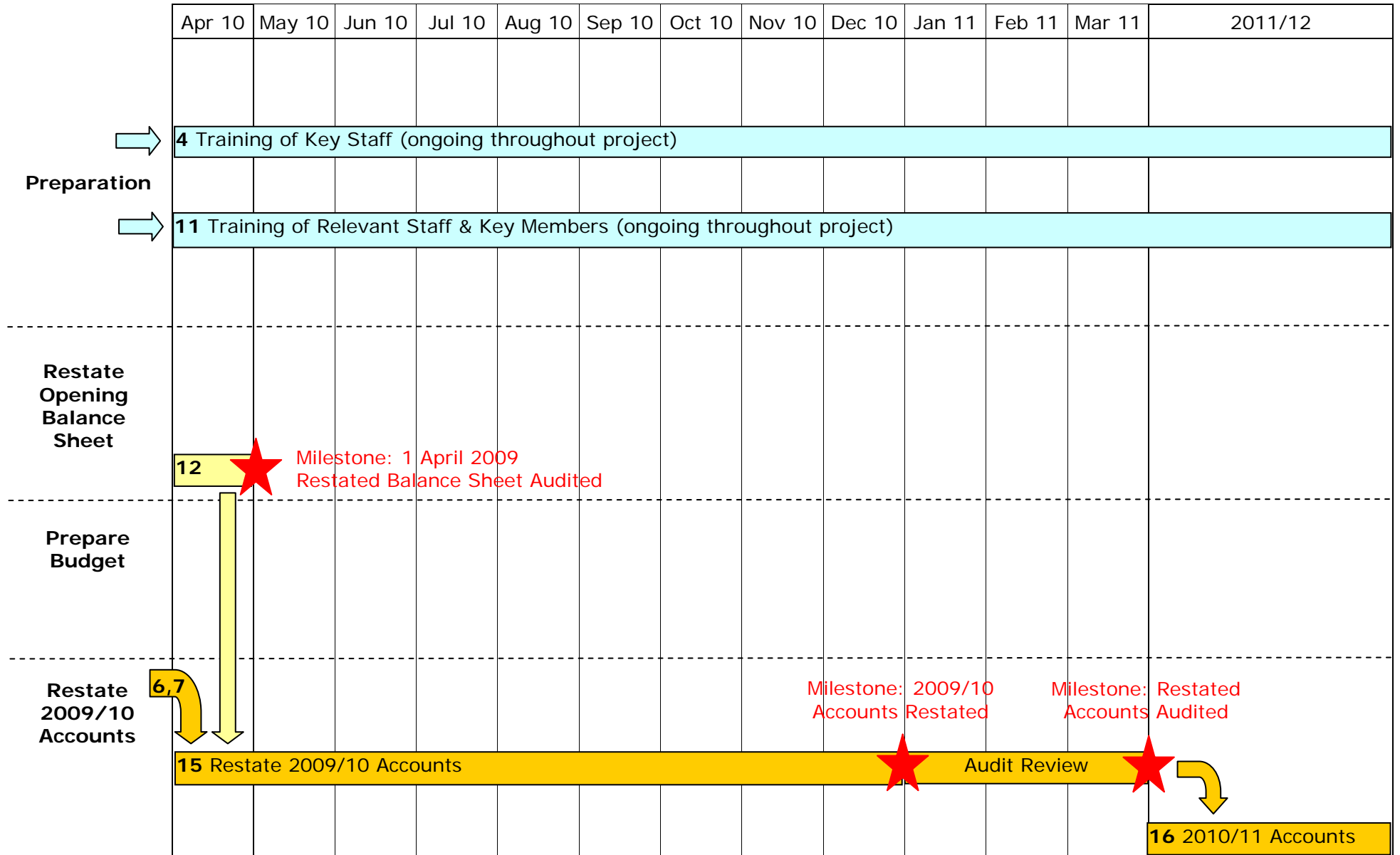
* Indicative timescale; absolute deadline is given in step 16.

A timeline of the outline project plan is shown below:

Outline Project Plan March 2009 – March 2010



Outline Project Plan April 2010 - March 2011



AGENDA ITEM: 10

Page nos. 120 - 126

Meeting	Audit Committee
Date	16 December 2009
Subject	Adult Social Services – Directorate Risk Register
Report of	Director of Adult Social Services
Summary	This report summarises the service area’s approach to risk management; its priority risks; and actions and timescales to control these risks. The service risk register for Adult Social Services is attached.

Officer Contributors	Mathew Kendall – Assistant Director, Performance & Supply Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Adult Social Services Risk Register
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Mathew Kendall – Assistant Director, Performance & Supply Management 020 8359 4256

1. RECOMMENDATIONS

- 1.1 That the Committee receive and comment upon the Adults Social Services approach to Risk Management within corporate policy.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 20 June 2008, approval of Risk Management strategy.
- 2.2 Audit Committee 29 September 2009 noted the operation of the Council's risk management process.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The presence of strong risk management policies and procedures is paramount to the council achieving all of its corporate priorities and as such impacts on all the corporate objectives.
- 3.1 No risks from the Directorate's Risk Register are currently included or proposed for inclusion in the Corporate Risk Register.

4. RISK MANAGEMENT ISSUES

- 4.1 The risk management process in Adult Social Services was reviewed and strengthened by Senior Management Team in September 2009 in order to:
- ensure a consistent approach to risk management throughout Adult Social Services;
 - ensure that by following this approach risk management is embedded throughout the Directorate;
 - detail the responsibilities for what is required of managers in respect of risk management;
 - provide guidance on what is required to complete the register.
- 4.2 All major projects maintain a risk register, and three Divisional Risk Registers using the corporate template are also being established with completion by December 2009. These will include identified risks in respect of Business Plan or Corporate Plan targets. These are the responsibility of the relevant Assistant Director who will ensure they are reviewed monthly by the lead Senior Manager, with the most significant risks being included in the Directorate Register.
- 4.3 The Head of Finance ensures consistency between the Directorate Register and the quantified corporate list of financial risks.
- 4.4 The Directorate Register is the responsibility of the Director who ensures it is reviewed monthly by Senior Management Team, and that the most significant risks are proposed for inclusion in the Corporate Register. The Director will also

insure that any identified risks in respect of her statutory responsibilities as Director and in respect of Safeguarding are included as appropriate.

- 4.5 All service managers are required to complete the Internal Control Checklist (ICC) in respect of their service area. The ICC uses, as part of the evidence to the outcomes stated, details from the risk register. It also gives assurance for the formal Statement of Internal Control.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective management of risk gives assurance in the provision of services to the entire community on an equitable basis.

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

- 6.1 Strong risk management processes and procedures protect the council from potential financial implications and enhance the control environment and governance requirements.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution part 3 Responsibility for functions, section 2 responsibility for Council functions, details the terms of reference for the Audit Committee to provide independent assurance of the adequacy of the risk management framework.

9 BACKGROUND INFORMATION

- 9.1 The highest priority risks within the Directorate's Risk Register are those identified as being both high impact and high likelihood:

- Business Systems

The identified operational risk is of failure to maintain and develop business systems that support the delivery of current business and the implementation of the Vision of Choice and Independence.

An analysis of ASSD business requirements has taken place with a detailed focus on Case Management requirements and the need for systems that can deliver Personalisation and Self Directed Support. In addition, requirements for commissioning, contract management and financial management were also covered. This analysis, completed on 30/09/09, provided sufficient product detail

to measure the ability of providers to meet ASSD requirements. ASSD is now in a position to appraise the options for the procurement of systems.

- Catalyst Deficit Claim

A significant financial risk exists from this claim and work is continuing led by the Deputy Chief Executive. The claim is due to go to arbitration in February 2010. Substantial legal and other professional advice has and is being sought to ensure the Council is in the strongest possible position as it enters arbitration.

- Cessation of Warden Service in Sheltered Accommodation

Implementation of this strategy has a robust project management approach with financial input. The decision is currently subject to judicial review. The risk fluctuates according to the latest position in the legal process. We have recently revised this to “medium/high”.

- 9.2 All risks are reviewed regularly by Senior Management Team and actively managed in the Directorate through the process described in section 4 above. The Directorate Risk Register is reported to Council Directors Group and to Statutory Officers Group. Clearly risks are inherent in the work of the Directorate and the strengthened process that has been put in place ensures that these are managed and appropriate actions put in place to address them.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM
Finance: KB

2009/10 Service Risk Register

Number	Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer	Last updated / reviewed	Action taken	Current status	Revised Assessment		Closure Date	Closing Authority
								Likelihood	Impact						Likelihood	Impact		
1	Promoting Independence	Deliver the Vision Implementation Plan	Operational	Failure to deliver all or elements of the Vision Implementation Plan.	SMT	04/08	Detailed implementation plan. Full Risk register. Governance Structure in place to support delivery.	Low	High	Monitoring through Governance Arrangements.	Ed Gowan	10/09	Reviewed programme board and agreed priorities First Stat. 30/07/09 - No change. 26/10/09 - no change. Programme Governance has received full assurance from internal audit.	Open	Low	High		
2	Promoting Independence	Deliver and implement a sound Resource Allocation Systems	Financial	Failure to deliver a Resource Allocation System that is workable and affordable within the MTFP	SMT	04/08	Design being carried out by both social care and financial professionals. Vision Implementation governance arrangements.	Low	High	Quality assurance by both social care and financial professionals.	Ed Gowan	10/09	Review of progress to SMT November. 30/07/09 - Reviewed through regular Choice & Independence Board meetings and through monthly budget monitoring. 26/10/09 - at October Programme Board, it was agreed to set up a RAS Working Group to address issues with embedding the RAS beyond initial roll out - to include affordability within MTFP.	Open	Medium	High		
3	Promoting Independence	Maintain and develop business systems that support the delivery of current business and the implementation of the Vision.	Operational	Failure to maintain and develop business systems that support the delivery of current business and the implementation of the Vision.	Assistant Director Performance and Strategy	04/08	Detailed implementation plan. Full Risk register. Governance Structure in place to support delivery.	Medium	High	Monitoring through Governance Arrangements.	Mathew Kendall	10/09	26/10/09 ASSD future System requirements were analysed & comprehensively described by 30/9/09. These documents sent to Serco for provider response. Options appraisal for procurement being prepared. Current systems being reviewed for compatibility to meet requirements.	Open	High	High		
5	Promoting Independence	Meet all statutory duties	Compliance	Failure to meet statutory duties	SMT	04/08	Scheme of delegation. Professional supervision. Legal advice. Performance monitoring.	Low	Medium	Monitored through SLA with legal services	Irene Findlay	10/09	FAQs for social workers being produced with legal. 30/07/09 Scheme of delegation to be reviewed as part of this process	Open	Low	Medium		
6	Promoting Independence	Deliver Adult Social Services and Supporting People commissioning strategies	Strategic	Failure to deliver service commissioning strategies	SMT	04/08	Adult Strategy Group and Partnership Boards monitoring. Joint Board with PCT.	Low	High		Kate Kennally	10/09	Capacity assessment undertaken. New commissioning structure to be in place to address capacity gaps 30/07/09 - Strategic Commissioning Team in place. Likelihood reduced to Low	Open	Low	High		
7	Promoting Independence	Work within the MTFP	Financial	Failure to work within the Medium Term Financial Plan.	SMT	04/08	SMT monitoring. Budget challenge.	Low	High	Regular monthly financial monitoring and reporting to CRC - significant demand pressure for placements	Andrew Filby	10/09	Review of the learning disability recovery plan and continued use of fair pricing tool. 30/07/09 - Financial Sustainability Project Board meets regularly to ensure that financial plans exist that are achievable and sustainable within current resources.	Open	Medium	High		
8	Promoting Independence	Meet performance targets	Compliance	Failure to meet performance targets	SMT	04/08	SMT monitoring, Member challenge, OSC.	Low	High	6mth review held with mgrs. Liaison with head of Housing and Environment Health in relation to improvements against major adaptations.	Mathew Kendall	10/09	Reviews improvement plan with resources in place. Need to agree major adaptations improvement plan. 30/07/09 - Targets reviewed monthly at SMT and service management meetings. Likelihood reduced to Low to reflect improved recent performance	Open	Low	High		
9	Promoting Independence	Maintain good contractual relationships with providers	Operational	Breakdown or withdrawal of service by providers.	SMT	04/08	Supply Management service.	Medium	High	New supply management function in place. Provider forums working. Continued investment in providers	Tom Pyne	10/09	Scheduled cross directorate review of ASS requirements - 29th October 08 to gain ownership of challenges and agree action plans to reflect corporate independencies 30/07/09 - New Supply Management Team working well. However, more work is required to ensure contracts and provisions are put onto Swift in a timely manner.	Open	Low	High		
10	Promoting Independence	Deliver safe and sustainable services	Compliance	Major internal or external service collapse. Serious injury to service user or staff member. Loss of reputation as a result of serious events. Major civil contingency such as flu pandemic.	SMT	04/08	Business Continuity plans. External contract monitoring. Health & Safety policies. Individual supervision and training.	Medium	High	Peer review of business continuity plans conducted	Mathew Kendall	10/09	Continued work following on from peer review to look at interface between ASS BCPs and corporate services. 30/07/09 - No change 22/10/2009 Business Continuity Plans updated. Overarching Adult Social Care Flu Plan prepared.	Open	Medium	High		
11	Promoting Independence	Collaborative working with statutory partners	Strategic	Major breakdown of relationships with statutory partners.	SMT	04/08	Regular liaison and joint planning	Low	High	Joint management team	Irene Findlay	10/09	Continue joint management meeting. Continued investment in joint strategies and teams eg commissioning. Resolve finally the outstanding issues regarding s256 and continuing care 30/07/09 - No change	Open	Low	High		
12	Promoting Independence	Workforce that is fit for purpose	Strategic	Insufficient workforce, inadequately trained, absent, unmotivated.	SMT	04/08	Workforce development strategy being commissioned.	Low	High	Regular team meetings; training plans; supervision and appraisals. Investment and training for external care partners as required by CQC	Mathew Kendall	10/09	Invested in change champions to support staff with Choice and Independence programme. OD plans being developed for new service structures 30/07/09 - No change 26/10/2009 The 'direction of travel' matrix has been updated	Open	Low	High		
13	More choice, better value.	Client Transport	Financial	Transport will continue to be a risk as the costs of the new contract and rising fuel prices are passed onto the services	SMT	08/08	The new contract provides a framework to enable costs to be calculated and expected.	Medium	Medium	The movement towards personalised budgets empower service users to determine their own transport use reducing the effect on the service. In addition the proposed Centre for Independent Living will look to be situated in a location to minimise transport costs.	Eryl Davies	10/09	Discussions taking place with environment to get better controls on transport budget and to cease leases where not required 30/07/09 - No change, transport review being implemented led by Head of Supply Management.	Open	Medium	High		
15	More choice, better value.	Continuing Care	Financial	These ongoing risks relating to the pressure from health to reduce continuing care payments by reviewing clients and transferring them to social care -108 packages, and the potential to transfer £1.1m.	SMT	04/08	local authority attendance at the continuing health care panel and training for staff. rigorous approach the transfer of resources to ensure that Barnet doesn't transfer more than it should.	Medium	High	Adopt a rigorous approach to applying the Continuing Health Care Framework to ensure that health and social care needs are met for people with complex needs. calculating our liabilities is maintained whilst	Glynnis Joffe	10/09	The risk remains and officers will continue to work with NHS Barnet to ensure that the National Continuing Health Care Framework is applied consistently.	Open	Medium	High		
16	More choice, better value.	Debt Management:	Financial	That debt will not be managed effectively ensuring that the income received by the service is significantly below its potential and that invoices are not raised in a timely and accurate manner	SMT	04/08	Ensuring sufficient high-calibre staff are in place to ensure debt is managed effectively. Significant work has already been done in this area to reduce the risk.	Medium	Medium	Continuing focus on debt as a department, regular review of debt collection position and identification of all potential charging streams.	Andrew Filby	10/09	Client billing audit undertaken and process improvements made. Client billing moved to Resources and capacity increased. 30/07/09 - Although improvements have occurred, issues remain to be resolved, in particular ensuring that income in SAP properly reconciles to records. Work is underway to resolve this. As a result, this likelihood has been increased to Medium.	Open	Low	Medium		

17	Promoting Independence	Day Service Modernisation and Direct Payments:	Financial	As clients attending in-house day support services (Flightways & Community Network) are transferred to direct payments / individualised budgets will necessitate the reduction of fixed costs within services to ensure	SMT	04/08	Detailed financial monitoring	High	Medium	New staffing structure for Flightways agreed. Staffing vacancies held at community network	Glynnis Joffe	10/09	See comments on client transport above. Fairer charging review to support commissioning objective	Open	High	Medium
18	Promoting Independence	Catalyst Deficit Claim	Financial	Work is continuing led by the Deputy Chief Executive as a high risk corporate issue to manage this.	SMT	04/07	Direct involvement from the top of the organisation to ensure relevant expertise and influence are brought to bear. The appointment of a project manager to ensure there is dedicated resource to oversee its progress.	High	High	An earmarked reserve has been set aside to cover any costs to ensure resources do not need to be diverted from services.	Andrew Filby	10/09	Going to arbitration. Legal and counsel engaged. 30/07/09 - Arbitration due to occur in March 2010	Open	High	High
20	Promoting Independence	Care Home Top-up Fees	Financial	A complaint has been received which has progressed to the Ombudsman. If the Ombudsman should find against Barnet then the potential impact on Barnet and all other Councils with Social Care responsibilities may be very significant.	SMT	04/08	The case is currently with the Ombudsman. Once a judgement is made, a issue will be reviewed as appropriate.	Low	Medium	Ensure future contracts with care homes prohibit such charges	Glynnis Joffe	10/09	Judgement received from Ombudsman. New residential home contracts clarify the LA position on top ups.	Open	Low	Medium
21	Promoting Independence	Learning Disabilities Transfer	Financial	Work is progressing on the transfer of financial responsibility & funding of clients with learning disabilities from the PCT to the Council. There are a number of risks associated with this, however there are also potential benefits for both parties quantified in the original heads of terms	SMT	09/08	Adherence to the guidance should ensure the transfer occurs in a fair and transparent manner.	Medium	High	Adherence to the DH guidance and robust stance with Barnet PCT	Kate Kennally	11/09	Council position set out in writing. Negotiation meeting scheduled for mid November 08. 30/07/09 - Very likely to go to arbitration. Difference between NHS Barnet and LBB positions remains > £1m. 31/10/09 - Agreed to have local negotiation / mediation meeting scheduled for 23 November 09 involving CEOs of NHS Barnet and LBB. Failure to agree at that meeting will invoke arbitration and NHS London / CQC been advised	Open	Medium	High
22	Promoting Independence	Younger Adults Placements	Financial	Younger adult placements continue to experience extreme demand pressure which are being managed within the service.	SMT	04/08	High cost placements are reviewed at panel to ensure costs are kept down.	Medium	High	A budget pressure is being submitted to Budget Board to ensure sufficient funding is available to cover	Glynnis Joffe	10/09	All high cost placements agreed at SMT level. 30/07/09 - No change	Open	Medium	High
23	Promoting Independence	Adult Care Contracts	Financial	Budget insufficient to cover contractual inflation	SMT	04/08	Exercising tight controls over inflation awards. Providing subsidised training to offset increased costs	Low	High	Ensuring future contracts are drafted to minimise risk exposure to inflation, ideally by ensuring contractors receive the uplift the Council receives in gratn from the Government.	Tom Pyne	10/09	Budget bid made as part of 2009/10 budget planning. Benchmarking with other london councils to develop sustainable approach. 30/07/09 - Although it is likely that budget will be sufficient to cover inflation during 2009/10, uncertainty exists over future years given current financial situation. Supply Management team will continue to negotiate strongly with suppliers. 26/10/09 Supply management to develop Fees Strategy to SMT that will look at how allocated budget for uplifts is calculated/distributed	Open	Medium	High
24	Promoting Independence	The Darzi Review	Operational	Lord Darzi launched the Next Stage Review final report on 30 June. It covers. It sets out a vision for the development of health services in England over the next ten years. The implementation of his proposals are	SMT	10/08	At present the impact on Councils is not clear. Developments in relation to this will be closely monitored.	Medium	High	Developments will be closely monitored and action taken accordingly.	Irene Findlay	10/09	30/07/09 - A watching brief is being kept over developments that result from this.	Open	Medium	High
25	Promoting Independence	Deferred payments	Financial	Due to the present housing market, clients are finding it more difficult to sell their home to fund for residential care. The risk is that the Council will be obliged to extend its deferred payments provision to cover these costs until these homes are sold	SMT	10/08	Policy exists stating Council's position regarding residential care funding.	Medium	Low	Develop existing policy to clarify position regarding residential care funding and provide information on obtaining advice about realising capital from an unsold property.	Gary Johnson	10/09	To be discussed with Director of Resources and Cabinet member. 30/07/09 - Systems in place to ensure charges are placed on properties wherever legally possible. 26/10/2009 At present one user on deferred payments scheme.	Open	Medium	Low
26	Promoting Independence	Homecare Commissioning	Financial	Current contracts for homecare commissioning end in 2009 and 2010 thus requiring a re-tendering exercise. There is a risk that new contracts' costs will not be able to be contained within current resources.	SMT	10/08	Regular reporting of progress to SMT and Home Care Project Board	Medium	Medium	Implementation through robust project management approach with financial input	Eryl Davies	11/09	Implementation through strong project management approach 30/07/09. Project Management Group is overseeing this development. As homecare contracts are high cost the potential impact has been changed to high. Procurement framework to be signed off in partnership with Corporate Procurement. 01/11/09 - Analysis of market completed. Procurement plan to be developed by mid December 2009 for sign off by SMT and Commercial Services Directorate	Open	Medium	High
27	Promoting Independence	Asylum Seekers: No Recourse to Public Funds	Financial	The Slough judgement clarified local authority obligations with regard to asylum seekers who have no recourse to public funds. Although this could reduce the impact on local authorities, there remains the risk of legal challenge.	SMT	01/09	Project group meets regularly to monitor and manage progress	Medium	Medium	Effective work of project group.	Glynnis Joffe	10/09	30/07/2009 - No change	Open	Medium	Medium
28	Promoting Independence	Cessation of Warden Service in Sheltered Accommodation	Financial	This is a high profile project with significant financial and political risks.	SMT	01/09	Close monitoring and management by SMT and Cabinet Member.	Medium	Medium	Implementation through robust project management approach with financial input	Kate Kennally	10/09	30/07/09 - 8 June Cabinet agreed options. Implementation of option is being overseen and managed through Project Team. 27/08/09 - SMT agreed that risk should be consistent with that reported to Sheltered Housing Project Board. Its risk register contains various "High/High" risks, most notably that the project has to be terminated or significantly delayed. The risk ratings have been amended accordingly however Counsel have advised that the Barnet case is strong. Risk rating to be reviewed following JR Hearing on the 2nd / 3rd of December 2009	Open	Medium	High

29	Promoting Independence	Welfare Rights Service Consultation	Financial	Effective management of WRS consultation and review to ensure Members decisions are implemented as efficiently and effectively as possible.	SMT	07/09	Close monitoring and management by SMT and Cabinet Member.	Medium	Medium	Implementation through robust project management approach with financial input	Mathew Kendall	10/09	30/07/09 - Cabinet to be appraised of options on 1 September with a view to deciding action to be taken. Sept 2009 Cabinet decision. Plan in place for current team to be wound up by Feb 2010 however still within time for JR challenge to be bought. To be reviewed December 2009	Open	Medium	Medium		
30	Promoting Independence	Meals at Home Contract	Financial	Ensuring continuation with cost effective Meals at Home provision following Sodexo's notice of termination	SMT	07/09	Close monitoring by SMT and personal leadership by Head of Supply Management in negotiations	Medium	Medium	Head of Supply Management to negotiate most financially and operationally advantageous outcome	Tom Pyne	10/09	30/07/09 - Negotiations remain ongoing. 27/08/09 - Risk likelihood revised down to Low following agreement in principle with Sodexo. This will need to be reviewed in connection with Meals numbers. 26/10/09 Risk likelihood remains low as agreement now reached with Sodexo	Open	Low	Medium		
31	Promoting Independence	Brent PCT - Judicial Review	Financial	A Judicial Review claim was brought by Brent PCT against Barnet Council on 23 March 2009. Brent PCT claim Barnet are responsible for residents in Residential Care Homes. These patients were historically the responsibility of Brent PCT on the basis that they were in hospitals in the area of Brent PCT. Resided in the	SMT	07/09	Legal advice is being sought on this issue. It's advice will be duly considered once received to ensure that risk to the Council is mitigated.	Medium	Medium	See controls in place	Glynnis Joffe	10/09	30/07/09 - No change. Legal process still underway. Defending this claim in partnership with LB Harrow	Open	Medium	Medium		
32	Promoting Independence	Care Providers: Business Failure	Operational	There has been an increase in the number of care providers experiencing difficulties as a result of the	SMT	07/09	Wider economic conditions lie behind this risk.	Low	High	The Supply Management team has been strengthened following a recent	Tom Pyne	10/09	30/07/09 - No change	Open	Medium	Medium		
33	Promoting Independence	Improve employment outcomes for adults with learning disabilities (NI146)	Compliance	May not meet the target for Q 3 and year end due to the gap in the project since the end of May and current economic climate. By the end of the year we need to	SMT	09/09	The project is now formed to deliver a comprehensive approach to access paid work for people with learning disabilities	High	Medium	Effective work of project group.	Eryl Davies	10/09	26/10/2009 The MENCAP right4work strand of this has been agreed with a remodelled service level agreement which addresses gaps through putting place the structure within the	Open	High	Medium		
34	Promoting Independence	Reduce sickness absence.	Compliance	May not meet target of reduction to corporate average at a time of swine flu.	SMT	09/09	Close monitoring and management by SMT.	High	Medium	Active involvement in corporate planning arrangements	Mathew Kendall	10/09	26/10/2009 Detailed monthly reports to SMT and Operational Managers. Review of all long term cases and frequent absences. Particular focus on provider services where rates are higher. Dedicated ASS training session on capability for	Open	High	Medium		
	Promoting Independence	Occupational Therapy	Operational	OT waiting lists growing due to demand from the public has risen and shorter hospital stays.	SMT	07/09	Short Term capacity secured from within corporate earmarked resources. Longer term solution being developed	High	Medium	Action plan agreed by SMT in November 2009	Glynnis Joffe	11/09	Action plan agreed SMT in November 2009	Open	High	Medium		
	Promoting Independence	Mental Health Reconfiguration	Financial	Mental Health: Proposed changes to delivery of acute care and introduction of payment by results leads to increased social care pressures .	PMG	07/09	Joint Commissioner is leading stakeholder engagement event on proposed changes. Controls need to be strengthened in respect of agreeing an explicit investment plan with NHS Barnet and implementation overseen by the Partnership Management Group. KK to provide update to SMT.	Medium	High	Continued senior leadership through the Partnership Management Group with BEH and through the Joint Management Team with NHS Barnet.	Kate Kennally	10/09	Letter sent from Deputy Director, Adult Social Services, to lead Directors within NHS Barnet and NHS Enfield on proposals. Awaiting response. To be followed up with Director from NHS Barnet on 20/11/09	Open	Medium	High		
	Promoting Independence	Assessments	Operational	Failure to meet the stretching and ambitious corporate plan target	SMT	10/09	Strong performance management arrangements led by AD Adult Social Services and subject to monthly review	Medium	Low	Barnet performance against timeliness of assessments is in the top quartile compared to comparator	Glynnis Joffe	11/09	A strategy is in place to maximise performance. New Social Care Direct team is established at the access point with the aim of resolving requests for help more quickly.	Open	Medium	Low		

AGENDA ITEM: 11

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Meeting	Audit Committee
Date	16 December 2009
Subject	Internal Audit Strategy
Report of	Interim Head of Internal Audit
Summary	The Committee is asked to approve the Internal Audit Strategy

Officer Contributors	Richard King - Interim Head of Internal Audit
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix – Internal Audit Strategy
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Richard King, Interim Head of Internal Audit 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee approve the Internal Audit Strategy for the year beginning April 2010 to March 2011 .**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:

“We will deliver value for money for our residents.”

- 3.2 We will continue to build on the solid foundations of the last few years, developing the core assets of people, finance, technology and information, to ensure that we are a modern, customer-focused organisation. (Corporate Plan 2009/10)

4. RISK MANAGEMENT ISSUES

- 4.1 Internal Audit works in accordance with the Standards promulgated by The Chartered Institute of Public Finance and Accountancy (CIPFA). Standard 7 states that “the Head of Internal Audit must produce an audit strategy”. This Strategy should be a statement of how the service will be delivered and how it links to the Authority’s objectives and priorities.
- 4.2 Without an approved strategy, Internal Audit activity may be insufficiently focused on the organisational goals and, therefore, be less effective, leading to poor value for money.
- 4.3 The absence of an approved Strategy may have a damaging effect on the Use of Resources score awarded by the External Auditor.

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 at present. The approval of the Strategy will start the process of examining the resources available to Internal Audit to provide the level of assurance necessary for the Council. This may ultimately entail a reassessment of priorities and resources.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

8.1 Section 3 of the Constitution covers the statutory obligation for the Council to have an adequate and effective internal audit. This obligation flows from the Accounts and Audit Regulations 2006 (as amended) which states in the explanatory notes that proper practice for internal audit is contained in the CIPFA Code.

9. BACKGROUND INFORMATION

9.1 Internal Control Improvement Action Plan which resulted from the external review of internal controls, dated May 2009.

10. LIST OF BACKGROUND PAPERS

10.1 Any person wishing to view any of the background papers should telephone 020 8359 3167.

Legal: MAM

Finance:

London Borough of Barnet

Internal Audit Strategy 2010-11

1. Introduction

This document sets out the strategy for Internal Audit for the year starting April 2010 until March 2011. It demonstrates how Internal Audit supports the Council in achieving its overall aims and objectives whilst maintaining the professional standards that local authority internal auditors must achieve.

These professional standards are published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in the “Code of Practice for Internal Audit in Local Government in the United Kingdom 2006” (The Code). This Code is recognised as the non-statutory proper practice for local government internal auditors by the Accounts and Audit Regulations 2003, as amended 2006.

2. Role and Purpose of Internal Audit

2.1 Internal Audit is defined in the Code as:

“an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment¹ as a contribution to the proper, economic, efficient and effective use of resources.”

2.2 Internal audit activity acts as agent for change by assisting the Council’s managers in the effective achievement of the Council’s objectives by reviewing risk management, offering advice on best practice and recommending improvements in control to help reduce the risk of loss, error, fraud or abuse.

3. Strategic Aims

3.1 Internal Audit will support the Council in its achievement of the Corporate Plan by providing the Audit Committee, Chief Executive and Directors with reports and analyses on the management of risks to achieving the objectives. These reports will contain an audit opinion on the adequacy and effectiveness of internal control within each activity area or system under review.

The Chief Internal Auditor will provide in the Annual Report of Internal Audit an opinion, in support of the Annual Governance Statement, on how the management’s risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council, based on the internal audits carried out during the year.

3.2 Internal Audit will support the discharge of the statutory functions of the Chief Finance Officer in relation to “making proper arrangements of the financial affairs of the Council”

¹ The control environment comprises the systems of governance, risk management and internal control

3.3 Internal Audit work will support the vision and priority aims of the Council with effective recommendations or agreed management actions plans for improving risk management for improving service delivery to the citizens of Barnet.

3.4 Internal Audit will support the Corporate Plan aim of “Getting the best value for every taxpayer’s pound” by ensuring that best value principles are applied to the work of the Section.

3.5 All Internal Audit work will be conducted within the powers and responsibilities assigned to the Chief Internal Auditor (not sure if this is the approved job title?) and Internal Audit function through the Council’s financial regulations.

3.6 Internal Audit will co-ordinate its programme of work with that planned by the Audit Commission’s external auditor to ensure optimum coverage and minimum duplication and also to enable the external auditor to place suitable reliance on the work of Internal Audit.

4. Meeting Internal Audit’s Strategic Aims

4.1 All internal audit work carried out will meet the Standards set out in the CIPFA Code. This will include rigorous review and quality assurance procedures being carried out by internal audit management.

4.2 Internal Audit will use, wherever possible, directorate assessments of risk to achieving the Council’s objectives. There will be an assessment of the risk management system and from this, Internal Audit will determine the status and development of risk management within the directorate/unit for all of the significant activities of the Council.

In discussion with the appropriate managers, an internal audit annual work programme will be prepared for presentation to and approval by the Audit Committee.

4.3 System based audits of the Council’s key systems which includes: Accounting, Creditors, Debtors, Payroll, Treasury Management, Performance Management, Housing Benefit. (This list by way of exemplification and is not exhaustive will be carried out as this will offer to members and directors assurance that these significant systems are operating properly.)

This will also help to maximise co-operation with the external auditor providing a cost efficient and effective way of giving assurance on these activities through minimising duplication.

4.4 Internal Audit will carry out follow up work where significant risk management issues have been identified. Such work will be scheduled at the time of issuing the final agreed audit report.

4.5 There will be identified timescales for all internal audit work. Timings will be agreed with the appropriate managers. This will include an agreed date for the delivery of the draft report to the audited manager.

4.6 The Chief Internal Auditor (see comment above) will issue post audit questionnaires to managers in order for comments to be made and performance of audit staff to be judged. Performance information will be regularly provided to the Audit Committee for monitoring and assessment purposes.

5. Managers' Responsibilities with regard to Internal audit work

5.1 For internal audit to contribute to the Council's overall achievement of its objectives, it is essential that managers play a full role in the work of internal audit. It is, therefore, vital that the following responsibilities are accepted by managers at all levels for the full benefit of internal audit to be derived:

- Strategic level involvement to inform the annual audit plan;
- Operational level involvement with individual audits;
- Being open and honest with audit staff;
- Making staff and records available when requested;
- Responding to draft audit reports in the agreed timescale;
- Only accepting recommendations with which they agree, and readily agree to own, and providing timescales for implementation that are achievable; and
- Implementing the agreed actions (by the agreed date) arising from the audit.

Managers are responsible for the effective management of risk to achieving their objectives, auditors are responsible for giving advice/suggesting improvements that should lead to more effective and efficient controls. Little organisational benefit will follow if recommendations and timescales are unrealistic.

Prepared by:

Date prepared:

Date approved by Corporate Directors Grou

AGENDA ITEM: 12

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Meeting	Audit Committee
Date	16 December 2009
Subject	Independent Advisors
Report of	Interim Head of Internal Audit
Summary	To consider the appointment of two independent non-voting members to the Audit Committee

Officer Contributors	Richard King - Interim Head of Internal Audit
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Richard King, Interim Head of Internal Audit 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee agree that two independent non-voting members should be appointed to the Audit Committee on the basis set out in the report and that a report be taken by the officers to the next meeting of the Special Committee (Constitution Review) with a view to seeking approval from Council to the necessary changes to the Audit Committee's membership as set out in the Constitution.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Good risk management and a strong internal control environment are fundamental if the Council is to achieve its Objectives and Plan as they provide the background for the effective use of the scarce resources available to the Authority.

4. RISK MANAGEMENT ISSUES

- 4.1 Independent members should enable the Council to manage its risks better as they bring their broad experience to bear on the Authority's functions.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 If members decide to proceed with the appointment of independent members, it is a fundamental principle that such positions should be open to all who have the required skills and experience.

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

- 6.1 If it is decided to appoint independent members, consideration will need to be given to the question of whether to pay a small allowance and/or travel expenses which will have an insignificant impact on finances.

7. LEGAL ISSUES

- 7.1 Section 102 (3) Local Government Act 1972 and Section 13 Local Government & Housing Act 1989 provide for the co-opting of non-elected individuals to be members of Council Committees, with the exception of the Finance Committee. Co-optees can be members of the Audit Committee

8. CONSTITUTIONAL POWERS

- 8.1 Membership of the Audit Committee is set out in the Council's Constitution. Changes to the Constitution can only be approved by the Council.

9 BACKGROUND INFORMATION

- 9.1 Many local authorities now include as part of their audit committees, independent non-voting members to assist elected members in the discharge of their responsibilities. The external auditors and the Director of Corporate Governance are of the view that this should be actively considered by Barnet's Audit Committee. The external auditors have previously made known their views on the matter to the Committee.

Background

- 9.2 Most local authorities now have a separate audit committee that fulfils the best practice identified in the Cipfa (the Chartered Institute of Public Finance and Accountancy) publication "Audit Committees Practical Guidance for Local Authorities". This Guidance is regarded by the Audit Commission and its external auditors as best practice for audit committees and is used by the external auditors to assess individual authority's audit committee performance.
- 9.3 A number of local authorities have, in the light of recent governance issues, been reconsidering their committee membership with a view to bringing in non-elected members with an independent perspective and expertise in areas of work covered by the committee. These non-elected members of the committee are normally appointed in a non-voting capacity, but nevertheless are influential in assisting the elected members with their challenge role. Such members offer a different perspective and form of challenge through their broadly different experience and professional knowledge. Additionally, the independent expert member can help to facilitate and bring understanding of best practice to the many areas of the committee's responsibility.
- 9.4 The Cipfa guidance states:
- "Co-option may well be beneficial. Often, the injection of an external view, for specific discussion, can be seen as bringing a new approach and flavour to committee discussions. Many authorities have made provision to co-opt a member but have not bestowed voting rights on that member. This allows flexibility in co-option and retains the decision making function for the permanent members of the audit committee".
- 9.5 Furthermore, it is seen as a very useful way of gaining some of the detailed skills that are a fundamental requirement of an audit committee.

Current practice in local authorities

- 9.6 A survey conducted early in 2008 showed varying practices among London local authorities, whose audit committees have independent members, with the number of independent members ranging from 1 to 3.
- 9.7 A full survey of all London boroughs has not been conducted since this time.

- 9.8 Such independent members vary considerably in their backgrounds with some being drawn from a relevant public service skills and experience base to those who have held significant positions within the private sector. The linking factor is an interest in good governance, appropriate professional qualification and practical experiences of some of the subject areas e.g. audit, risk, finance.
- 9.9 The independent member's function is to constructively help elected members in challenging information presented to them by officers so that they can assure themselves that the Authority's objectives are being safeguarded through a secure internal control environment that embraces effective risk management and internal audit.
- 9.10 Some authorities have appointed/co-opted independent members specifically with the intent of them chairing the audit committee. At least one London Borough, which has 2 co-optees, has appointed them as chairman and vice-chairman. That is not proposed at Barnet, nor is it proposed that independent members should be able to vote.

Appointment of independent members

- 9.11 There has been a range of methods used in the past to obtain independent members for local authority audit committees. Often, advisors were selected/appointed through personal recommendation. These methods are largely not being repeated. If the proposal for appointing independent members is to be pursued at Barnet, we would propose to recruit by consulting Cipfa, canvassing interest from major accountancy, audit and risk management firms, as well as conducting appropriate media advertising. Public advertising is consistent with the Council's equalities' agenda although, of course, applicants will be expected to have the necessary qualifications, skills and experience. Applicants will be expected to complete a full application form and a rigorous recruitment, interview and selection process will be applied. Recommendation would be made to full Council for appointment.
- 9.12 The proposal is that two independent non-voting members be appointed to the Audit Committee on the basis set out in the report and that a report be taken by the officers to the next meeting of the Special Committee (Constitution Review) with a view to seeking approval from Council to the necessary changes to the Audit Committee's membership as set out in the Constitution. The recruitment process would follow on from such approval being given.

Legal: JEL