

MEETING
AUDIT COMMITTEE

DATE AND TIME
THURSDAY 11 MARCH 2010
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
Andreas Tambourides	Darrel Yawitch	

Substitute Members:

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

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

CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

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1.	MINUTES	-
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3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-
4.	PUBLIC QUESTION TIME (If any)	-
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14.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-

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AGENDA ITEM: 6

Page nos. 1 - 20

Meeting	Audit Committee
Date	11 March 2010
Subject	Grants Report 2008/09
Report of	Interim Assistant Director of Finance
Summary	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants.

Officer Contributors	Nickie Morris, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Grants Report 2008/09
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Nickie Morris, Finance Manager (020 8359 7210) or Maria G. Christofi, Head of Strategic Finance (020 8359 7122).

1. RECOMMENDATIONS

- 1.1 That the matters raised by the External Auditor relating to the grants submission and certification process be noted.**
- 1.2 That the Officer response to the matters raised by the External Auditors be noted.**
- 1.3 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 05 February 2009 (External Audit Report on Grants Submission Process).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Grants Report addresses fundamental aspects of management arrangements in Barnet, which relates to the Council's 'More Choice, Better Value' corporate priority.

4. RISK MANAGEMENT ISSUES

- 4.1 The Grants Report summarises Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process however it also draws attention to significant matters in relation to individual claims. Failure to address these matters can place the receipt of external funding, which the council is entitled to and has budgeted for, at risk.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Grants Report covers the arrangements in place for securing grants across services within the authority. This, in turn, impacts on all members of the community.

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

- 6.1 The grants submission process is the final stage in the process for receiving external funds from third parties. As noted above, where there are weaknesses in the systems for monitoring and claiming these monies, these funds are potentially at risk therefore the External Auditor's comments and recommendations should be noted.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The Council submitted 12 grant claims and returns from government departments and other bodies requiring external audit certification in 2008/09, representing a claim value in excess of £324 million.
- 9.2 Under Audit Commission guidance, to provide assurance to the grant paying bodies, the Council’s External Auditor reviews and certifies all claims in excess of £100,000 after verifying that all the expenditure incurred by the Council qualifies under the terms and conditions of the grant. Grants under £100,000 do not have to be certified and only limited checks are required for grants between £100,000 and £500,000.
- 9.3 The following performance is drawn to the attention of this Committee. It summarises the Council’s performance against key certification performance targets and prior year’s performance.

Performance measure	Target	Performance 2008/09	Performance 2007/08
Number of claims	N/A	12	10
Claims submitted on time	100%	83%	100%
Claims certified on time	100%	100%	100%
Claims amended by auditor	0%	33%	38%
Claims qualified by auditor	0%	17%	25%

- 9.3.1 The Council did not identify 2 claims, relating to grants received from the London Development Agency, until after the submission deadline had passed.
- 9.3.2 In 2008/09 2 claims were qualified, these were the Housing Revenue Account Base Data return and the Teachers’ Pensions London Academy return. Grant Thornton are required to qualify where they feel that, based on certification work which they have undertaken, the entries within the claim or return are not adequately supported by the council’s working papers such that they are not satisfied that the claim or return is correct.
- 9.3.3 The Housing Revenue Account Base Data return was qualified because the council was required to include information on shared ownership dwellings. The council is in the process of completing the spreadsheet with the view that the qualification can be lifted. Grant Thornton will undertake further work once this exercise has been completed. The Teachers’ Pensions London Academy return was qualified because there was no evidence that one of the teachers who had commenced work after 1 Jan 2007 had opted out of the scheme.
- 9.3.4 There has been a slight increase in the number of claims being amended,

however some of the amendments to the claims and returns certified were minor.

9.4 The grant fee for 2008/09 was £78,890 against a budget of £75,000. The actual fee was more than the budgeted as the budget was set before the Council identified the two London Development Agency claims.

9.5 The External Auditors commented that the quality of working papers provided to them were of a good standard. However, there were delays in providing additional information and supporting documentation requested in respect of the Housing Base Data Return and Housing Subsidy Return.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

Finance: AT



London Borough of Barnet

Grants Report 2008-09

February 2010

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2	Detailed findings	4

Appendices

- A Approach and context to certification**
- B Details of claims and returns certified in 2008-09**
- C Action plan**

1 Executive summary

1.1 Introduction

The Council received 12 grant claims and returns from government departments and other bodies requiring external audit certification in 2008-09, representing a claim value in excess of £324 million.

Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

1.2 Approach and context to certification

We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

1.3 Key messages

A summary of all 12 claims and returns subject to certification is provided at Appendix B, together with the certification fee and outcome of our review. The key messages from our review are summarised in Table One below, and set out in detail in the section two.

Table One: Key Messages

Issues arising from our work	Action required
We qualified the returns relating to Teachers' pensions returns London Academy and HRA Subsidy base data return. Details of qualification are included in paragraph 2.4.	The Council should ensure that claims are prepared in compliance with the requirements of the specific scheme and the Certificate Instruction.

Arrangements for certification:

- amounts claimed below £100,000 - no certification
- amounts claimed between £100,000 - £500,000 - agreement to underlying records
- amounts claimed over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Issues arising from our work	Action required
Two of the claim forms, relating to grants received from the London Development Agency (LDA), were submitted to us after the submission deadline. As a result, one of the claims was certified after the certification deadline, although we complied with the requirement to certify claims within three months of receipt. Claims submitted or certified after the deadline could result in penalties, non-receipt of grant monies or potential repayment of grant monies.	The Council will need to ensure that it has adequate procedures in place to identify grant claims that need to be completed and that claims are submitted by the deadline.
The National Non-Domestic Rates Return includes bad debts within the losses of collection line. However bad debts were not approved in a timely manner in accordance with the Council's policy. This could result in the claim being qualified.	The Council should ensure bad debts written off are approved in a timely manner in accordance with its policy.
Four of the claim forms submitted for certification were amended.	The Council should undertake appropriate review to ensure claim forms submitted are accurate.
One claim form from 2005/06 was only certified in July 2009 due to delay in reconciling the claim partly due to systems and key officer changes.	The Council should ensure grants claims are effectively monitored until completion. Where significant delay occurs the claim should be escalated to Strategic Finance by the Grants Co-ordinator.

1.4 The way forward

We have made a number of recommendations to address the key messages highlighted and other findings arising from our certification work at Appendix C.

Implementation of the agreed recommendations will assist the council in compiling accurate and timely claims for certification. This will also, more importantly, reduce the following risks to the Council:

- non-receipt of grant monies;
- potential repayment of grant monies; and
- additional audit fees.

The use of resources assessment in 2009 required auditors to consider the results of certification work, including, in particular, the impact of housing benefit and council tax testing on data quality. The 2010 assessment will be further integrated with grant certification work, including consideration of the outcome of a wider range of grant claims.

1.5 Acknowledgements

We would like to take this opportunity to thank the grant claim co-ordinator and other Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2010

2 Detailed findings

2.1 Introduction

This section of the report summarises the main issues arising from the certification of grants and returns in 2008-09. Further details of the individual grants that have been certified are provided at Appendix B with Appendix C setting out our recommendations and improvement opportunities arising from the certification of individual grants.

2.2 Performance against targets

Table Two summarises the Council's performance against key certification performance targets for the 12 claims and returns submitted in 2008-09 compared to 10 claims and returns in 2007-08:

Table Two: Performance against key certification targets

Performance measure	Target	Achievement in 2008-09		Achievement in 2007-08		Direction of travel
		No.	%	No.	%	
Number of claims submitted on time	100%	10	83	10	100	↓
Number of claims certified on time *	100%	11	100	10	100	→
Number of claims amended by the auditor	0%	4	33	3	38	↑
Number of claims qualified by the auditor	0%	2	17	2	25	→
Number of claims for which certification fee exceeded budget	0%	4	33	2	25	↓

* the certification deadline is that prescribed by the grant paying body as advised by the Audit Commission, or if a claim is received after the submission deadline, within three months of receipt. In one case we certified the claim after the deadline but within the three month period allowed.

This analysis of performance against targets shows that:

- The Council did not identify two claims, relating to grants received from the London Development Agency, until after the submission deadline had passed.
- It is the Council's responsibility to ensure that all claim deadlines are met. We are required to certify all claims and returns within three months of receipt of both the claim and a full set of working papers. Although we completed our work on the London Development Agencies claims within the three months period allowed after submission, these claims were not completed in accordance with the scheme deadline due to late submission by the Council.
- We qualified two claims this year as we did in the previous year. We are required to qualify whenever we feel that, based on the certification work which we have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is correct. Government departments are entitled to withhold or withdraw payment to the Council of any monies that they feel, based on our qualification letters, are not adequately supported. The two claims qualified were the Housing Revenue Account Base Data return and the Teachers' Pensions London Academy return; and
- There has been a slight increase in the number of claims being amended. Some of the amendments to the claims and returns certified were minor. Furthermore, those claims and returns that require auditor certification are more complicated than those that no longer require auditor certification and there is thus a greater risk of error in compiling them. An analysis of the claims and returns that were amended is given in Appendix B. The Council should undertake appropriate review of grant claims before submission to ensure greater accuracy.

We charged a total fee of £78,890 against a budget of £75,000 for the certification of claims and returns in 2008-09. The actual fee was more than the budget as the budget was set before the Council identified the two London Development Agency claims. Details of fees charged for individual claims are included within Appendix B.

2.3 Management arrangements

Good arrangements are required for successful management of the certification of grant claims and returns. The results of our review of management arrangements are set out below. Associated recommendations for improvement are included at Appendix C.

Grants co-ordination

The Council has a grants co-ordinator, based in Finance Shared Services - Resources, who is our key point of contact when making arrangements to undertake our certification work and liaises with key officers on all grants claims and returns. The grants co-ordinator actively requests the Audit Commission's monthly Certification Instruction index which gives an up to date list of the claims and returns that need to be submitted by each Council and by what date.

From discussions with the Head of Strategic Finance, there appears to be lack of communication on qualification and amendment of grant claims between the Grants co-ordinator and Strategic Finance. The Grants co-ordinator should ensure that she notifies Strategic Finance of any claims qualified or amended.

Grants co-ordination could be further improved if services managers who are aware of new grants being received communicate the conditions and requirements of these grants as soon as they are aware to the co-ordinator. Service managers should also communicate with the Grants Co-ordinator those claims for which they are addressing auditor queries and

therefore will potentially not meet sign off deadlines so that the co-ordinator can keep Strategic Finance informed as to potential risks of non receipt of grant monies.

Compilation procedures

As part of our control environment and testing assessment we reviewed the compilation procedures for each claim or return. We generally found that the person compiling the claim has sufficient experience or if new to the role was given adequate supervision and guidance. Key officers have been provided with training in preparation of claims and returns and the certification process.

Quality of working papers

The quality of working papers provided to us is of good a standard. There were delays in providing us with additional information and supporting documentation requested in respect of the Housing Base Data Return and Housing Subsidy Return. Key officers should ensure that they are available to answer queries while we are on-site and that information requested is provided as soon as practical to ensure that there is no delays in completing our certification work which may also result in an increase of audit fees charged.

Sign off arrangements

The Acting Head of Strategic Finance at the time had delegated authority to sign off all grant claims. This allowed the certification process to run without unnecessary delays, as both he and the Interim Director of Finance were able to sign off the claims and returns.

Submission procedures

As agreed within the Grants Plan for 2008-09, the grants co-ordinator emails us an electronic copy of the signed claim or return once completed. During 2008-09 all but two claims and returns were submitted to us by the required deadlines.

Officer availability

We give the Council as much notice as possible of our proposed dates for the certification of each claim or return. Where these dates are not convenient for the Council, we are as flexible as possible in order to facilitate a successful certification process. For the majority of claims and returns we found officers to be helpful, co-operative and available as planned. However as set out above we experienced delays in receiving information in some cases.

Independent review

We found that not all grant claims and working papers had been subject to independent review. Such review is intended to provide assurance as to the accuracy of claims and returns and the Council should ensure that claims and working papers are independently reviewed.

2.4 Significant findings in relation to individual claims and returns

A summary of all claims and returns we have certified is attached at Appendix B, together with the certification fee and outcome of our review. The key issues arising from our work on specific claims are set out below and recommendations for improvement are set out in Appendix C.

RG31 - Single Programme LDA

The Council does not have adequate procedures in place to identify all grants which require certification and as a result did not identify two London Development Agency claims, relating to Barnet Youth offer and Aerodrome Road Carriageway works, which were due to be submitted to us by the 30 April 2009. It is the Council's responsibility to ensure that it meets all grant conditions, including ensuring that the claim is submitted by the deadline. These claims were submitted to us on the 23 July 2009 and the deadline for certification was

31 July 2009. As the Council's auditors, we are required to certify all claims and returns within three months of receipt of both the claim and a full set of working papers. We completed our work within this period but not before the scheme certification deadline due to late submission by the Council.

The Council should ensure that it has adequate procedures in place to identify grant claims that need to be completed and submitted by the deadline to ensure claims are certified by the required date.

HOU02 - HRA Subsidy Base Data Return

The Department of Communities and Local Government (CLG) issued a spreadsheet to help authorities calculate certain amounts included in the return. In order to complete the spreadsheet the council was required to include information on shared ownership dwellings. We noted that the Council had not reconciled the dwellings for 2008/09 and 2007/08 to the HRA Base Data Return claims for these years which is required to feed into the calculations. Further, the Council has not included the shared ownership transitional rent amounts for 2009/10 and previous years. Therefore we are unable to verify the accuracy of the figures in fields which were obtained from the CLG spreadsheet and the Housing Revenue Account Base Data return has been qualified.

The Council is in the process of completing the spreadsheet with the view that the qualification can be lifted. We will undertake further work once this exercise has been completed.

The Council should review guidance issued by the CLG and obtain information, where possible, of shared ownership dwellings to include within the spreadsheet.

HOU21 - Disabled Facilities Grant

As part of our testing we selected a sample of ten files to ensure that expenditure incurred was eligible. One of the files selected for testing could not be initially located, consequentially a further ten files were selected for testing to ensure this was an isolated missing file. This file was subsequently located after the further testing was completed. This resulted in additional fees being charged for the time spent on the additional testing.

Files should be stored in a central location to ease retrieval.

LA01 - National Non-Domestic Rates Return

Included within the losses in collections was an amount relating to bad debts written off during the year. The CI requires that all write-offs are properly approved in accordance with the authority's procedures. Write offs under £5,000 had not been authorised by the Director of Finance in accordance with the Council's procedures, although they were subsequently authorised by the Acting Director of Finance prior to the claim being certified. Write offs not authorised in a timely manner could result in the claim being qualified.

The Council should ensure that bad debts written off are approved in a timely manner in accordance with its own procedures.

PEN05 - Teachers' Pensions Return London Academy

We noted that for one of the teachers who had commenced work after 1 January 2007, there was no evidence that he had not opted out of the scheme resulting in the Teachers' Pensions London Academy return being qualified.

The Council should ensure that part-time employees, including supply teachers, are entered, and correctly classified on the system, assessed if eligible for teachers' pension and proof of teachers 'opting out' of the pension scheme is retained.

LEA 1/06 - Reimbursement by the Higher Education Funding Council for England of staff-related inherited liabilities

This claim has been outstanding since 2005-06. There were four areas of where action was required following our initial work, including eligibility to be in the scheme and reconciliation with the general ledger. The Council has taken 18 months to resolve these issues. There were significant delays in attending to these issues due to inability to reconcile the grant claim to the general ledger, due to a change in accounting systems and changes to responsible officers. The claim was certified in July 2009.

This claim highlights the need for the Council to ensure that grant claims are effectively monitored until completion and there is appropriate escalation where significant delay is experienced.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £100,000 - no certification required;
- for amounts claimed above £100,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council; and
- for amounts claimed over £500,000 - certifying that the claim agrees to underlying records of the Council and an assessment of the control environment. Where reliance is not placed on the control environment, detailed testing is performed.

Roles and responsibilities

The following table sets out the roles and responsibilities of the parties involved in the certification of claims and returns.

Party	Role and responsibility
Grant paying body	Sets grant conditions and the deadlines for submission of the pre-certificated and certified claim
Audit Commission	Issues certification instructions
Council	Submits claims and returns to the Appointed Auditor within grant paying body submission deadlines. Ensures adequate documentation is maintained to support compilation of claims and returns.
Appointed Auditor	Certifies claims in accordance with Audit Commission instructions and within certification deadlines.

Scope

We assess the Council's arrangements for submission of grant claims for certification. We do not review the Council's wider arrangements for managing external funding or maximising its entitlement to external funding.

B Details of claims and returns certified in 2008-09

Ref	Claim	Claim value (£)	Amended? Y/N	Amendment value (£)	Qualified? Y/N	Budgeted fee (£)	Actual fee (£)
BEN01	Housing Benefit & Council Tax Benefit Subsidy	189,542,517	Yes	54,452	No	32,000	27,735
CFB06	Pooling of Housing Capital Receipts	738,406	Yes	15,112	No	4,000	3,575
EYC02	General Sure Start	10,468,822	No	N/A	No	3,000	3,770
HOU01	Housing Revenue Account Subsidy	12,064,434	Yes	Amendment did not have a financial impact	No	4,500	5,785
HOU02	Housing Revenue Account Subsidy Base Data Return	N/A	No	N/A	Yes	10,000	10,270
HOU21	Disabled Facilities Grant	750,000	No	N/A	No	4,000	4,355
LA01	National Non-domestic Rates Return	91,412,573	No	N/A	No	9,000	6,370
PEN05	Teachers' Pensions Return (x3)	17,253,683	Yes	Amendment did not have a financial impact	Yes	8,500	8,450
RG31	Single Programme (LDA) (x2)	2,197,812	No	N/A	No	0	5,850
TOTAL		324,428,247		69,564		75,000	78,890

C Action plan

Ref	Claim	Recommendation	Priority	Management response and implementation details
1	Single Programme (LDA) - RG31	The Council should ensure that it has adequate procedures in place to identify grant claims that need to be completed and that they are submitted by the deadline.	1	The action taken to reduce the risk would be that Finance team need to ensure that they need to have all the grant conditions and ask the service for the ones that they have not received or informed of. They also need to ensure that key deadlines are met with all the working papers in order. Tess Glenday/ Karen Ali Immediate
2	HRA Subsidy Base Data Return - HOU02	The Council should review guidance issued by the CLG and obtain information, where possible, of shared ownership dwellings to include within the required spreadsheet.	1	The issue does not have an impact upon the grant, and has arisen due to a change in the Subsidy return. The authority is referring the data issue to DCLG. Gary Pliskin Immediate
3	Disabled Facilities Grant - HOU21	The Council should ensure that all case files are stored in a central location to ease retrieval.	3	Officers will endeavour to have all the relevant files and paper work available Andrew Milne/ Liz Gibbs Immediate

Ref	Claim	Recommendation	Priority	Management response and implementation details
4	National Non-domestic Rates Return - LA01	The Council should ensure bad debts written off are approved in a timely manner, in accordance with the Council's policy.	2	<p>The action taken to reduce the risk would be that Finance team need to ensure that they need to have all the grant conditions and ask the service for the ones that they have not received or informed of. They also need to ensure that key deadlines are met with all the working papers in order.</p> <p>Tess Glenday/ Karen Ali Immediate</p>

Ref	Claim	Recommendation	Priority	Management response and implementation details
5	Teachers' Pensions Return - PEN05	The Council should ensure that part-time employees, including supply teachers, are entered, and correctly classified on the system, assessed if eligible for teachers' pension and that the Council maintains proof of teachers 'opting out' of the pension scheme.	1	<p>The Council have automatic procedures in place that all part time/supply teachers are automatically entered into the Teachers Pension scheme UNLESS they choose to 'opt out'. Consequently review mechanisms have now been implemented of regular system reporting from the source system via regular system reports in relation to input data validation checks.</p> <p>Any teachers identified from the reporting now involve stringent manual validation checking in support of the necessary documentation as proof of the 'opting out' of the scheme and all documentation is kept securely.</p> <p>Annie Alexander/Simon Whittle On going</p>
6	Reimbursement by the Higher Education Funding Council for England of staff-related inherited liabilities - LEA 1/06	The Council needs to ensure grant claims are effectively monitored until completion and there is appropriate escalation where significant delay is experienced.	1	<p>A review of the grant completion and monitoring process was put in place, which will be built into regular directorate management reporting arrangements.</p> <p>Karen Balam Immediate</p>

Ref	Claim	Recommendation	Priority	Management response and implementation details
7	All claims	Key officers should ensure that they are available to answer queries while our audit team is on-site and that information requested is provided on a timely basis.	1	Key officers will ensure that they are either available or that there is a representative that is available. Karen Balam Immediate
8	All claims	The Council should ensure that claims and working papers are reviewed by somebody who has not compiled the claim, usually by a manager or somebody with more experience than the compiler. The Council should work to ensure fewer claims are amended in 2009/10.	2	This is usually the case, and officers shall endeavour to review the working papers Karen Balam Immediate
9	All claims	The Grants co-ordinator should ensure that she notifies Strategic Finance of any qualified or amended claims.	2	Procedures have been adopted to ensure that this process is followed Maria Christofi Immediate

AGENDA ITEM: 7

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Meeting	Audit Committee
Date	11 March 2010
Subject	Annual Audit Letter 2008/09
Report of	Interim Assistant Director of Finance
Summary	This report advises the Committee of the Audit Commission report on the 2008/09 Audit of Accounts and Inspection.

Officer Contributors	Nickie Morris, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Annual Audit Letter 2008/09
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Nickie Morris, Finance Manager (020 8359 7210) or Maria G. Christofi, Head of Strategic Finance (020 8359 7122).

1. RECOMMENDATIONS

1.1 That the Audit Commission's Audit Letter for 2008/09 be accepted as a reasonable statement on the Council's position in respect to financial standing, and financial and performance management arrangements.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

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

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The purpose of the Annual Audit Letter is to summarise the key issues identified by the Council's External Auditor, Grant Thornton UK LLP, during their audit and inspection activity. The letter is designed to communicate key messages to the Council and external stakeholders, including members of the public.
- 9.2 The External Auditor is expected to attend the Committee meeting to introduce their report and respond to questions. This covering report extracts the key messages from within the Annual Audit Letter 2008/09, which is attached to this report.
- 9.3 The following is drawn to the attention of this Committee:
- 9.3.1 The Statement of Accounts have been deemed to be of good quality and free from material misstatement. They have been given an unqualified audit opinion.
- 9.3.2 The long standing objection to the 2001/02 accounts in respect of the land sale to Barnet Football Club was resolved in 2008/09. Grant Thornton has also confirmed that the Council's 2008/09 accounts were certified as closed with no outstanding questions or objection in respect of that year and earlier.
- 9.3.3 The Council has been provided with an unqualified conclusion on the adequacy of its arrangements for ensuring economy, efficiency and effectiveness in its use of resources.
- 9.3.4 The Council's Use of Resources Assessment for 2008/09 is an overall level 3, reflecting good financial and performance outcomes, in line with around two-thirds of London Boroughs. The Council has been assessed as performing well in the areas of managing finances and managing resources.
- 9.3.5 The Council should ensure that the Future Shape strategy continues to be supported by robust financial and performance governance arrangements.
- 9.3.6 The Council should ensure that the Building Schools for the Future programme is supported by sound procurement processes.
- 9.3.7 The Council should address the Internal Control issues arising in the year and reflected in its Annual Governance Statement, in particular the continued development and strengthening of the Internal Audit Service.
- 9.3.8 The Council should ensure that its medium term financial planning continues to take account of the current economic climate and the likely reductions in public spending in the short to medium term, as well as the impact of the recession on Council income.
- 9.3.9 The Council should continue its preparation for the introduction of accounting under International Financial Reporting Standards (IFRS), including ensuring that asset valuation procedures are sufficiently robust and accounting for fixed

assets is further strengthened.

9.3.10 Grant Thornton completed a mandatory National Fraud Initiative (NFI) risk assessment for the Audit Commission, based on the Council's progress in investigating potential data matches identified on the system. The assessment was based on a 'traffic light' marking system and they assessed the council as 'amber', reflecting that satisfactory progress is being made. They will continue to monitor progress as part of their 2009/10 work.

9.3.11 Certification programme for 2008/09 has yet to be completed but from the work undertaken to date the Council's performance has been deemed satisfactory overall, but with some scope for development.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

Finance: AT

London Borough of Barnet

Annual Audit Letter - 2008/09

December 2009

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Appendices

- A Reports Issued**
- B Appendix: Audit Fees**

1 Executive Summary

1.1 Purpose of this Letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at the London Borough of Barnet ('the Council') during our 2008/09 audit. The Letter is designed to communicate our key messages to the Council and external stakeholders, including members of the public. The Letter will be published on the Council's website.

1.2 Responsibilities of the External Auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering financial and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions.

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

1.3 What this Letter Covers

This Letter covers the audit work we have carried out in 2008/09, including key messages and conclusions from our work in:

- Auditing the 2008/09 year end accounts (Section 2)
- Assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (Section 3)
- Certifying claims and returns (Section 4).

We have not repeated recommendations agreed with the Council during the year in this Letter. A list of the reports issued can be found at Appendix A. Our actual and budgeted fees for 2008/09 are set out in Appendix B.

The findings of our work in 2008/09 contribute towards the Audit Commission's Organisational Assessment of the Council and the Comprehensive Area Assessment for Barnet. The results of this work will be reported separately to the Council by the Audit Commission.

* Note: An audit opinion is deemed to be 'un-qualified' when the auditor does not have any significant reservations about the validity of the figures presented in the accounts. A 'qualified' opinion may arise where such reservations exist, for example, if significant values presented in the accounts are not thought to be accurate or cannot be verified.

1.4 Overall Conclusions

The Council performed well in respect of the key aspects of our 2008/09 audit:

- The Council continues to prepare good quality accounts that are free from material misstatement. We provided an 'unqualified' opinion on the Authority's Statement of Accounts (including the Pension Fund), by the statutory deadline of 30 September 2009*.
- We provided an unqualified conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.
- In the Use of Resources Assessment for 2008/09, the Council achieved an overall level 3, reflecting good financial and performance outcomes, in line with around two thirds of London Boroughs.

1.5 Key Areas for Council Consideration

We highlight the following key areas for consideration by the Council in 2009/10.

- The Council should ensure that the Future Shape strategy continues to be supported by robust financial and performance governance arrangements.
- The Council should ensure that the Building Schools for the Future programme is supported by sound procurement processes.
- The Council should address the Internal Control issues arising in the year and reflected in its Annual Governance Statement, in particular the continued development and strengthening of the Internal Audit Service.
- The Council should ensure that its medium term financial planning continues to take account of the current economic climate and the likely reductions in public spending in the short to medium term, as well as the impact of the recession on Council income.
- The Council should continue its preparations for the introduction of accounting under International Financial Reporting Standards (IFRS), including ensuring that asset valuation procedures are sufficiently robust and accounting for fixed assets is further strengthened.
- There are a number of areas which require attention arising from the Use of Resources Assessment, which will help the Council to maintain or improve performance in future years (see section 3.4).

1.6 Concluding Statement

This Letter was agreed with the Chief Financial Officer in December 2009 and will be presented to Audit Committee early in 2010.

We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit, which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support.

Grant Thornton UK LLP
December 2009

2 Statement of Accounts

2.1 Introduction

We issued an unqualified opinion on the Council's 2008/09 accounts on 29 September 2009 (including the Pension Fund), ahead of the statutory certification deadline. Our opinion confirms that the accounts 'present fairly' the financial position of the Council.

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (for the purposes of accounts approval this is the Audit Committee). We presented our findings to the Audit Committee on 29 September and summarise only the key messages in this Letter.

2.2 Quality of the Accounts

The Council produced a set of draft 2008/09 accounts for audit on 29 June 2009 (prior to submission of full draft accounts on 30 June 2009). Closedown was well managed by the Council and there was clear commitment to producing good quality accounts. This resulted in a relatively smooth audit process and a reduced level of proposed adjustments. Additionally, the Council has taken forward planning for accounting under International Financial Reporting Standards (IFRS).

The Council continues to prepare good quality accounts that are free from material misstatement and which are supported by good working papers. The audit identified a small number of changes to disclosures in the notes and there were also a small number of minor adjustments which were not adjusted on grounds of materiality. The matters identified in our *Annual Report to those Charged with Governance (ISA 260)* had no material impact on the General Fund balance or charges to Council tax payers.

2.3 Financial Performance

The Council has produced good financial results for the 2008/09 financial year, which are broadly in line with its medium term financial plans.

The General Fund exists to finance the Council's day to day costs of providing services. The Council increased its General Fund by £0.60 million in the year, with a further £1.31m allocated to schools, bringing the total increase in year to £1.37million. The total cumulative General Fund balance at year end was £17.48 million, with a further £13.23 million allocated to schools. This is after taking into account a £4.31 million impairment to reflect the predicted fall in value of deposits held with Icelandic Banks, as well as a net increase in pension costs of £6.53 million.

Earmarked Reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives. The Council has increased its Earmarked Reserves by £13.33 million in year, bringing the total balance of Earmarked Reserves to £31.9 million. This includes additional funds to cover potential lost revenue in future years as a result of the economic downturn.

The Council's financial strategy determines that finances should be managed in order to maintain a minimum balance of £15m on the General Fund. Recent financial information (September 2009), indicates that this condition is likely to be met for the financial year 2009/10. This information projects a potential reduction in the General Fund that, if realised, would reduce the fund from £17.5m at 31st March 2009 to £15.7m at 31st March 2010. This is partly due to the occurrence of budget deficits in some of the Council's service areas, which are linked to the economic downturn. The Council is taking action to address these variances in order to bring expenditure back into line with the 2009/10 budget and minimise the potential impact on the general fund.

2.4 System of Internal Control

We undertook sufficient work on key financial controls for the purpose of designing our programme of work for the accounts audit. Our evaluation of the Council's key financial control systems did not identify any control issues that presented a material risk to the accuracy of the accounts.

Our accounts audit work identified some areas where the Council should continue to work to improve its financial systems and controls. The key areas for improvement are set out in our *Annual Report to those Charged with Governance (ISA 260)*, along with an action plan, and include:

- *Treasury Management* - monitoring the effectiveness of actions taken to strengthen controls over treasury management in the aftermath of the collapse of the Icelandic Banks.
- *Standing Financial Instructions* - Standing Financial Instructions and Standing Orders should be reviewed to ensure that they are up-to date and help promote a stronger control mechanism across the Authority.
- *Fixed Asset Register* - development of the asset management system to ensure that ongoing issues with the accuracy of the accounting records are addressed.
- *Fixed Asset Valuation* - the policy of revaluing land and building assets on a five year cycle should be considered to ensure that asset values fairly reflect movements in prices in each year.
- *Pension Fund Bank Account* - In the light of updated guidance on cash sharing arrangements, the Pension Fund operate its own bank accounts.

We performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that would adversely impact our accounts opinion.

2.5 Internal Audit

The Council's internal audit service helps to support its internal control and risk management arrangements. The service reviews various aspects of operational activities, including accounting and financial management, on a cyclical basis. As the Council's external auditors, we look to use the work of Internal Audit to support our audit of the accounts, where possible. We reviewed the work of Internal Audit and concluded that the quality of the work was appropriate to support our work in auditing the Council's 2008/09 Statement of Accounts. There were no fundamental control issues arising from the work of Internal Audit that impacted on our planned audit strategy.

However, we had previously agreed with the Authority that a three year internal audit cycle for core financial systems could be accommodated in our audit process. In doing so we recognised that this would affect the level of reliance we could place from the work done on key processes not directly covered in the financial year.

The Internal Audit service is currently under review by the Council and we understand that key operational processes will be tested annually in future in order to strengthen the internal control framework. The review should help to improve the coverage, focus and corporate impact of the Internal Audit service, including the mechanism for ensuring that audit recommendations are followed through to completion. During the financial year 2009/10 we have been working closely with the Council to help develop the service.

2.6 Annual Governance Statement

We examined the Council's arrangements and process for compiling the Annual Governance Statement (AGS). In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council. Whilst we made a number of recommendations to enhance the coverage of the AGS, we concluded that overall, the AGS was consistent with our knowledge of the Council.

It is important for the Council to ensure timely and robust action is taken to implement the control improvements identified in the AGS.

2.7 Icelandic Bank Deposits

The Council had invested £27.4 million in two Icelandic banks, Landsbanki and Glitnir, at the time that they went into administration in October 2008. Subsequent guidance issued to local authorities indicated that the majority of the outstanding balance would be recoverable, but that a proportion of the balance should be accounted for as a potential loss or 'impairment'. The Council duly calculated the impairment on its investment in accordance with the guidance and recognised a net impairment of £4.31m in 2008/09.

2.8 Treasury Management

The Council reported in its Annual Governance Statement that a review process had been initiated to investigate suspected non-compliance with the Treasury Management Strategy during the year. A special scrutiny committee was appointed by the full Council, and this body commissioned an independent investigation to review both management and performance in relation to the introduction, implementation and monitoring of the Treasury Management Strategy. The investigation found significant deficiencies in the control environment over Treasury Management. Prompt remedial action has been taken to address those deficiencies.

In light of the Icelandic bank crisis, auditors were requested by the Audit Commission to review the treasury management arrangements in place at local authorities. Our review of the Council's arrangements demonstrated that significant and immediate steps had been taken to improve treasury management arrangements. We confirmed that all deposits held at year end complied with the relevant version of the revised Treasury Management Strategy (excluding the deposits held with the Icelandic banks).

We therefore concluded that the procedures in place for the year ending 31 March 2009 were sufficiently robust to support our audit opinion, our VFM conclusion and our Use of Resources assessment. We identified scope for further improvement regarding the extent of member training on treasury management issues.

2.9 Members Expenses & Allowances

Due to the high profile coverage of Parliamentary expenses during 2008/09, we looked at members' and senior officers' allowance and expenses in greater detail than in previous years. Our review found that appropriate procedures and controls are currently in operation at the Council.

2.10 Looking Ahead

We would like to draw your attention to significant changes that will happen to the statement of accounts in future years, and specifically, the implementation of International Financial Reporting Standards (IFRS) as the basis for preparing the 2010/11 accounts. IFRS will replace the existing set of accounting rules and presentational conventions that have been used for the 2008/09 accounts. Although 2010/11 may seem a long way off, it is important that authorities start planning now, as there will be significant changes to the content and appearance of the accounts in future years.

We recognise that the Council has already started to address IFRS with the appointment of a lead officer, the development of an implementation plan and involvement in local IFRS forums. There remain some significant challenges, particularly around fixed asset accounting and valuations, but the Council is well placed to take IFRS implementation forward.

3 Use of Resources

3.1 Introduction

We issued our annual VFM conclusion on 29 September 2009, at the same time as our accounts opinion. We concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Prior to giving our VFM conclusion, we summarised the basis of this conclusion in our *Annual Report to those Charged with Governance (ISA 260)*, which we presented to the Audit Committee on 29 September 2009. We provided further detail and set out the results of our assessment of the Council against the use of resources framework in our Use of Resources 2009 report, which was presented to Audit Committee on 16 December 2009. In this Letter we summarise the key messages from this work alongside relevant current findings, and look forward to forthcoming challenges for the Council.

3.2 The VFM Conclusion for 2008/09

Our VFM conclusion was informed by our use of resources work which, in councils, is based on the Audit Commission's new use of resources (UoR) assessment. The new framework emphasises outcomes over processes, and brings new areas into the assessment such as environmental management. It 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 an objective change in performance.

In order for us to provide an unqualified conclusion, the Council needed to achieve an 'adequate' assessment (score of at least 2) for each component of the UoR assessment. Our UoR assessment concluded that the Council had at least adequate arrangements in all areas and our VFM conclusion was unqualified.

3.3 The Use of Resources Assessment

We have assessed the Council as performing well in the areas of managing finances and managing resources. In reaching this assessment we considered the continued strong outcomes delivered by the Council in terms of financial management and service performance.

The managing finances assessment reflects particular strengths in the areas of integrated financial and service planning and financial reporting. 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'. 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. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.

The prevailing use of resources score nationally was an overall level 2, although London Boroughs tended to be assessed at a slightly higher level, with approximately two thirds achieving an overall level 3.

The 2008/09 scores by Key Line of Enquiry (KLoE) area are shown in the table below.

Table 1: UoR scores 2008/09

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 - Managing resources		2
3.1	Managing natural resources	2*
3.2	Asset management	2
3.3	Workforce management	N/A*

Scoring scale:

1 - Below minimum requirements - inadequate performance
 2 - Only at minimum requirements – adequate performance
 3 - Consistently above minimum requirements – performing well
 4 - Well above minimum requirements – performing strongly

* Within the Managing Resources theme, in 2008/09, environmental management has the greater weighting and workforce management is not assessed

3.4 Areas for Council Consideration

In order to sustain and improve the Use of Resources score in future years we have identified a number of recommendations which the Council should address, particularly around aspects of internal control. These were set out in our Use of Resource report, including an action plan. The key high priority considerations arising from our assessment include:

- Embedding 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.
- Reviewing the causes of slippage on the Capital expenditure programme for 2008/09 and consideration of the need to strengthen the planning, procurement and management arrangements for the Capital programme.
- Review of the governance arrangements for the audit and accounts sign off in order to optimise the level of scrutiny by elected members.

- Ensuring 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, showing that service review and analysis activity is leading to the targeted levels of improvement.
- Clarifying the impact of the 'Future Shape' programme on commissioning and procurement arrangements.
- Showing that the identified weaknesses in internal control have been successfully addressed, in particular improving the coverage and strategy of internal audit, and improving the organisation's performance in responding to arising action plans as well as Members demonstrating more impact on risk management arrangements.
- Showing that the Council has a clear understanding of carbon emissions and water consumption and is proactively delivering reductions.
- Showing that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes and that development of an integrated asset register has been successful.
- Clarifying the impact of the future shape programme on asset management arrangements corporately and with partners.

3.5 Follow-up of Local Value for Money (VFM) Work in 2008/09

In 2007/08 we undertook a review of the arrangements in place between the Council and local NHS Services, to tackle Health Inequalities in the Borough. Through our work on Use of Resources in 2008/09 it is apparent that the Council and its partners are making progress on developing joint commissioning arrangements, rooted in the Health and Wellbeing Framework and the completed Joint Strategic Needs Assessment. We will continue to review progress within our Use of Resources work in 2009/10.

3.6 National Fraud Initiative

The National Fraud Initiative provides local authorities with an internet based reference tool to help identify instances of potential fraud, including benefit claims. We have recently completed a mandatory National Fraud Initiative (NFI) risk assessment for the Audit Commission, based on the Council's progress in investigating potential data matches identified on the system. The assessment was based on a 'traffic light' marking system and in common with most of our local authority clients, we assessed the Council as 'amber', reflecting that satisfactory progress is being made. We will continue to monitor progress as part of our 2009/10 work.

3.7 Challenge Issues

Under the Audit Commission Act 1998 - section 15(2), at the request of a local government elector, the auditor shall give the elector, or any representative of his, an opportunity to question the auditor about the accounts. The role of the auditor is set out in the Audit Commission Act 1998. As external auditors, we concluded one notice of objection during 2008/09 in respect of equipment purchased as part of a refurbishment of the Council's office accommodation. We didn't uphold that objection but made a number of recommendations for improvement. We would also note that the long standing objection to the 2001/02 accounts in respect of the land sale to Barnet football club was also resolved in 2008/09. We received a number of other enquiries from local authority electors during the year and have responded appropriately. We can confirm that the Council's 2008/09 accounts were certified as closed with no outstanding questions or objections in respect of that year and earlier.

3.8 Looking Ahead

We agreed our indicative 2009/10 audit fee with the Council in March 2009. The letter set out our initial assessment of the local issues which may require specific work to support our Value for Money Conclusion and Use of Resources work. The key considerations for 2009/10 include:

- The Council's arrangements for managing its workforce will be reviewed for the first time in 2009-10 as part of the Use of Resources assessment.
- The Council has set out an ambitious strategy for high quality service delivery and community leadership via its Future Shape Strategy. This will underpin the development of the Borough's infrastructure and physical estate. However, the Council recognises that resources to put this into practice are likely to be more restricted in future. Consequently, the Council is pursuing proposals for securing additional funding (Barnet Financing Plan), looking at different ways of doing business (shared services, partnerships, outsourcing etc) and also assessing service prioritisation.

We confirm that these assumptions remain relevant and we will build these into the risk assessment for our 2009/10 plan, along with specific follow up of our 2008/09 recommendations, and any new risks emerging, when we agree our full plan in December 2009.

4 Certification of Claims & Returns

4.1 Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission to review and provide certificates on the accuracy of grant claims and returns to various government departments and other agencies.

4.2 Key Messages

Each year, following certification of the programme of claims and returns we produce a summary report for the Council and agree an action plan in respect of any identified improvement areas. We presented our Grants Report 2007/08, to the Audit Committee in February 2009 and are nearing completion of the certification of 2008/09 claims and returns.

In February 2009 we reported that the Council has improved its performance against key targets as a result of implementing most of the recommendations made in our previous Grants report and in particular:

- All grant claims that required certification were submitted on time.
- The quality of working papers provided to auditors had improved, with most claims and returns reconciling back to the general ledger.
- Key officers have been provided with training in preparation of claims and returns and the certification process.
- The grants co-ordinator liaised with the audit manager and grant compliers to ensure that work on the claims and returns was completed by the certification date.

Our certification programme for 2008/09 has yet to be completed. From the work undertaken to date, we can report that the Council's performance has been satisfactory overall, but with some scope for development.

To date, we have completed the certification of eleven Claims and returns in 2008/09. Nine of these claims have been provided with 'unqualified' audit certification and two claims were 'qualified' due to incomplete or un-reconciled data in the returns. In addition, we noted that a further two claims had not been submitted for audit certification by the required date, which led to one of these being certified after the mandatory deadline had passed.

In regard to Housing Benefit claims, the Council performed well, with no significant errors or control issues detected. The Housing Benefit return was duly certified in time for the mandatory deadline.

The quality of working papers provided to auditors was considered to be of a good standard. Key officers had been provided with training in preparation of claims and returns and the certification process. It was also noted that the grants coordinator had liaised with the audit manager and grants officers to help ensure that work on the claims and returns was completed by the certification date.

On completion of our work on claims and returns, our detailed findings and recommendations will be included in a separate audit report. This will be presented to those charged with governance in due course.

A Reports Issued

Report	Date issued
Data Quality Report 2007/08	February 2009
Grants Report 2007/08	February 2009
Indicative Fee Letter 2009/10	April 2009
IT Controls Report	April 2009
Audit Strategy Document	June 2009
Annual Report to those Charged with Governance (ISA 260)	September 2009
Use of Resources Report	December 2009
Audit Plan 2009/10	December 2009
Annual Audit Letter	December 2009

B Appendix: Audit Fees

Audit Area	Planned Fee 2008/09	Actual Fee 2008/09
Accounts	£135,000	£135,000
Use of Resources / VFM Conclusion	£285,000	£285,000
Subtotal	£420,000	£420,000
Pension Scheme Audit	£40,000	£40,000
Total Audit Fee	£460,000	£460,000
Certification of Claims and Returns	£85,000	£70,265

AGENDA ITEM: 8

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Meeting	Audit Committee
Date	11 March 2010
Subject	Audit Plan 2009/10
Report of	Interim Assistant Director of Finance
Summary	This report advises the Committee of the External Auditor's, Grant Thornton's, Audit Plan for 2009/10.

Officer Contributors	Nickie Morris, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Audit Plan 2009/10
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Nickie Morris, Finance Manager (020 8359 7210) or Maria G. Christofi, Head of Strategic Finance (020 8359 7122).

1. RECOMMENDATIONS

1.1 That the External Auditor's Audit Plan for 2009/10 be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Audit Plan 2009/10 will assess fundamental aspects of financial standing and performance management in Barnet, which relates to the Council's 'More Choice, Better Value' corporate priority.

4. RISK MANAGEMENT ISSUES

4.1 The Audit Plan 2009/10 highlights the Council's responsibility in respect of producing the financial statements and identifies particular areas of risk in producing them. If these risks are not taken into consideration it has the potential to reduce our Use of Resources score.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Audit Plan 2009/10 covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

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

6.1 This report sets out the timeline and framework for the assessment of the Council's financial reporting, management and standing, as well as value for money.

7. LEGAL ISSUES

7.1 The relevant statutory provisions are referred to in the body of the report and the Audit Plan 2009/10.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The purpose of the audit plan for the financial year 2009/10 is to communicate the work that Grant Thornton will carry out in discharging their responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.
- 9.2 The plan is based on Grant Thornton's risk based approach to audit planning and reflects their responsibilities under the Audit Commission's Code of Audit Practice (the Code) in respect of the accounts audit, current national risks affecting local government relevant to the Council's local circumstances and local risks, based on the outcome of the Council's 2008/09 accounts audit.
- 9.3 The audit plan identifies the Council's responsibilities as putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority; maintaining proper accounting records; and preparing accounts which give a true and fair view of the financial position of the council and its expenditure and income in accordance with the Statement of Recommended Practice on Local Authority on Local Authority Accounting 2009 (SoRP).
- 9.4 Three main audit risks have been identified in the audit plan along with a planned audit response. The risks are drawn to the attention of the Committee below:
- 9.4.1 International Financial Reporting Standards (IFRS)
The Council must prepare its annual accounts under IFRS from 2010/11. The most significant issues to note in relation to the transition to IFRS accounting and their likely impact are detailed in Appendix B of the audit plan 2009/10.
- 9.4.2 2009 SORP
The Council is required to comply with the 2009 SoRP in preparing its 2009/10 accounts. The principal changes in the 2009 SoRP is around current and prior year adjustments to accounting for Council Tax and National Non-Domestic Rate income.
- 9.4.3 Accounts process improvements
External Audit will be monitoring the Council's progress in implementing their recommendations from the 2008/09 accounts audit. Primarily these were around fixed asset valuations, the fixed asset register and treasury management.
- 9.5 Grant Thornton will perform various audit tasks and the accounts audit around two phases of fieldwork, the interim audit was carried out in February 2010 and the final accounts audit in July – September 2010.
- 9.6 In carrying out their audit, Grant Thornton will update their assessment of internal audit against CIPFA Code of Practice for Internal Audit and seek to use relevant internal audit work to assist in their review of internal financial control systems.

- 9.7 The Code requires the External Auditors to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion and comes from assessing the council against the nationally specified key lines of enquiry (KLoEs).
- 9.8 The KLoEs specified for the assessment are based around three themes of: managing finances, governing the business and managing resources.
- 9.9 The audit plan confirms the indicative audit fee for 2009/10 which was presented at Audit Committee (29/06/2009).

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
Finance: AT

London Borough of Barnet

Audit Plan 2009/10

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1 Introduction

Purpose of this plan

- 1.1 This is our audit plan for the financial year 2009-10 for the London Borough of Barnet ('the Council'). It sets out the work that we will carry out in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.
- 1.2 In April 2009, we issued an indicative fee letter to the Council to outline our proposed fee levels for the 2009/10 external audit process in order to provide an outline of the likely fees to be incurred by the Council in 2009/10.

Accounts audit

- 1.3 In setting the indicative accounts audit fee, we assumed that the general level of risk in relation to the audit would not be significantly different from that identified for 2008/09. Based on the outcome of the 2008/09 accounts audit and consideration of risks relevant to the 2009/10 audit, we confirm that the general level of risk, and anticipated accounts fee, remains as set out in the indicative fees letter.
- 1.4 Section 2 of this plan sets out our assessment of the 2009/10 accounts audit risks and our proposed response.

Value for money audit

- 1.5 In our indicative fee letter we also set out a number of risks in relation to our value for money conclusion and indicated our proposed work in these areas. We have since agreed detailed specifications for a number of local value for money projects and work is underway. We have also begun our work with the Council to prepare for the 2009/10 use of resources assessment using the nationally specified key lines of enquiry (KLoEs).
- 1.6 Section 3 of this plan provides an update to our value for money risk assessment and planned audit response.
- 1.7 Section 4 covers details of the audit team and the proposed 2009/10 audit fee. Planned outputs arising from the audit are summarised in Section 5, including a summary of our reporting timetable.
- 1.8 We have considered our independence and objectivity in respect of the Audit and do not believe there are any matters which should be brought to your attention. We comply with the Audit Commission's requirements in respect of independence and objectivity as summarised at Appendix A.

2 Accounts risk assessment and approach

Introduction

2.1 This section of the plan sets out the work we propose to undertake in relation to the audit of the 2009/10 accounts. The plan is based on our risk-based approach to audit planning and reflects:

- our responsibilities under the Audit Commission's Code of Audit Practice (the Code) in respect of the accounts audit
- current national risks affecting local government relevant to the Council's local circumstances
- local risks, based on the outcome of our audit of the Council's 2008/09 accounts.

The Council's responsibilities

2.2 The Council's financial statements are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- put in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
- maintain proper accounting records
- prepare accounts, which give a true and fair view the financial position of the Council and its expenditure and income in accordance with the Statement of Recommended of Practice on Local Authority Accounting in the United Kingdom 2009 (SoRP).

Our responsibilities

2.3 We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.

Accounting risks and planned audit response

2.4 The accounts audit risks and our planned response are set out in the table below.

Table 1: Accounting risks and planned audit response

Risk	Planned audit response
<p>International Financial Reporting Standards (IFRS)</p>	
<p>The Council must prepare its annual accounts under IFRS from 2010/11.</p>	<p>We have already engaged with the Council on a number of IFRS related issues and have included our IFRS accounting specialist in those discussions. The Council have appointed an IFRS Project Accountant to develop guidance and process notes and to progress significant issues.</p>
<p>The most significant issues to note in relation to the transition to IFRS accounting are:</p>	<p>We will continue to liaise on a regular basis with officers and monitor the Council's progress against its IFRS project plan. We will also review the implications of any developing issues through reference to IFRS guidance and the finalised IFRS Code.</p>
<ul style="list-style-type: none"> ▪ consideration as to whether Brent Cross Shopping Centre has embedded derivatives, due to the rents being based on turnover, and therefore should be a financial instrument ▪ lease classification and accounting ▪ calculating the employee benefits 'holiday pay' accrual ▪ fixed asset component accounting ▪ fixed asset valuation. 	<p>We performed a high level review of the Council's IFRS preparedness in November 2009, following a mandated national IFRS survey requested by the Audit Commission. We have included in Appendix B the key issues for the Council in relation to IFRS and the likely impact.</p>
<p>Early preparation is essential and there is a risk that the Council may not be adequately prepared for the transition.</p>	
<p>2009 SoRP</p>	
<p>The Council is required to comply with the 2009 SoRP in preparing its 2009/10 accounts.</p>	<p>We will work with management to agree the prior year adjustment required to the Council's income and expenditure account, balance sheet and cashflow statement.</p>
<p>The principal change in the 2009 SoRP is around current and prior year adjustments to accounting for Council Tax (CT) and National Non-Domestic Rate (NNDR) income.</p>	
<p>From 1 April 2009 the Council's accounts should:</p>	
<ul style="list-style-type: none"> ▪ disclose CT balances net of any amounts that relate to other precepting bodies ▪ only recognise NNDR cash collected in excess of the Council's cost of collection allowance. 	
<p>This change in accounting policy requires an adjustment to the prior year comparator figures shown in the 2009/10 accounts. There is no anticipated impact on the Council's general fund balance.</p>	

Risk	Planned audit response
Accounts process improvements	
Following our 2008/09 accounts audit we made a number of recommendations to the Council in areas where there was scope to improve arrangements, primarily around fixed asset valuations, the fixed asset register and treasury management.	We will monitor the Council's progress in implementing the agreed actions when we carry out our interim audit and update our accounts planning in March / April 2010.

Audit approach

- 2.5 We will work closely with the Corporate Finance Team to ensure that we meet audit deadlines and conduct the audit efficiently, with the minimum of disruption to the Council's staff. Our audit will be planned on an individual task basis at the start of the audit, and timetables agreed with all staff involved.
- 2.6 In summary our audit strategy comprises:
- updating our understanding of the Council through discussions with management and a review of the management accounts
 - reviewing the design and implementation of the internal financial control systems, including IT controls, to the extent that they have a bearing on the financial statements
 - assessing the audit risk and, based on that assessment and the assessment of the design of the internal control system, developing and implementing an appropriate audit strategy
 - testing the operating effectiveness of the internal financial controls, where appropriate
 - reviewing material disclosure issues in the financial statements
 - verifying all material income and expenditure and balance sheet accounts and performing a substantive analytical review of these accounts.
- 2.7 We will perform these tasks and complete our accounts audit around two phases of fieldwork, the interim audit in February 2010 and the final accounts audit in July - September 2010.
- 2.8 In carrying out our audit, we will update our assessment of internal audit against the CIPFA Code of Practice for Internal Audit and seek to use relevant internal audit work to assist in our review of internal financial control systems.
- 2.9 Following completion of the interim audit we will issue our 2009/10 Audit Strategy Document, which will be used to update the Council with the key elements of our accounts audit strategy and begin the process of formally communicating more detailed aspects of our approach along with relevant findings from our interim work.
- 2.10 Once the final accounts audit is substantially complete we will report our findings and recommendations to the Audit Committee. We will consider the materiality of transactions when planning our audit and when reporting our findings.

- 2.11 As part of our work on the accounts audit, we will review the Annual Governance Statement (AGS) to determine if it is consistent with our knowledge of the Council. We will also review the Whole of Government Accounts (WGA) consolidation pack for consistency with the Council's accounts.

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3 Value for money risk assessment and approach

Introduction

- 3.1 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 3.2 This section of the plan updates our initial risk assessment and highlights the current status of our work in addressing these specific risks and in working with the Council to prepare for the 2009/10 use of resources (UoR) assessment using the nationally specified key lines of enquiry (KLoEs).

2009/10 VFM conclusion

- 3.3 The KLoEs specified for the (UoR) assessment are set out in the Audit Commission's work programme and scales of fees 2009/10 and the assessment is based around the three themes of:
- managing finances
 - governing the business
 - managing resources.
- 3.4 Although this is the second year of assessment under the new UoR framework there is an increased challenge this year arising from the first time assessment of workforce management in 2009/10 and the deadline for completion of our assessment being brought forward by a month. We are working with the Council to help prepare for timely completion of the assessment, including carrying out early work in assessing workforce management arrangements.
- 3.5 The indicative fees letter set out our initial assessment of the local risk based use of resources work we plan to carry out to support our VFM conclusion. We confirm that these assumptions remain relevant and we have begun to address these as part of our 2009/10 programme of work, including:
- Additional risk based work focused on governance arrangements, with particular emphasis on risk management and the role of internal audit.
 - Reviewing the Councils transformation agenda and its progress in securing additional funding and implementing different ways of doing business.
 - Ongoing review and assessment of how Scrutiny is being developed and how well arrangements are operating.
 - Early work in assessing workforce management arrangements with discussions taking place in December 2009.
 - Ongoing review of treasury management arrangements - our work is complete and our findings have been reported to the Audit Committee.

- 3.6 Since issuing the fees letter in April, we have completed our 2008/09 use of resources work and updated our risk assessment. There are a number of areas where we have concluded that there is an increased audit risk:
- Leasehold service charges - we have assessed this as an area of increased risk that requires audit work, on the basis of several high profile issues across London where leaseholders have challenged costs proposed by authorities and contractor fraud in the housing sector is a concern identified by the Audit Commission's National Fraud Initiative. We therefore determined that a diagnostic review was required at all of our London Borough audit clients and we have agreed a specification.
 - Questions and objections from the public - we have had a consistent level of communication from local electors and interested parties, some of the communications have been dealt with within the audit fees however there were some additional reviews carried out in 2008/09 which resulted in additional fees. We expect that there will be additional communications from members of the public and we will keep this under review and communicate if any additional audit fees need to be charged as a result of further increases in our work in this area.
 - National Fraud Initiative - We have recently completed a mandatory National Fraud Initiative (NFI) RAG risk assessment for the Audit Commission, based on the Council's progress in investigating potential data matches. It is expected that the Commission will carry out NFI spotchecks in a sample of bodies assessed as "red." In common with most of our clients, we assessed the Council as "amber" on the basis of progress made to date and we will continue to monitor progress as part of our 2009/10 plan. There will be no additional fee for this work.
- 3.7 We will report the findings from our programme of value for money work to management and the Audit Committee during the year. We have included a schedule of anticipated outputs at section 5.

4 Audit fee and engagement team

Audit fee

- 4.1 The Audit Commission published its work programme and scales of fees 2009/10, in December 2008. From 2009/10, the Audit Commission clarified that the starting point for any fee proposal is the scale fee, which is calculated using a prescribed formula. Any variation from scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the audited body.
- 4.2 In March 2009, we agreed an indicative 2009/10 fee of £455,000 (excluding VAT). The indicative fee was 1% above the Audit Commission scale fee of £453,500.
- 4.3 In setting the indicative fee, we assumed that the general level of risk in relation to the audit of the 2009/10 accounts is not significantly different from that identified to 2008/09. As set out in section 2, we confirm that there is no substantial change to the accounts audit risk for 2009/10 and we confirm the indicative fee.
- 4.5 A summary of the 2009/10 audit fee is shown in the table below compared to the planned fee for 2008/09.

Table 2: 2009/10 audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements, including WGA and IFRS support	£170,000	£135,000
Use of resources/VFM conclusion, including data quality	£245,000	£285,000
Pension Scheme Audit	£40,000	£40,000
Total audit fee	£455,000	£460,000
Certification of claims and returns*	£85,000 (est)	£90,000 (est)

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

- 4.6 The audit fee is being billed in key stages upon completion of work.

Engagement team

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

Table 3: Engagement team

Name	Contact details	Responsibility
Paul Winrow Engagement Lead	07787 152884 paul.winrow@gtuk.com	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive, other senior officers and the Audit Committee.
Maryellen Salter Engagement Manager	(0)20 7728 3005 maryellen.salter@gtuk.com	Manages and coordinates the different elements of the audit work. Key point of contact for the Council.
Hanisha Solanki Assistant Manager	(0)20 7728 2072 hanisha.solanki@gtuk.com	Responsible for supervising the on site fieldwork during the accounts, use of resources and grant claims audits.
Justin Collings Technical and Grants Manager	(0)1223 225501 justin.collings@gtuk.com	Responsible for provision of specialist technical support to the audit team, and overall management of the grants audit programme.
Andy Ka IFRS Specialist	(0)20 7728 2716 andy.ka@gtuk.com	Responsible for provision of specialist IFRS support to the audit team and corporate finance team.
Negat Sultan IT Audit Manager	(0)116 257 5590 negat.sultan@gtuk.com	Responsible for review of the IT systems in place that complement the financial accounts process. Also will carry out ad hoc reviews if our risk assessment warrants it.
Guy Clifton Performance Specialist	(0)20 7728 2903 guy.clifton@gtuk.com	Responsible for the provision of ad hoc specialist advice on performance projects, which are based on our initial risk assessment of the Council.

5 Planned outputs

Introduction

5.1 The planned outputs from the audit are set out in the table below:

Table 4: Planned outputs

Report	Planned issue date
Indicative Fee Letter	April 2009
Audit Plan	December 2009
Review of Internal Audit	January / February 2010
Transformation Review	March 2010
Scrutiny Arrangements follow-up report	March 2010
Audit Strategy Document	June 2010
Annual Report to those Charged with Governance	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Use of Resources 2010	October 2010
Annual Audit Letter	December 2010

5.2 Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee. Reports are addressed to the Audit Committee and management and are prepared for the sole use of the Council, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Appendix A Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The Engagement Lead responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
- The Engagement Lead and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The Engagement Lead and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix B Expected areas of IFRS impact

The expected key issues for the Council are summarised below classified by level of expected impact.

Area	Standard	Impact
<p>Brent Cross Shopping Centre - It is understood that the rents paid under the lease contract are possibly based on turnover. This type of arrangement may be classified as an embedded derivative and accounted for separately under the Financial Instrument standards. The Council is currently reviewing the contract to assess whether accounting under the Financial Instrument Standards is required.</p>	IAS 32 & IAS 39	High
<p>Leases - Under IFRS, the UK GAAP 90% fair value vs present value of minimum lease payments test is replaced by eight indicators. Our experience suggests that a higher number of leases are classified as finance leases under IFRS and hence would be included on the Council's balance sheet.</p> <p>Besides the accounting issues another common problem is locating lease agreements, some of which would have been signed some years ago.</p>	IAS 17	High

Area	Standard	Impact
<p>Employee Benefits - Under IFRS, any benefits earned but not yet taken by an employee, e.g. holiday pay, time off in lieu, termination benefits, will need to be accrued. It is believed that the Council's systems should capture the required data but the quality may vary from department to department. Introduction of this accrual will impact on the Councils transitional reserves and there is no guarantee that DCLG will mitigate this adjustment.</p> <p>We will also need to consider the materiality of school annual leave balances.</p>	IAS19	Medium
<p>Component Accounting - Under IFRS, the Council will need to separate out significant components from non-current assets (tangible fixed assets) and depreciate these separately. The Council is in the process of implementing system updates including the fixed asset register. Components will be identified and included in the register. The Council should however engage with valuers to assist in identifying the components.</p>	IAS16	Medium
<p>Valuation - The draft CIPFA Code requires non specialised assets to be valued under an existing use basis and specialised assets to be based on depreciated replacement cost (Modern Equivalent Asset). The authority will need to consider past valuations to ensure they were prepared on the right basis. The Council should also consider the current economic climate where property values are falling and whether asset values not due for review in the five year cycle require updating for impairment.</p>	IAS16	Medium
<p>Segmental Reporting - IFRS 8 requires bodies to report their balance sheet and income statement in the segments that are used to report to management. The Council should therefore ensure that systems will permit appropriate segmental analysis for primary statements. Some recoding will be required but we understand that no issues in retrieving the information are expected. This requirement is in addition to BVACOP reporting.</p>	IFRS8	Low

Area	Standard	Impact
<p>PFI - PFI schemes are now all on balance sheet, however the SORP 2009 does prescribe the entries required and method of accounting, e.g. life cycle costs. The Council should review the treatment of the PFI schemes retrospectively as if IFRS has always been applied. There is expected to be minimal impact but the Council should still carefully assess its PFI schemes to determine if assets and liabilities are fairly stated in accordance with IAS 17 and IFRIC 12</p>	<p>IFRIC 12 and IAS 17</p>	<p>Low</p>

IFRS is currently being applied in the public sector for the first time and there is not yet a significant body of established practice on which to draw on in forming opinions regarding the interpretation and application of these standards. We also note that IFRS is subject to revision. Consequently, practice in relation to the adoption of IFRS by public sector bodies is continuing to evolve. Therefore, at this stage, the full financial effect of reporting under IFRS as it will be applied and reported in the Council's first IFRS financial statements for the year ended 31 March 2011 may be subject to change. We will discuss with you if we become aware of changes to IFRS accounting through amended Guidance or establishment of public sector practice. We note however that the Council has been proactively involved in the London IFRS forum, a group formed to share and build on IFRS experience and application within the sector. We also attend the forum to share our knowledge and experience from the private sector and NHS bodies; we expect that our role will continue within this group and welcome early discussions of key issues.

AGENDA ITEM: 9

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Meeting	Audit Committee
Date	11 March 2010
Subject	Annual Review of Audit Committee's Effectiveness
Report of	Director of Corporate Governance
Summary	To review the Committee's effectiveness, as required annually by its terms of reference, and to review the terms of reference.

Officer Contributors:	Jeff Lustig - Director of Corporate Governance Richard King - Interim Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A : Review of Effectiveness Appendix B : Audit Committee Terms of Reference Appendix C : Audit Committee Members Training Appendix D : Areas for Audit Committee Member Training
For decision by	The Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Richard King 020 8359 3167

1. RECOMMENDATIONS

- 1.1 The Committee's views are sought on the review of the effectiveness of the Committee in 2009/10, attached at Appendix A.**
- 1.2 That the Committee identify any additional development requirements of its Members, collectively or individually.**
- 1.3 That the Committee consider the Committee's terms of reference as set out in the Constitution and at Appendix B and instruct the Director of Corporate Governance to make any recommendations for change to the Special Committee (Constitution Review).**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 27th April 2009 resolved that:**

(1)..... a framework outlining a practical exercise in identifying risk management issues be brought to a future meeting of the Audit Committee, and,

(2) Officers report back at the September 2009 meeting on the progress with the assessments, skills and experiences of the Members of the Audit Committee

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

- 6.1 None.**

7. LEGAL ISSUES

- 7.1 None.**

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 Attached at Appendix A is a review of effectiveness for 2009/10, using the recommended template from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on model audit committees. This shows that the Audit Committee has substantially operated in line with recommended practice. Members are asked to consider the review. The Committee has undertaken a full body of work during the year including the approval of the Council's Statement of Accounts, Annual Governance Statement, agreeing and monitoring the annual plans and reports of the Internal Audit and Corporate Anti Fraud Team as well as receiving reports from the Council's External Auditors.
- 9.2 Members are invited to consider what further training they would like considered during 2010/11, either for the Committee as a whole, or individually. Appendix C lists potential areas for member training identified by CIPFA in their guidance 'Audit Committees: Practical Guidance for Local Authorities'.
- 9.3 In reviewing the Committee's effectiveness it makes sense to also review its terms of reference, which are set out in Appendix B. These have been previously reviewed in 2007, 2008 and 2009. There are no recommendations for changing any of the terms of reference, but the Committee are asked to consider the matter.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM

Finance: JW

Appendix A

Measuring the Effectiveness of the Audit Committee

Issue	Yes / No	Comment
Terms of Reference		
Have the committee's terms of reference been approved by full council?	Yes	As part of Constitution review that was completed in 2009. This annual effectiveness review also includes a short review of terms of reference.
Do the terms of reference follow the CIPFA model?	Yes	The Interim Chief Internal Auditor conducted the 2009/10 review against these.
Internal Audit Process		
Does the committee approve the strategic audit approach and the annual programme?	Yes	Annual plan agreed in March every year. The 2009/10 annual plan was approved on 10 March 2009. The 2010/11 annual plan is for approval on 11 March 2010.
Is the work of internal audit reviewed regularly?	Yes	Annually by External Audit. The work of internal audit was last reviewed by External Audit as part of their 2008/9 audit.
Are summaries of quality questionnaires from managers reviewed?	Yes	They are reported in interim and annual reports to the Committee. The review of quality questionnaire was last reported on 16 December 2009.
Is the annual report, from the head of audit, presented to the committee?	Yes	Interim and annual reports are presented to the Audit Committee by the Head of Internal Audit. Reports and incorporate a review against the Internal Audit work plan agreed at the start of the year. The 2008/9 Annual Report was presented to the Committee on 29 June 2009.
External Audit Process		
Are reports on the work of external audit and other inspection agencies presented to the committee?	Yes	The committee receives the relevant reports from the external auditor including the Annual Audit & Inspection Letter, Grants Audit, Data Quality and ISA 260 reports.
Does the committee input into the external audit programme?	Yes	The committee receives a report on the External Audit plan, which it is able to make recommendations on.
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	Yes	Response from officers and subsequent action plans form part of the Internal Audit reports to the committee. Where the Committee is not satisfied with the response by senior managers, the Committee can request the managers to attend its meetings to give an explanation.

Issue	Yes / No	Comment
<p>Does the committee take a role in overseeing:</p> <ul style="list-style-type: none"> • risk management strategies • internal control statements • anti-fraud arrangements • whistle-blowing strategies? 	<p>Yes Yes Yes Yes</p>	<p>The Committee approves the corporate Annual Governance Statement, Risk Management Strategy, receives updates twice a year on the major corporate risks of the Council and receives an annual report from the Corporate Anti Fraud Team, which includes information on whistle blowing activity.</p>
Membership		
<p>Has the membership of the committee been formally agreed and a quorum set?</p>	<p>Yes</p>	<p>Approved by Council on 13 May 2008.</p>
<p>Is the chair free of executive or scrutiny functions?</p>	<p>Partially</p>	<p>The 2006 Constitution review introduced the requirement for the Chairman to be from an opposition party. The Chairman has no executive functions but is a substitute for one committee responsible for partly discharging executive function. Additionally, the Chairman is not permitted to serve in that role for more than four consecutive years. Due to limited number of members available to serve on various Council committees there is little scope for increasing Chairman's independence.</p>
<p>Are members sufficiently independent of the other key committees of the council?</p>	<p>Partially</p>	<p>None of the Audit Committee members have any executive function but some Councillors serve on committees responsible for partly discharging executive functions. Other Committee memberships are non executive and relate to the scrutiny and Council functions. Due to limited number of members available to serve on various Council committees there is little scope for increasing member independence.</p>
<p>Have all members' skills and experiences been assessed and training given for identified gaps?</p>	<p>Partially</p>	<p>Presentation and training events have been provided to the Committee on the topics requested or required at the appropriate times to enable members to discharge their duties.</p> <p>Individual assessments have not been conducted and will be undertaken during 2010-11 as part of the induction of new members.</p>
<p>Can the committee access other committees as necessary?</p>	<p>Yes</p>	<p>However, it was envisaged when the Audit Committee was established that it would be informed of all service inspection reports received from the perspective of reviewing any internal control weaknesses that these might be highlighting. This has not formally occurred to date.</p>
Meetings		

Issue	Yes / No	Comment
Does the committee meet regularly?	Yes	Meetings are also planned around the dates for key reports being produced, e.g. Statement of Accounts, AGS, Annual Audit Letter. During 2009/10 the Committee met on 27 April, 29 June, 29 September, 16 December 2009 and 11 March 2009.
Are separate, private meetings held with the external auditor and the internal auditor?	Yes	Paragraph 3.8 of the Constitution allows for the Head of Internal Audit to meet with the Chairman of the Audit Committee alone.
Are meetings free and open without political influences being displayed?	Yes	Meetings are also open to the public.
Are decisions reached promptly?	Yes	
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	Yes	
Does the committee have the benefit of attendance of appropriate officers at its meetings?	Yes	
Training		
Is induction training provided?	Yes	
Is more advanced training available as required?	Yes	See attached Appendix C for the details of the training since the last Annual Review of the Audit Committee's Effectiveness in April 2009...
Administration		
Does the authority's Section 151 officer or deputy attend all meetings?	Yes	The Head of Strategic Finance and other officers have deputised for the Section 151 officer.
Are the key officers available to support the committee?	Yes	The Director of Corporate Governance (Monitoring Officer) and Head of Internal Audit attend other officers attend as required.

Audit Committee Statement of Purpose & Terms of Reference

Statement of Purpose

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

Terms of Reference

Audit Activity

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

Regulatory Framework

10. To maintain an overview of the council's constitution in respect of contract procedure rules and financial regulations.
11. To review any issue referred to it by the chief executive or a director, or any Council body.

12. To monitor the effective development and operation of risk management and corporate governance in the Council.
13. To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.
14. To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
15. To consider the Council's compliance with its own and other published standards and controls.

Accounts

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

Review of Effectiveness

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

Appendix C

Audit Committee: Members Training 2009-10

Date	Training Subject	Training Organisation	Members attending
27/04/09	Annual Statement of Accounts Comprehensive Area Assessment Use of Resources	CIPFA Grant Thornton	Councillors: J. Davies G. Cooke T. Davey H. Rayner M. Depala
14/09/09	Audit Committee Role and Corporate Governance (For new members on Audit Committee)	CIPFA	Councillor J. Marshall
29/09/09	Risk Management	Zurich	Councillors: J. Marshall M. Palmer G. Cooke T. Davey A. Tambourides D. Webb

Areas for Audit Committee Member Training

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

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

AGENDA ITEM: 10 Page nos. 73 - 80

Meeting	Audit Committee
Date	11 March 2010
Subject	Work Programme for 2010/11
Report of	Director of Corporate Governance
Summary	To propose a work programme for the Audit Committee for the next twelve months.

Officer Contributors	Richard King - Interim Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Work Programme 2010/11
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, 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the programme of work for the Committee as set out in Appendix A be approved;**
- 1.2 That the Committee gives its views on proposals for member briefings as set out in paragraph 9.9;**
- 1.3 That the Committee confirms its agreement for the reserve meeting date in February 2011, should there be a business need.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee Work Programme for 2008/09, 19 March 2008 and 2009/10, 10 March 2009.
- 2.2 Audit Committee, 19 March 2008, maintained the previous decisions to review annually the terms of reference and to put in place a programme of training for its members and to instruct the Chief Finance Officer to map out the likely work programme for the forthcoming year.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Audit Committee provides the Council with challenge across all committees and, therefore, the Committee is central to the provision of effective governance.

4. RISK MANAGEMENT ISSUES

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

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

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

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

- 6.1 None.

7. LEGAL ISSUES

7.1 None.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

9.1 The terms of reference were reviewed at the meeting on 10 March 2009. This maintained that the Audit Committee should receive a further report outlining an annual work programme. This work programme for 2010/11 is based on having the following four meetings to deal with reports:

- June 2010
- September 2010
- December 2010
- March 2011

The Committee will recall that in previous years it was necessary to schedule an additional meeting in February to accommodate training and consider reports scheduled at other meeting dates. Therefore, a reserve date is suggested in February 2011 to consider reports, should there be a business need.

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

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

Meeting	Items
June 2010	<ul style="list-style-type: none">• Internal Audit Annual Report• Internal Audit Progress Report• Corporate Anti-Fraud Team Annual Report (including whistle blowing)• Statement of Accounts• Draft Annual Governance Statement• Report on annual review of council constitution, including:-<ul style="list-style-type: none">○ Audit Committee terms of reference○ Financial Regulations○ Contract Procedure Rules

September 2010	<ul style="list-style-type: none"> • Interim Audit Management Report External Audit) • Annual Governance Statement • Internal Audit Progress Report • ISA260 Report (External Audit) • Annual review of the effectiveness of internal audit
December 2010	<ul style="list-style-type: none"> • Internal Audit Progress Report • CAFT Interim Report
March 2011	<ul style="list-style-type: none"> • Setting work programme for the coming year • Use of Resources – Internal Control Assessment & Action Plan • Internal Audit Annual Plan • Internal Audit Progress Report • Audit Plan • Annual Audit Letter • Data Integrity Report • Grants Audit Report (External Audit) • Annual review of Audit Committee's Effectiveness • Corporate Anti-Fraud Team (CAFT) Annual Plan
As & When	<ul style="list-style-type: none"> • Appointment of External Auditors • Matters referred by the Chief Executive, Directors, Chief Finance Officer • Others reports agreed with Internal and External Audit

- 9.4 As previously agreed it would be good practice for the Chairman, Vice-Chairman and key officers to meet mid-way between Audit Committee meetings to review the agenda and progress with reports. This would enable the reports to focus on the key issues and not become too detailed.
- 9.5 The Audit Committee agreed at the 15 February 2006 meeting that it should have access to reports from inspection agencies about the Council's financial management and governance, to provide a source of assurance and to compare with any relevant Internal and External Audit reports. It also acknowledged the need to monitor executive and management action arising from such reports. It was agreed, however, that these reports would not ordinarily be considered as agenda items at the Audit Committee other than in exceptional circumstances, and that these reports would just be circulated to Members of the Committee by way of background material.
- 9.6 In the same vein, the Audit Committee accepted its members should maintain an awareness of the work of overview and scrutiny committees, so that they could take account of issues relevant to the Audit Committee's areas of interest.
- 9.7 The Audit Committee agreed that in considering reports set out in Appendix A it should also review relevant strategies that the Council has in place to regulate its activities and control the actions of employees, elected members and contractors. These strategies might include:-

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

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

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

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

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

- whether these sessions, where run, have been beneficial
- whether they should be continued ahead of the meetings in 2010/11
- and which topics should be covered

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JEL

Finance: JW

Audit Committee – 2010/11 Work Programme

Terms of Reference		Reports	Report Author	Provisional Date
•	AUDIT ACTIVITY			
1	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Internal Audit Annual Plan Internal Audit Annual Report	HolA HolA	March June
2	To consider summaries of specific Internal Audit reports as requested.	Internal Audit Progress Report Internal Audit Annual Report	HolA HolA	June, September, December, March June
3	To consider reports dealing with the management and performance of the providers of Internal Audit services.	Internal Audit Annual Report	HolA	June
4	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Internal Audit Interim Report Internal Audit Annual Report	HolA HolA	December June
5	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.	Annual Audit Letter Interim External Audit Management Report	AD Finance AD Finance	March September
6	To consider specific reports as agreed with the External Auditor.	External Audit Grants Report Data Integrity Audit Report	AD Finance BIM	March March
7	To comment on the scope and depth of External Audit work and to ensure it gives value for money.	Audit Plan	AD Finance	March

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

Terms of Reference		Reports	Report Author	Provisional Date
15	To consider the Council's compliance with its own and other published standards and controls.	Use of Resources – Internal Control Assessment & Action Plan	DCE or CFO	March
• ACCOUNTS				
16	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	Draft Statement of Accounts	HoSF	June
17	To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.	ISA260	HoSF	September
• REVIEW OF EFFECTIVENESS				
18	To conduct an annual review of the effectiveness of the Audit Committee	Annual Review of Audit Committee's Effectiveness	DoCG	March
• OTHER				
	N/A	Annual Work Programme for following year	DoCG	March
	N/A	Annual Review of the Effectiveness of Internal Audit	DoCG	September
	N/A	Review of Code of Corporate Governance	DoCG	Biennial (March)

Report Authors:

DoR Director of Resources
DoCG Director of Corporate Governance

HoSF Head of Strategic Finance
HoIA Interim Chief Internal Auditor

AGENDA ITEM: 11 Page nos. 81 - 100

Meeting	Audit Committee
Date	11 March 2010
Subject	Internal Audit Annual Plan 2010-11
Report of	Interim Chief Internal Auditor
Summary	To consider and approve the Internal Audit Annual Plan for 2010-11.

Officer Contributors	Richard King - Interim Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A: Internal Audit Draft Plan 2010-11
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 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee approve the Draft Internal Audit Plan for 2010-11.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the meeting of this Committee on 16th December 2009, Members were presented with the Internal Control Improvement Plan. Paragraphs 5 and 6 relate to specific issues for Internal Audit to accomplish with regard to producing an Internal Audit Strategy and the Annual Audit Plan.
- 2.2 The Strategy was presented to and approved at the meeting on the 16th of December 2009 and the Annual Plan has been prepared in accordance with the approved Strategy and the actions from the Improvement Plan.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.
- 3.2 Each internal audit has been mapped to the corporate priority that it supports.

4. RISK MANAGEMENT ISSUES

- 4.1 The Plan supports the Council's risk management system and processes as each internal audit will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are. Outcomes from the internal audits will either confirm effective management of risk or suggest areas for improvement.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Internal Audit Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through our service delivery.

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

- 6.1 None directly as a result of this Plan but addressing any risks arising from the internal audits may require additional resources.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 The Council's Constitution Part 3, Responsibility for Functions, details the terms of reference 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

- 9.1 Attached to this report at Appendix A is a draft Annual Plan for the year 2010 – 11 prepared after discussions with directors and a review of the Council’s risk management system both at a corporate and directorate level.
- 9.2 Members should be satisfied that the Plan will assist them in making their assessment of the internal control environment prior to approving the attached Plan.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: JEL

Finance:

Internal Audit Plan 2010-11

1. Introduction

Following the external review of Treasury Management by Deloitte in June 2009 a number of conclusions were drawn in connection with internal control. This review was followed by a further review of the system of internal control from AKA Consultants who were tasked with assessing the robustness of the internal control system, identifying potential areas of weakness and providing practical recommendations for improvement.

This review concluded that there were some urgent issues that needed to be addressed quickly to avoid a repetition of the circumstances around the Treasury Management situation. There were a number of suggestions concerning Internal Audit which form part of the Internal Control Arrangements: Improvement Plan presented to this Committee at its meeting on 16-12-09. These included:

- establishing an audit strategy;
- preparing an annual plan that clearly indicates “key systems”;
- that the annual plan should comprise of risk based system reviews, compliance audits “end to end process reviews”, etc.;and
- all finalised internal audit reports to be held centrally for all officers and members to view, review and appreciate emerging control issues that may impact on a broader range of services.

The Strategy approved by members at the Audit Committee on 16 December 2009 takes these suggestions forward and the Plan that follows is based on this agreed Strategy.

This Strategy recognises that Internal Audit must contribute to the effective management of the Council through providing assessments of the assurance that can be placed on the management of the risks to the achievement of the Council’s aims and objectives. These assurances will be given at an overall level on the effectiveness of the Council’s internal control environment and also at an individual audit level.

This approach accords with recognised best practice for internal audit in local government.

All work will be planned in co-ordination with the Council’s External Auditor in order to enhance the benefit derived from all audit activity and to minimise duplication and impact on the service managers

2. Internal Audit Approach

The Plan is designed to enable the Chief Internal Auditor to give at the close of the financial year in the Annual Report of Internal Audit, an opinion, in support of the Annual Governance Statement, on how the Council management's risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council. This opinion is based on all of the internal audits carried out during the year.

The Internal Audit Plan for 2010/11 has been developed in a number of ways as follows:-

- Linking with the Directorates' plans;
- Risk Management meetings with officers from all Directorates;
- Building on the Risk Management Audit carried out in February/March 2010;
- Internal Audit's 'Cumulative Audit Knowledge and Experience' (CAKE). See Appendix A item 8 for a detailed description.

A number of the planned audits, will be carried out as part of Internal Audit's responsibility to provide assurance to the Council on the effectiveness of internal controls in the Authority.

Audits that cover governance, contribute towards the Chief Internal Auditor's overall assurance on corporate governance arrangements in the Authority which forms part of the Annual Governance Statement (AGS).

Management requests also form part of the Audit Plan and arise from regular discussions with senior management in the individual Directorates.

3. Staffing

The Plan is resourced by calculating the number of staff days required to undertake sufficient internal audit activity for a meaningful assurance to be given at the end of the financial year for inclusion in the AGS.

The current establishment of the Internal Audit team equates to 817 staff days available for audits. This figure is derived from a calculation of the total number of days per staff member (260) and subtracting time for annual leave, training and development and administrative tasks that have to be undertaken. The total reached for the permanent staff is then supplemented by using contract staff to reach the budgeted figure of 817. This total compares with 1192 days in 2009/10 (which included audit days for follow-ups, which will not all be carried out in line with the new Internal Audit Strategy).

4. The Annual Plan

The proposed Plan is given at appendix A and includes an indication of the activity area for audit, the approximate timing and the number of staff days allocated to the audit. It must be borne in mind that some of these audits might need to change in light of prevailing circumstances. It is essential to recognise that any changes in the Corporate Plan priorities may well lead to significant adjustment to the Internal Audit Plan. Additionally, changes might result from new risks coming forward, other review agencies activities or changing priorities. For all significant alterations to the Plan, approval will be sought from the Audit Committee.

5. Reporting to the Audit Committee

With Members agreement, I would like to amend the format of the reports to the Committee. In future, I propose that for each "limited" or "no-assurance" audit result, I will report:

- the subject of the audit;
- the assurance level;
- when the audit was carried out;
- brief details of the area being reported including quantitative and/or financial statistics; and
- the principal findings of the audit.

6. Phasing of the Plan

The Plan needs to be phased to accord with Directorate workloads, external audit timings and the Audit Committee reporting requirements.

The targets for completing the Audit Plan are as follows:-

Quarter 1 21%
Quarter 2 27%
Quarter 3 26%
Quarter 4 26%

These are approximate targets and quarter 1 reflects the finalisation of 2009/10 reports.

7. Internal Audit Performance

Members should be given sufficient information to make judgements about the Internal Audit Service that the Council receives. I propose the following as the target performances for the year ahead.

These indicators need to be taken together when making a judgement on the quality of the service provided by Internal Audit and it can be seen that performance is dependent, in many cases, on Directorate responses to the audits undertaken.

Performance against the targets will be reported to each Audit Committee meeting where practical.

Performance Indicator	Target	Actual
<i>Effectiveness</i>		
% of recommendations accepted	98%	
% of recommendations implemented	90%	
External Audit evaluation of Internal Audit	Reliance On IA	
<i>Efficiency</i>		
% of Plan delivered	95%	
% of available time spent on direct audit work	80%	
% of draft reports completed within 10 days of finishing fieldwork	90%	
Preparation of Annual Plan	By March	
Periodic reports on progress	Each Audit Committee	
Preparation of Annual Report	Prior to A.G.S.	
<i>Quality of Service</i>		
Average client satisfaction score	90%	
<i>Staff Management</i>		
Staff with professional qualifications	70%	
Staff development days	5 days	

8. Cumulative Audit Knowledge and Experience

Cumulative Audit Knowledge and Experience has arisen through the following:-

- Work done with the Service in the past
- Regular meetings with Directorates
- Issues raised at various meetings
- Known risks and risk assessments
- Wider local government issues
- Past history of errors and irregularities
- Advice received from external auditors
- Planning meetings with directorates

Appendix A

The 2010-2011 Internal Audit plan

All audits are linked to the 2010/11- 2013/13 Corporate Priorities which are subject to agreement by the Cabinet.

BSLM = Better services with less money

SLS = A successful London suburb

SOSR = Sharing opportunities, sharing responsibilities

CORPORATE GOVERNANCE

Directorate

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Corporate Governance	To assess how governance arrangements in the Council meet the principles of the CIPFA governance framework.	DCG	20	
ALL	Business Continuity	To assess the Council's business continuity arrangements.	DCG	15	

Democratic Services

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Members Allowances	To assess the arrangements for and the management of the Members Allowances Scheme.	DCG	10	

DCG = Director of Corporate Governance

Chief Executive's Service

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
SOSR	Equalities	A system review will be conducted to assess the effectiveness of controls in place to achieve the Council's objectives for Equalities.	ACE	20	

ACE = Assistant Chief Executive

ENVIRONMENT AND REGENERATION

Planning Housing and Regeneration

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Fire Safety	Assessment of the framework for monitoring compliance with fire safety regulations and standards.	DPHR	15	
BSLM	Environmental Health	A systems review of the effectiveness of arrangements to improve and sustain environmental health within the Borough. The audit will focus on one of the two areas -Commercial or Residential.	DPHR	15	
BSLM	Future Shape	A review to assess the effectiveness processes to identify potential areas for the Future Shape programme in this area of the Directorate.	DPHR	20	
BSLM SLS	Sustainability	A review will be conducted jointly within the <u>Planning Housing and Regeneration and Environment and Operations Directorates</u> to assess the controls in place to achieve the Council's objectives for sustainability, with particular focus on measures to achieve the CO2 reduction target.	DPHR DEO	20	

DPHR = Director of Planning, Housing and Regeneration

DEO = Director of Environment and Operations

Environment and Operations

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM SLS	Waste Prevention	A review of the processes to deliver the Council's Waste Prevention Strategy to ensure that the council's objectives with regard to waste minimisation are delivered efficiently and effectively.	DEO	15	
BSLM	Highways Restructure	Internal Audit will provide challenge, advice and guidance during the service restructure phase.	DEO	10	
BSLM	Street Lighting	Review the implementation of the PFI contract to ensure an effective delivery of the service objective of reducing fear and crime through improved street lighting.	DEO	15	
BSLM	Parking	To review the processes and controls operating in the Parking Service, including arrangements for Cashless Parking.	DEO	30	
BSLM	Project Governance	To assess the effectiveness of Project Governance arrangements in a sample of projects to ensure compliance with the Corporate Standards in delivering projects.	DEO	15	

DEO = Director of Environment and Operations

COMMERCIAL SERVICES

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	Strategic Procurement	Review of the processes within the Service to support the Council's Future Shape programme.	CD	15	
SOSR	Building Schools for the Future	Provide challenge, advice and guidance on risk management during the delivery phase of the project and ensure that the project delivery is managed within an effective and efficient governance structure.	CD	12	
BSLM	Value for Money	To assess the effectiveness of the Corporate approach to VFM in supporting service delivery.	CD	20	
BSLM	Property Asset Plan	To assess the management of the Council's Property Asset Plan.	CD	15	
SOSR	Brunswick Park Community Hub	Provide challenge, advice and guidance on risk management during the delivery phase of the project and ensure that the project delivery is managed within an effective and efficient governance structure.	CD	12	

CD = Commercial Director

COMMUNITIES
Children's Services

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM SOSR	Special Education Needs Placements	A review of the service arrangements for placement of children with special needs within Barnet's schools. .	DCS	20	
BSLM SOSR	Independent Provider Performance	An assessment of the arrangements for monitoring the performance of independent providers, focusing on providers for Special Education Needs services.	DCS	15	
BSLM	Performance Management	A systems review to assess compliance of the data quality arrangements against the corporate data quality guidance.	DCS	15	
BSLM	Budgetary Control	A review of the system of controls for establishing, managing and monitoring budgets for the delivery of the objectives of the Service.	DCS	15	
BSLM	Risk Management	A review of the risk management arrangements to ensure compliance with Council's Risk Management Strategy.	DCS	12	

DCS = Director of Children's Services

Adult Social Services

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM SOSR	Residential Nursing Care	An 'end to end' systems review of Residential Nursing care will be undertaken to ensure that there are consistent processes in place across the Directorate to delivery the required service to meet clients' needs effectively and on time.	DASS	45	
BSLM SOSR	Reviewing	A systems review of the current processes to assess that client's ongoing needs are being reviewed regularly, met promptly and effectively.	DASS	15	
BSLM	Performance Management	A systems review to assess compliance of the data quality arrangements against the corporate data quality guidance.	DASS	10	

DASS = Director of Adult Social Services

FINANCE

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Capital Programme	To assess compliance with the prudential code, the management of various capital funding streams (e.g. Section 106 and prudential borrowing), including capital receipts from the disposal of properties and the effectiveness of the fixed asset register as a tool for management and administration of the Council's capital assets, including compliance with IFRS.	DoF	15	
ALL	Treasury Management	To assess treasury management borrowing arrangements to minimise interest costs and achieve interest cost stability through, for example, sound management of the long term debt structure and compliance with the prudential code.	DoF	15	
ALL	Accounts Payable	To assess the Council's payment arrangements to ensure the correct and prompt payment of the Council's creditors.	DoF	12	
BSLM	Debit/Credit cards	To assess the arrangements to ensure the secure payment and the prompt and accurate processing of amounts paid to the Council using debit and credit cards.	DoF	15	
BSLM	Grant Audits	To assess arrangements for grant management/administration.	DoF	10	
BSLM	Compliance with Financial Regulations	To assess compliance with the Council's Financial Regulations	DoF	10	

DoF = Director of Finance

CORPORATE SERVICES

Human Resources

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	Recruitment HR Payroll	To assess arrangements to ensure that candidates with the necessary skills, knowledge, experience and qualifications are selected and retained in the Council, that employee costs are made promptly and correctly and compliance with the relevant statute.	DoCS	15	
ALL	Safer Recruitment	To assess recruitment arrangements to ensure the safeguarding of children and vulnerable adults and compliance with the relevant Laws and Regulations.	DoCS	12	
BSLM	LG Pension Administration including compliance with Financial Regulations	To assess Pension Fund administration arrangements	DCS/DoF	12	

Information Systems

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	Electronic Document Record Management System (Phase 2)	To assess project governance arrangements and the provision of related advice and guidance during the implementation of the solution.	DoCS	15	
BSLM	IS Strategy	To assess arrangements for the development of an effective IS Strategy supporting Future Shape and ensuring sustained service delivery in view of the significant proposed savings.	DoCS	10	

Revenues and Benefits

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
BSLM	NNDR / Business Rates	To assess effectiveness of key controls for this area.	DoCS	12	
BSLM	Council Tax	To assess effectiveness of key controls for this area.	DoCS	12	
ALL	Housing Benefit	To assess effectiveness of key controls for this area.	DoCS	12	
ALL	Council Tax, NNDR and Housing Benefit Pericles	To assess project governance and the provision of related advice and guidance during the implementation of the solution.	DCS/DoF	15	

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
	replacement (including the document management system)				
BSLM	Cash Book control and reconciliation	To assess arrangements to ensure the timely and accurate preparation of reconciliations for all main accounts.	AD-SS	12	
BSLM	Income and Debt Management	To assess arrangements to ensure the timely and accurate processing and recording income and receipts, the prompt collection of amounts owed and the appropriate write-off of uncollectible debts.	DCS/DoF	15	

Customer Services and Libraries

Contribution to the Corporate Priorities	Audit Title	Scope	Client	No of Audit Days	Quarter
ALL	Customer Access and Libraries	To assess arrangements to ensure the effective roll out of aspects of the Customer Access Delivery Plan (e.g. ICS accreditation) including the management and improvement of Libraries.	DoCS	15	

DoCS = Director of Corporate Services

Other Work:

Internal Audit will also:

Provide Advice and Guidance on risk and control – 40 audit days

Undertake Follow-ups and there is a contingency to undertake additional work – 50 audit days

School audits – 152 days

AGENDA ITEM: 12

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Meeting	Audit Committee
Date	11 March 2010
Subject	Annual Workplan of the Corporate Anti Fraud Team 2010/11, revised Counter Fraud Framework and new Anti Money Laundering Framework.
Report of	Acting Corporate Anti Fraud Team Manager Director of Corporate Governance
Summary	To note the Annual Workplan of the Corporate Anti Fraud Team 2010/11, the revisions of the Counter Fraud Framework and the new Anti Money Laundering Framework.

Officer Contributors	Clair Green, Acting Corporate Anti Fraud Team Manager Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A - Corporate Anti Fraud Team Annual Work Plan 2009/10 Appendix B - Revised Counter Fraud Framework Appendix C - Anti Money Laundering Framework
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Clair Green 0208 359 7791 Jeff Lustig 0208 359 2008

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Corporate Anti Fraud Team (“CAFT”) Annual Work Plan for 2010/11.**
- 1.2 That the Committee note the contents of the revised Counter Fraud Framework.**
- 1.3 That the Committee note the contents of the new Anti Money Laundering Framework.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004 (delegated powers report, ref: BT/2004-05 -2 March 2004)
- 2.2 On 10 March 2009, the Audit Committee included in the work programme for 2009/10, that an annual work plan of the Corporate Anti Fraud Team be produced to this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council’s Corporate Plan 2009/10 has set six key objectives to achieve ‘More Choice Better Value’. The council also has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti Fraud Team supports this by delivering value for money through better use of resources, and through effective prevention, detection, investigation and deterrent measures and a cohesive approach to the reflect best practice.

4. RISK MANAGEMENT ISSUES

- 4.1 The failure to adopt a Counter Fraud Framework and Anti Money Laundering Framework, Policy and Procedures may result in poor decisions being taken in tackling fraud, corruption and money laundering activity. This would adversely affect the Councils reputation.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through the Annual Work Plan and our service delivery.
- 5.2 Our Annual Work Plan, revised Counter Fraud Framework and Anti Money Laundering Framework will have no adverse impact upon equalities or diversity issues.
- 5.3 CAFT offer free interpretation service to all staff members or residents who are required to attend an interview with us. CAFT ensure that all our publicity leaflets and posters are modified and adapted to includes equalities actions

so that all members of the community, especially vulnerable groups, have an understanding of the services provided and reduce the likelihood of intentional or other fraud being committed as identified in the CAFT work plan.

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

6.1 None.

7. LEGAL ISSUES

7.1 None identified outside the context of this report.

8. CONSTITUTIONAL POWERS

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

9 BACKGROUND INFORMATION

9.1 CAFT is a specialist investigative unit which was established in May 2004 to investigate allegations of Housing Benefit, Council Tax Benefit and General Fraud within the London Borough of Barnet. Our aim is to assist the Council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption. The team continues to operate within the Counter Fraud Framework which consists of a set of comprehensive documents which details the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle Blowing Policy.

9.2 CAFT is part of the Corporate Governance Directorate; this directorate was launched on 1st December 2006 to "promote the highest standards of conduct, accountability, and transparency in the way the Council and its partnerships operate".

9.3 The CAFT Work Pan for 2010/11 sets out the key objectives, priority Improvement Initiatives and Tasks for the year. These are in addition to CAFT continuing to deal with all allegations of Fraud and Corruption, Money laundering Suspicions and requests for Advice and Assistance within the Council. The areas that are specifically mentioned within the work plan take into account current good practice advice national areas of concern for fraud in public sector.

9.4 The Counter Fraud Framework was last reviewed in November 2008. This document is revised annually by CAFT. The Counter Fraud Framework is a set of procedural guidelines and processes which regulate how the council deals with Fraud. This document has been revised to take into account new legislation and updated in accordance with the current working practices of the CAFT.

- 9.5 The London Borough of Barnet is committed to zero tolerance of Money Laundering within the organisation and the community it serves; it believes that it should embrace the underlying principles behind UK law on money laundering and that in doing so its response should be appropriate and proportionate.
- 9.6 Legislation concerning Money Laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) has broadened the definition of Money Laundering. Local Authorities do not have a statutory duty to comply with these regulations; however is it deemed as best practice that Local Authorities put in place procedures and policies to prevent and protect their services from being used for potential money laundering activities.
- 9.7 The Council has particular responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The proposed introduction of a new Anti Money Laundering Framework will provide the appropriate policies and guidelines to ensure that Money Laundering is minimised through effective prevention, detection, investigation, deterrent and awareness measures. We will also provide training and support to all staff as required.
- 9.8 Money Laundering as defined by the Serious Organised Crime Agency (SOCA) as: “any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to launder 'dirty money' in an attempt to make it look 'clean' in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies”

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal: DA/JEL

Finance: KB

Appendix A

**Corporate Governance
Directorate
Group Work Plan for
CAFT
2010/2011**

1. Introduction

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

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

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

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

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

2. Group/Team Description

The Corporate Anti Fraud Team is part of the Corporate Governance Directorate.

The role of the team is to assist the Council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption.

Key Responsibilities of the Corporate Anti Fraud Team are:

- To investigate all allegations of Internal Fraud and corruption.
- To provide the specialist skills of accredited financial investigators, which will assist and protect the authority in the investigation of any allegations of money laundering offences.
- To co-ordinate the Audit Commissions National Fraud Initiative Data Matching exercise, including the subsequent investigation of any identified fraudulent activity.

- To investigate all allegations of Housing Benefit (HB) and Council Tax Benefit (CTB) Fraud, and to provide assistance to the benefits service in identification of incorrect HB/ CTB Awards.
- The administration and investigation of the Housing Benefit Data Matching Service (HBDMS) data-matches
- To assist in solving the problem of the misuse of Disabled Blue Badges within the London Borough of Barnet, including ongoing joint working with the Police on Blue Badge Operation Days and the prosecution of persistent offenders.
- Provide a dedicated Intelligence service to support the work of CAFT.
- Provide Fraud Awareness & Money Laundering Awareness training to all staff & members.

The CAFT Manager is also the London Borough of Barnet's:

- Designated Whistleblowing Officer, undertaking the responsibilities of the role as described within the Council's Whistleblowing Policy.
- Nominated Money Laundering Reporting Officer (MLRO) to undertake the duties as detailed within the Council's Anti Money Laundering Framework.
- Designated Authorised Officer for the authorisation of covert surveillance powers in accordance with Regulation of Investigative Powers Act 2000 (RIPA) (alongside the Head of Legal)
- Designated officer by the Secretary of State under the provisions of the Social Security & Administration Act 2001 to act as the Authorised Officer in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.
- 'Senior Appropriate Officer' for the authorisation of production orders, restraint orders, customer information orders and account monitoring orders as described within section 453 of the Proceeds of Crime Act 2000

3. Corporate Plan Priorities

The vision and direction of the CGD and the CAFT is set in the Council's Corporate Plan. This plan forms the basis for planning and performance at Directorate and team level. Below are the relevant extracts from the 2009/10 plan.

Corporate Plan Theme: More Choice, Better Value
Key Priorities
<u>Customer care</u> – making sure we remember who we are working for, and giving our customers the service we would want ourselves
<u>Managing well</u> – everyone should make sure whatever resources they have to do

their job, whether staff, money or equipment – is properly managed

Partnerships – we need to work with people in other organisations to do our jobs well. Getting these working relationships right is vital to our success

Value for money – we’re spending taxpayers’ money. Everyone should be looking for more efficient ways of delivering high quality services as an everyday part of their jobs

Safeguarding - we all have a role to play in ensuring our most vulnerable residents are safe. Everyone needs to think about safeguarding as part of everything we do.

Priority Improvement Initiatives:	Milestones:	Lead:	Progress:
<ul style="list-style-type: none"> • Promote and raise awareness of the Council’s revised Counter Fraud Framework, develop new protocols and liaison with all directorates, to include a assessment of working arrangements/processes against high risk of fraud for service areas within each directorate. • To raise the awareness of the CAFT with each directorate ensuring that all suspected frauds are reported to CAFT for further investigation. • Promote and raise awareness of the Council’s new Anti Money Laundering Framework, develop new protocols and liaison with all directorates, to include a assessment of working arrangements/practices against risk of money laundering for high risk service areas within each directorate. • To raise the awareness of potential Money Laundering activity within each directorate to ensure that any suspicious activity is reported to the MLRO for further action. 	<p>Audit Committee March 2010</p> <p>Senior Officers April 2010</p> <p>New agreed Directorate Protocols Quarter 2</p> <p>New service area protocols Quarter 3</p> <p>Attend meetings with Directorates Senior Management Meetings Quarter 2</p> <p>Attend meetings with Service Area Management Teams Quarter 3</p>	<p>CAFT Manager</p>	<p>Ongoing</p>

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Key Performance Indicators:	Baseline / 08/09 outturn	Target 09/10	Target 10/11
CAFT contribute, along with the Benefit Service towards the National Performance Indicator NI 180 “The Right Benefit Indicator” as it is agreed that counter fraud activity makes a vital contribution towards this indicator by deterring fraudsters and encouraging customer compliance with their reporting responsibilities. CAFT also ensure that all reassessments are in line with the Benefit Service’s National Performance Indicator NI 181 “The Right Time Indicator”	Outturn: 61%	No baseline set by the DWP. Internal target of 65% outturn set for 09/10. Outturn achieved: 77%	No baseline has been set by the DWP. The year 2010/11 will see the Benefits Service introduce a new HB system CIVICA and the DWP CIS Prompts system. Taking into account the working implications of these two new systems CAFT have set a reduced target of 35% outturn.

4. Group/Team Level Priorities

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

Key Priority Tasks:			
Priority Actions/Tasks:	Milestones:	Lead:	Progress:
CAFT Corporate Investigators and Managers have now completed their	Ongoing; Protocols in this	CAFT Management	

<p>training in financial investigation and aim to continue with the investigation and management of financial intelligence and investigations in relation to Money Laundering offences. We aim to work more closely with all services of the Council were Money Laundering offences are more likely to be committed to ensure that those offenders do not profit from the proceeds of crimes.</p> <p>To develop a Fraud Awareness module to the current on line corporate induction programme to advance the delivery of Fraud Awareness Training for new starters in the authority through E Learning.</p> <p>To further develop our partnership with the UK Border Agency by extending the pilot for a further year. This will continue to support the corporate priority of partnerships, and ensure that only those eligible to work , reside and receive services and benefits from the Council, receive it.</p> <p>To review and assess the current arrangements against the good practice guidance as set out in the Audit Commission 'Protecting the Public Purse, and CFIPA's red book 'Managing the risk of Fraud'.</p> <p>To develop and implement a ongoing CAFT Pro-Active Fraud Programme based on the outcomes from previous CAFT Investigations, high risk areas identified within each directorate protocols and national areas of concern as detailed in the above good practice, working jointly with the DWP and UKBA.</p>	<p>area will be finalised by Quarter 3 as above.</p> <p>Quarter 2</p> <p>Quarterly Reviews</p> <p>Quarter 1</p> <p>Agree plan by Quarter 1, then review quarterly.</p>	<p>Team.</p> <p>CAFT Management Team.</p> <p>CAFT Management Team.</p> <p>CAFT Management Team.</p> <p>CAFT Management Team.</p>	
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<p>To continue to combat the ongoing issue of Blue Badge misuse within Barnet. Embarking on a publicity campaign to heighten awareness and act as a deterrent to all Barnet Blue badge holders, residents and service users of Barnet to the offences that can be committed. To review and update all procedures in this area in accordance with Transport for London guidance.</p>	<p>Ongoing Quarter 2</p>	<p>CAFT Management Team.</p>	
<p>Internal Control Checklist Actions:</p>	<p>Milestones:</p>	<p>Lead:</p>	<p>Progress:</p>
<p>For the first time 2010/11 sees the inclusion in the ICC process of questions on Anti Fraud & Money Laundering Awareness and Risks. CAFT will review the responses for each directorate once the process is complete and offer appropriate training were required and ongoing advice and assistance.</p>	<p>Quarter 2</p>	<p>CAFT Manager</p>	
<p>Equalities Actions (against Level 4 criteria):</p>	<p>Milestones:</p>	<p>Lead:</p>	<p>Progress:</p>
<p>CAFT offers a free interpretation service to everyone who attends interviews to ensure that all members of the community have equality of access and understanding. Investigation cases in CAFT are reviewed by the CAFT Management Team to ensure compliance with Barnet's Equality Policy.</p> <p>CAFT have worked closely with the Benefits Service in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided, thus reducing the likelihood of intentional or other fraud being committed.</p>	<p><i>CAFT's Equalities Actions will be reviewed quarterly.</i></p>	<p>CAFT Management Team</p> <p>CAFT Management Team.</p> <p>CAFT</p>	

The CAFT revised the current CAFT leaflet to include Equalities Actions in July 2009, and all new leaflets publicity materiel also includes Equalities actions.		Management Team	
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Progress against group/team level priorities is monitored through the CAFT Management Team and Corporate Governance Senior Management.

5. Partnership Arrangements/Contracts

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Risks identified for 10/11 as having a high likelihood and a high impact are:-

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								Likelihood	Impact		
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These risks will be monitored regularly at CAFT Management Team Meetings and updated on a quarterly basis. High High risks will be escalated to SMB, also on a quarterly basis.

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								Likelihood	Impact		
	N/A							H	H		

These risks will be monitored regularly at CAFT Management Team Meetings and updated on a quarterly basis. High High risks will be escalated to SMB, also on a quarterly basis.

Counter Fraud Framework Manual

Whistleblowing Policy

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team

Document Control

Document Name	Counter Fraud Framework Manual – Whistleblowing Policy		
Project Name	Corporate Fraud Project		
Client	The London Borough of Barnet		
Reference			
Version	V4		
Date Created	11 th February 2010		
Status	Issued		
Filename	Y:\COUNTER FRAUD FRAMEWORK\Revised Counter Fraud FrameworkV4.Doc		
Template			
Authorisation	Name	Signature	Date
Prepared By:	Clair Green		
Ratified By:	Jeff Lustig		
Ratified By:	Nick Walkley		
Distribution List	Name	Date Distributed	
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Version Control

Version number	Date	Author	Reason for New Version
Version 3	September 2008	Val Lambe	Link attached to item 4.1 and Deletion of After Reporting Item.
Version 4	February 2010	Clair Green	All references of Val Lambe amended to CAFT Manager
	February 2010	Clair Green	Chief Executive Officer amended to Nick Walkley.
	February 2010	Clair Green	Deletion of Director of Resources
	February 2010	Clair Green	3.1 Reference to Safeguarding Policy included.

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Counter Fraud Framework Manual – Whistleblowing Policy

Doc Ref:

Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.](http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT Report - Appdx Bii_Whistleblowing.doc)

11_March_2010/CAFT Report - Appdx Bii_Whistleblowing.doc

Status: Issued

1 Introduction

- 1.1 This whistleblowing policy has been drawn up in conjunction with the Public Interest Disclosure Act 1998. The Act establishes a framework for responsible whistleblowing and is intended to encourage employees and the public to report any concerns that they may have of improper conduct or malpractice or abuse within the Council or to any of its service users. The London Borough of Barnet strongly endorses this policy; promoting how committed we are as an authority, in being open, honest and accountable.
- 1.2 The essence of a whistleblowing system is that staff should be able to by-pass their direct management line, as this may be the area about which their concerns arise. They should be able to go outside the organisation if they feel the overall management is engaged in an improper course.
- 1.3 The role of the whistleblowing policy is to assist with the deterrent and detection of wrongdoing. The Policy explains how concerns should be raised and eradicate any fear that it is not safe to raise concerns inside or with a prescribed regulator for fear of being victimised, discriminated against or disadvantaged in any way as a result.
- 1.4 To give assurance that there is a safer alternative than your silence and that as a whistleblower you will be perceived as a witness and not as a complainant.
- 1.5 To give assurance that all concerns, regardless of their nature, raised under this procedure will be treated seriously and sensitively by highly trained and experienced officers.
- 1.6 Employees are encouraged to report wrongdoing and have the right to be heard and taken seriously when they do so. The Council will take all reasonable steps to protect people who make such disclosures from any detriment action which may occur as a result of making the disclosure.
- 1.7 The Council neither tolerates improper conduct by its employees, Council members or its contractors, nor the taking of reprisals against those who come forward to disclose such conduct. We are committed to the highest possible standards of openness, probity and the aims and objectives of the Public Interest Disclosure Act 1998.
- 1.8 The Council recognises the value of both confidentiality and accountability in its core functions and fully supports the making of disclosures to reveal corrupt conduct, mismanagement of public resources, or conduct which involves risk to service users, public health and safety, or the environment.

2 Purpose

- 2.1 Members of staff may be the first to identify inappropriate conduct within the Council. They may not say anything because they believe that this would be disloyal, that their suspicions are not justified or they may have fears of victimisation or reprisal if they do come forward. This is why the Council has produced this whistleblowing policy to help staff raise their concerns at an early stage.
- 2.2 We encourage staff to say something when it is a concern rather than wait for proof. This will allow us the opportunity to address a potentially serious problem before it is too late.

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- 2.3 All employees of the Council and the public may use this policy. This includes permanent and temporary staff; it also covers agency staff and staff seconded to a third party. Any concerns relating to the third party, if relevant to the staff's secondment, can also be raised under this policy.
- 2.4 This policy is also recommended to school governing bodies, the public and people linked to the business of the Council.
- 2.5 This policy provides:
- A framework that ensures that the Council and those that act on its behalf conduct themselves in a proper manner.
 - Intends to establish a system for reporting the disclosure of improper conduct or detriment action by London Borough of Barnet employees, Council members and its contractors. This procedure is not designed to inhibit staff or members from seeking advice from relevant professionals (e.g. Chief Executive, Director of Corporate Governance – Monitoring Officer, Chief Finance Officer, Human Resources, Health & Safety etc). This procedure is designed as an alternative to a less formal approach.
 - Aims to encourage employees to feel confident in raising their concerns and to act upon them. Instilling confidence that the disclosure will be reported to someone that actually has the ability to act upon it. **Helps everyone to separate the “message from the messenger”.**
 - Reassures employees that if they raise any concerns in good faith, that they believe to be true, that they will be protected from possible reprisals or victimisation.
- 2.6 This policy is designed to complement normal communication channels between staff members and management. All employees are encouraged to continue to raise matters via their respective Line Managers, however sometimes employees may feel more comfortable making disclosure of improper conduct using this procedure.

3 Scope

- 3.1 It is impossible to provide an exhaustive list of the activities that constitute misconduct or malpractice within the Council, we would expect you to report:
- A criminal offence (Fraud, Corruption or Theft)
 - Misconduct
 - Miscarriages of justice
 - Unauthorised use of public funds
 - False insurance claims against the Council
 - Abuse or ill treatment of any member of staff or service recipient
 - Abuse or ill treatment of vulnerable adults or children. *(In such cases a Whistleblowing referral may evoke a 'Safeguarding' investigation. The investigation will then be dealt with in accordance with the London Borough of Barnet's 'Safeguarding Policy', whilst still offering the whistleblower the confidentiality and support of the Whistleblowing policy.)*
 - Danger to Health and Safety

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- Substantial Damage to the Environment
 - Serious failure to deliver service
 - Deliberate non compliance to a Council policy, an official code of practice, law or regulation
 - Deliberate concealment of information relating to any of the above
- 3.2 The Council offers many different channels for raising concerns and the whistleblowing system has a specific purpose and is not to be confused with any others. This policy is not about reporting:
- Issues affecting you as an employee (these should be raised through the Council's Grievance Procedure)
 - Service requests or complaints from the public about Council services
 - Lobbying for or against Council policy
 - Trade union or staff consultation

4 Methods of Reporting

- 4.1 At present there are four different methods that may be used to whistleblow.
- The London Borough of Barnet has established a whistleblowing telephone hotline, which ensures that staff can report their concerns in a confidential and secured environment. The whistleblowing hotline number is **0208 359 6123**.
 - Concerns can also be raised in writing, addressed to the Whistleblowing Officer:

CAFT Manager

Corporate Anti Fraud Team

2nd Floor, Building 4

North London Business Park

Oakleigh Road South

London N11 1NP

- Concerns can be made on the attached Whistleblowing Referral Form (WB1) Link attached completed WB1 may be either posted or emailed to the Whistleblowing Officer.

[.../DOCUMENT TEMPLATES/FORMS/WB1.doc](http://.../DOCUMENT%20TEMPLATES/FORMS/WB1.doc)

- Concerns can also be sent to a secured e mail address:
whistleblowing @ barnet.gov.uk

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5 Reporting

5.1 All members of staff should follow the reporting procedure below. However all staff have the additional option that in the first instance they may report wrongdoing to their line manager, this will depend on the seriousness and sensitivity of the matter, and who is suspected of the wrongdoing.

Members of the public and Staff should report wrongdoing to either:-

- The Whistleblowing Officer, the Corporate Anti Fraud Team Manager (CAFT), has a duty to the Council to deal with cases of fraud within the authority and is responsible for the overall operation and maintenance of the whistleblowing policy. This is independent of all service areas within the Council and thus, the person reporting the wrongdoing can be assured that the concerns raised are addressed appropriately.
- If the wrongdoing involves a member of CAFT, then concerns should be raised with the Monitoring Officer, Jeff Lustig or the Chief Executive, Nick Walkley.
- Alternatively, for independent advice, the person making the report may also contact Public Concern at Work, an independent charity providing free advice for employees who want to express their concerns on 0207 404 6609.
- The person making the report could also contact the Audit Commission Public Interest Disclosure Act telephone hotline on 0207 630 1019.

5.2 Whenever someone reports a wrongdoing that they believe to be true, appropriate action will be taken under the Public Interest Disclosure Act 1998 to protect them from harassment, victimisation or bullying.

5.3 Everything possible will be done to respect confidentiality. We will keep your concerns confidential if this is what you want, your name and position will not be revealed without your permission, unless we have to do so by law. This will all be explained at the time, you can then decide whether you wish to proceed or not.

5.4 We encourage you to give your name when you make an allegation. Concerns raised anonymously tend to be far less effective. If you feel that you cannot reveal your identity, our whistleblowing officer will then need to decide whether or not to consider the matter. This will be based on the seriousness of the matter, whether the concern is believable and whether we can carry out an investigation based on the information you have provided.

5.5 Sometimes, however, it is necessary for a statement to be taken as part of an investigation into the allegation. In this case, the implications will be discussed before a statement is made.

5.6 All persons making a report will be asked to provide as much detail as possible so that the allegation can be investigated appropriately. It is far better to do this in writing, but as an alternative staff can speak to someone in a meeting.

5.7 All persons making the report will be allocated a specialist who will deal with them throughout the period of the investigation and will meet with them outside of their workplace where applicable.

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- 5.8 Persons reporting wrongdoing may worry that reporting will lead to confidential information being disclosed. It may well be possible to pass on information covered by the Data Protection Act, however there are occasions where the need to blow the whistle overrides other legal issues. If persons reporting the wrongdoing have concerns, they can explore this with the CAFT Manager, or for staff his/her representative.

6 Protection from reprisal

- 6.1 The Public Interest Disclosure Act 1998 gives statutory protection for employees who report in good faith on crime, illegality, miscarriages of justice, danger to health or safety, damage to the environment, or on deliberate concealment of these. The protection covers reports to the employer or to a regulating authority; otherwise the statutory protection depends on the circumstances.
- 6.2 Any person who makes a report in good faith will be protected from victimisation or reprisal. The Act protects the employee from being subjected to discipline, dismissal or any other detriment from making the report.
- 6.3 In addition, the Council will treat any victimisation or harassment of an employee who has made the report in good faith under this procedure as a serious disciplinary offence.
- 6.4 No action will be taken against any person if a report has been made in good faith but is not confirmed by the investigation.
- 6.5 **Conversely, any person should not make a report, which they do not reasonably believe to be true, or which are malicious. Disciplinary proceedings may be taken against an employee of Barnet Council who makes a malicious report.**
- 6.6 If an employee making a report is already the subject of disciplinary, capability or redundancy procedures they will not necessarily be halted as a result of a whistleblowing allegation.

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Counter Fraud Framework Manual

Prosecution Policy

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team

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Version 2	September 2008	Val Lambe	Amendments to 2.1 - New Legislation
Version 3	February 2010	Clair Green	Further Amendments to 2.1 - New Legislation
Version 3	February 2010	Clair Green	Inclusion of CAFT Deputy Manager throughout.
Version 3	February 2010	Clair Green	2.3 Inclusion of CPS & DWP
Version 3	February 2010	Clair Green	3.2 Amendments to the Level of Loss
Version 3	February 2010	Clair Green	Deletion of section 4 – prosecution options (4.2 – 4.5)
Version 3	February 2010	Clair Green	2.6 insertion of previous 4.1 – prosecution options.

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11_March_2010/CAFT Report - Appdx Biii_Prosecution Policy.doc

Status: Issued

1 Introduction

- 1.1 The purpose of this policy is to ensure the London Borough of Barnet has a set of guidelines in place that will assist in the decision making process when appropriate sanction action necessary as a result of an investigation.
- 1.2 This policy does not intend to be prescriptive as a number of factors will need to be considered on a 'case-by-case' basis before appropriate sanction action can be decided upon.
- 1.3 This policy centres around the core principles found in the Crown Prosecution Service (CPS) guidelines for prosecuting criminal matters. Specifically, consideration will be given to the circumstances of each case, the seriousness of the offence and the person involved in the matter.
- 1.4 A procedure has also been developed to support this policy as part of a Procedure Manual which is followed by all officers responsible for investigating fraud based within the Corporate Anti Fraud Team (CAFT). The Procedure Manual is not available for general publication.
- 1.5 All overpayments or monetary loss, which result from proven fraud, will be pursued rigorously and, where necessary, legal action will be taken to effect recovery.
- 1.6 In the event of a successful prosecution the decision to publicise the outcome will take into account the following criteria:
 - Interest of Barnet Council.
 - Deterrent value to others.
- 1.7 This policy will be continually updated as a result of new case decisions, legislation and case law.

2 Sanction / Prosecution Options

- 2.1 A person involved in perpetrating fraud may commit an offence which could relate to any of the following Acts:
 - Social Security Administration Act 1992 as amended by the Social Security (Fraud) Act 2001
 - Theft Act 1968 & 1978
 - Forgery & Counterfeiting Act 1987
 - Criminal Justice Act 1987
 - Fraud Act 2006
 - Proceeds of Crime Act 2002
 - Data Protection Act 1998
 - Computer Misuse Act 1990
 - Identity Card Act 2006

Counter Fraud Framework Manual – Prosecution Policy

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Status: Issued

- 2.2 The CAFT will investigate all types of fraud committed against the London Borough of Barnet and in relevant cases will take appropriate sanction action against the individuals responsible. The final decision as to what action will be taken will rest with the CAFT Manager/Deputy Manager.
- 2.3 The following options will be considered where a prima facie case exists:
- Take no further action
 - Issue a Formal Caution (Local Authority, DWP or Police)
 - Issue an Administrative Penalty
 - Prosecute (Local Authority, DWP or CPS),
 - The London Borough of Barnet may issue a formal caution or an administrative penalty cases where benefit fraud is proven.
- 2.4 A Police formal caution may be issued where a matter has been referred to Police by the London Borough of Barnet where appropriate circumstances exist.
- 2.5 In cases where prosecution is considered most appropriate, the London Borough of Barnet, the Department for Work and Pensions, and the Crown Prosecution Service (via the Police) may prosecute any of these offences.
- 2.6 Where the CAFT Manager/ Deputy Manager decides a case should be prosecuted, there are a number of ways the matter can then be pursued:
- The case can be prosecuted by the London Borough of Barnet Legal Service
 - The case can be referred to the Police for subsequent prosecution action by the CPS
 - The Department for Work and Pensions (DWP) may prosecute in some cases if a joint investigation involves losses of both Housing/Council Tax Benefits and DWP benefit.

3 Sanction Guidelines

- 3.1 Each case will be considered on individual circumstances, however guidelines have been developed to assist in the decision making process. These guidelines relate to all cases of fraud including, employee fraud, general fraud and benefit related fraud.
- 3.2 Consideration when deciding on an appropriate course of action will be given to:
- The Public Interest Test (based on CPS guidelines)
 - The level of loss
 - Circumstances of the offence
 - Factors relating to the offender
 - Other factors

Public Interest Test

Where the decision is made that a matter is not in the public interest to prosecute the following factors will be considered:

- The loss is under £500

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- The offender has not previously offended
- There was no planning involved
- There was no other person involved

Level of loss

The following levels of loss will be used as a guide when deciding on appropriate sanction action:

Level of loss

Action

£00.00 - £500.00

Recovery of overpayment

£500.00 - £2000.00

a) Recovery of overpayment

b) Administrative Penalty of 30%

c) Formal Caution (Local Authority ,DWP or Police)

£2000.00 – Over

a) Administrative Penalty

b) Prosecution by either the London Borough of Barnet, DWP & CPS

Circumstances of the offence

The following factors will be considered where prosecution is the most likely course of action:

- The deterrent value of a prosecution.
- The length of time the fraud has continued.
- Whether the offence was calculated and premeditated.
- Sufficient evidence leading to a reasonable prospect of conviction and there are no serious errors in benefit assessment or the investigation.
- Evidence of collusion (with landlord, employer or family member etc)
- Administrative penalty has been declined
- Offender holds a position of trust
- Previous history relating to fraud

If any of the following factors exist, it may be unlikely that prosecution will be pursued:

- Serious errors in investigation or assessment of loss
- Unacceptable delay in investigation
- Poor publicity may be attracted, or low deterrent factors exist
- Vulnerable person may be put at risk

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- Evidence is poor
- Case is 'out of time' for prosecution under certain time limited legislation
- Voluntary disclosure of the offence by the offender before the fraud was uncovered, and true remorse is shown
- Evidence that the person has committed the offence under duress

Factors relating to the offender

Some factors relating to the offender may exist where the London Borough of Barnet may not wish to prosecute or impose another type of sanction. These factors are as follows:

- Poor health, either mental or physical, of the offender likely to be considerably and permanently worsened by prosecution
- Young or vulnerable person
- Single parent or pensioner
- Old age or terminal illness
- Whether the offender has reasonable command of English and whether that may affect his or her ability to understand the offence committed.

Other factors

In all cases, the following other factors should also be considered:

- Whether the penalty will be substantial or minimal.
- Attitude of the offender
- Character of the offender
- Attitude of the local community
- Prevalence of the offence
- Any other case where it appears that severe hardship or suffering is a contributory factor.

Counter Fraud Framework Manual

Fraud Policy

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team

Document Control

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Version Control

Version number	Date	Author	Reason for New Version
Version 2	September 2008	Val Lambe	<p>Amendment to 2.1 – Definition of Fraud.</p> <p>Amendment to 4.5 – Deputy Director of Corporate Governance is the Authorised Officer to approve surveillance requests in accordance to the Regulation of Investigatory Powers Act (RIPA)</p> <p><i>All references made to Head of CAFT amended to CAFT Manager. All references made to Internal Audit amended to Internal Audit & Ethical Governance.</i></p>
Version 3	February 2010	Clair Green	Amendment 2.1.2 Deletion of Director of resources – Amendment to Director of Finance.
Version 3	February 2010	Clair Green	3.5 Various Amendments under employee section.
Version 3	February 2010	Clair Green	4.1 Amendment to IA EG referrals to CAFT.
Version 3	February 2010	Clair Green	4.5 Deletion of Deputy Director of Corporate Governance – Amendment to CAFT Manager 7 Head of Legal.
Version 3	February 2010	Clair Green	4.6 Insertion of CAFT Deputy Manager.
Version 3	February 2010	Clair Green	5.5 Inclusion of UKBA & DWP as Partners.

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Counter Fraud Framework – Fraud Policy

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11_March_2010/CAFT Report - Appdx Biv_Fraud Policy.doc

Status: Issued

1 Background

- 1.1 The London Borough of Barnet is committed to fighting fraud with high ethical and moral standards, and recognises that any fraud perpetrated against the Council is costly, both in financial terms and reputation. The London Borough of Barnet is therefore committed to a program of zero tolerance.
- 1.2 The London Borough of Barnet already has a set of processes in place, which aim to contribute to an effective Counter Fraud Framework. These include the presence and/or planned development of:
- Documented systems of Internal Control
 - Risk Assessment/Management
 - Contract Code's of Practice
 - Codes of Conduct for Members and Officers
 - Council Constitution
 - Council Disciplinary Procedures
 - Internal and External Audit
 - Effective Recruitment Procedures
 - Induction & Training
 - Documented procedures for the investigation of fraud
 - Confidential Whistleblowing Hotline
 - Union Charter
- 1.3 The London Borough of Barnet is committed to nurturing a strong anti-fraud culture within the organisation, which is key to the prevention and detection of fraud. The Corporate Anti Fraud Team (CAFT) has made a commitment to continue in the development and facilitation of Fraud Awareness Training throughout the Council to ensure this culture becomes engrained in the minds of all staff.
- 1.4 The Corporate Anti Fraud Team is dedicated to investigating all instances of fraud committed against the London Borough of Barnet and will ensure cases are appropriately sanctioned where applicable.

2 Policy Statement

- 2.1 This policy applies to all cases of fraud. The Fraud Act 2006 defines that fraud requires
1. Deceit, the intention to deceive or secrecy: and
 2. (a) an actual loss or gain;
(b) the intent to cause loss to another or expose them to the risk of it;
 3. Dishonesty.

Offences of fraud can include deception, theft, misappropriation, embezzlement, forgery, corruption, bribery, extortion, false accounting, false representation, concealment of material facts and acts of conspiracy, collusion and aiding and abetting any act of dishonesty.

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- 2.2 The London Borough of Barnet will ensure probity in local administration and governance by taking positive action against all forms of fraud affecting Council business whether it be from internal or external sources, or benefit related fraud.
- 2.3 The Council aims to minimise fraud and loss through effective prevention and detection measures and is committed to supporting its employees and members in deterring fraud. Where fraud is discovered and investigated, the Council is dedicated to reassessing controls and systems in place and will take all reasonable steps to prevent the same happening again.
- 2.4 The Council will in all cases take necessary steps to recover any funds lost through fraudulent behaviour.
- 2.5 All members of staff are expected to share this commitment to help the London Borough of Barnet protect the public funds to which it has been entrusted.
- 2.6 This policy has been established to facilitate the continued development of fraud detection and prevention procedures, which will ensure the London Borough of Barnet takes an effective and holistic approach to the prevention, detection, investigation and deterrence of fraud and corruption.
- 2.7 This policy applies to all employees of the London Borough of Barnet and has the full support of the elected Councillors, Directors, Chief Officers and Trade Unions representing Council employees. It also applies to:
- Consultants
 - Temporary staff
 - Contractors
 - Vendors
 - And/or any other parties with a business relationship with the London Borough of Barnet.
- Customers of the Council or beneficiaries of public funds within the borough are expected to be honest in their dealings with the Council.
- 2.8 All allegations of benefit related fraud will be dealt with in the same strict manner as internal cases that may arise.
- 2.9 There is a specific duty expected of the elected Councillors of the London Borough of Barnet to set an example to the employees of the Council and also the community by acting with integrity, honesty and in a trustworthy manner befitting the Council.
- 2.10 In line with this, all Directors, Heads of Service, Managers and senior members of staff are expected to set high examples of conduct in their day to day work which are beyond reproach. All staff are expected to be fully accountable during their employment with the London Borough of Barnet and to comply with all laws and regulations applicable to the Council's business.
- 2.11 The Council's responsibilities are to develop and maintain effective controls to prevent fraud occurring and to ensure that, if it does occur, it will be detected promptly. If fraud is suspected, the Corporate Anti Fraud Team will carry out a vigorous and prompt investigation
- 2.12 The responsibilities for individual systems of control fall directly on line management and many involve all of the Council's staff. The Director of Finance / Chief Finance Officer bears overall responsibility for financial systems and may be liable to be called to account for specific failures.

Counter Fraud Framework – Fraud Policy

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- 2.13 The Corporate Anti Fraud Team has full right of access to examine any documents or contents of Council property. This also includes examination of staff computers, and related equipment.
- 2.14 This document is not exhaustive, therefore other matters arising will be subject to scrutiny under this fraud policy.

3 Prevention

- 3.1 Prevention is the most desirable factor in dealing with any fraud. Unfortunately, not all systems are always foolproof in stopping the committed fraudster.
- 3.2 The Corporate Anti Fraud Team is committed to a dedicated fraud education programme throughout the Council, which intends to provide detailed fraud awareness, updates on fraud trends and legislation. All staff of the Council will be required to participate in this programme fully.
- 3.3 The Council has a legal responsibility to ensure a sound system of internal control is in place. A system of Risk Management has been documented and implemented to ensure fraud and inaccuracies are minimised or prevented.
- 3.3 Internal Audit are available to advise managers on best practice and independently monitor the existence and effectiveness of control systems.
- 3.4 The Corporate Anti Fraud Team are available to advise on fraud prevention measures and provide fraud awareness training on a regular basis to management and their staff.
- 3.5 The following are key measures the Council has implemented to help prevent the occurrence of fraud:

Members (Councillors)

- All members have a duty to the citizens of the borough to protect the authority from all forms of abuse.
- Members of the Council set the standard for the entire organisation and therefore give their full support to all systems and controls in place to assure probity. In particular, members have a personal responsibility to abide by the Council's Constitution, Standing Orders, the Members Code of Conduct, and act within the law in an open, honest and trustworthy manner.

Managers

- All managers are responsible for ensuring an effective system of risk management and internal control exists within their service areas and that those controls operate effectively. Managers must recognise that they must take a lead in terms of fraud prevention and will be held accountable for not undertaking this as part of their position of trust and area of responsibility.
- Specifically, managers must assess the types of risk involved in the operations for which they are responsible; to review and test the control systems regularly, and to ensure that controls are being complied with properly by undertaking regular checks.

Counter Fraud Framework – Fraud Policy

Doc Ref:

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Status: Issued

- Management are also responsible for ensuring the Council's commitment to fraud is communicated to all staff responsible to them, and will be held accountable for failing to do so.

Employees

- The London Borough of Barnet has recruitment procedures which have been established to ensure all staff are vetted correctly prior to commencing their employment. This includes undertaking correct background checks on new recruits, permanent and temporary, and ensuring satisfactory written professional references are received prior to making an offer of appointment.
- All employees are required to follow the Council's Staff Code of Conduct and any other relevant professional code.
- All staff have a duty to assist the Council in the prevention of fraud and are expected to alert their line manager where they believe the opportunity for fraud exists because of poor procedures or lack of appropriate supervision.
- All employees are expected to report any cases of suspected fraud, no matter how trivial they may seem, using agreed procedures and guidelines.
- As stewards of public funds, officers must have, and be seen to have, high standards of personal integrity. Staff should not accept personal gifts, hospitality, or benefits of any kind from a third party that may be seen to compromise that integrity.
- Disciplinary procedures are in place to deal any acts of misconduct by Council employees.
- Where a criminal offence is suspected the matter will be investigated fully by the Corporate Anti Fraud Team. Further action and possible criminal prosecution may be taken by the Corporate Anti Fraud Team in conjunction with the Councils Legal Department or the Police/Crown Prosecution Service. Further to this, recompense will be sort from those found guilty of any such offence.

4 Detection

- 4.1 Internal Audit carry out internal audits of all service areas based on an assessment of the risk management applied within the Council as a whole and within individual directorates. . Internal Audit regularly liaises with External Audit and will refer any suspected Fraud or irregularity to the Corporate Anti Fraud Team.
- 4.2 A Fraud Response Plan has been developed for all staff to be aware of and abide by and is part of the Counter Fraud Framework Manual. In short, all staff are expected to report any suspicions of fraud to their Line Manager or to the Corporate Anti Fraud Team as soon as possible following the protocols that have been agreed.
- 4.3 A Whistleblowing Hotline has been established for cases where staff feel it is necessary to report their suspicions in a confidential manner. The Whistleblowing Policy is contained in the Counter Fraud Framework Manual.
- 4.4 The Corporate Anti Fraud Team is committed to a programme of regular proactive investigations in order to detect instances of benefit fraud, internal and external fraud in identified high risk areas within the Borough.

Counter Fraud Framework – Fraud Policy

Doc Ref:

Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.](http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT Report - Appdx Biv_Fraud Policy.doc)

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- 4.5 The CAFT Manager and the Head of Legal are jointly designated as Authorised Officers to approve surveillance requests in accordance to the Regulation of Investigatory Powers Act (RIPA).
- 4.6 The CAFT Manager / Deputy is also designated as the Authorised Officer in accordance with the Social Security Administration Act 1992. This enables the Authorised Officer to require certain parties to provide information under the act in relation to benefit related fraud.
- 4.6 The London Borough of Barnet has established a Prosecution Policy which has been designed to clarify the authority's position with regard to prosecutions and to deter those who may attempt to commit offences against the authority. The Prosecution Policy is contained within the Counter Fraud Framework Manual.
- 4.7 The London Borough of Barnet views fraud as a serious offence against the authority and employees will face disciplinary action if there is evidence to support any allegation of fraud. Disciplinary action will be taken in addition to, any criminal proceedings, depending on the circumstances of each case.
- 4.8 Members will face appropriate action in accordance with these guidelines if evidence supports any allegation of fraud and matters will be reported to the Standards Committee if and when appropriate.
- 4.9 Members of the public are liable to prosecution if benefit fraud or any other general fraud is committed against the London Borough of Barnet.

5 Investigation

- 5.1 The Corporate Anti Fraud Team are responsible for investigating all allegations of suspected fraud. This applies to internal, general and benefit related allegations.
- 5.2 The Corporate Anti Fraud Team has been designated this responsibility to ensure consistency in dealing with all allegations of fraud, to ensure a detailed and proper investigation is carried out by skilled investigators, and to ensure the Council assets and interests are protected and/or recovered where applicable.
- 5.3 The Corporate Anti Fraud Team have a complete set of procedures based on current legislation that investigators must abide by for benefit related investigations, disciplinary and criminal investigations.
- 5.4 The Corporate Anti Fraud Team will also work closely with Human Resources in fraud related cases involving disciplinary investigation, action and hearings. Where fraud is proven, this constitutes gross misconduct and cases will be dealt with appropriately, according to Council disciplinary procedures.
- 5.5 The Corporate Anti Fraud Team will also work closely with other key internal / external partners to ensure all cases are investigated appropriately and efficiently, thus maximising outcomes, including recovery of any loss incurred. These partners include:
 - Internal Audit
 - Legal Services
 - Housing & Council Tax Benefit Services

Counter Fraud Framework – Fraud Policy

Doc Ref:

Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.](http://sharepointds/democratic%20services/Non%20Executive%20Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT%20Report%20-%20Appdx%20Biv_Fraud%20Policy.doc)

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- Heads of Service/Members
- Police
- Crown Prosecution Service
- UKBA
- DWP
- Trade Unions
- Other outside agencies

5.6 It is recognised that being subject to an investigation can be a stressful experience, therefore all investigations will be handled quickly and confidentially to ensure the person under investigation is dealt with in an appropriate and timely manner.

6 Deterrence

6.1 The London Borough of Barnet is committed to deterring potential cases of fraud through the implementation of robust systems and procedures and will act quickly and efficiently where fraud is alleged, leading to the most appropriate outcome. In addition to this the Council will:

- Publicise the Council commitment to fighting fraud in any way possible, including: providing information on the Council website, adding information and contact numbers on outgoing Council correspondence where applicable and making press releases where appropriate.
- Ensure all employees are made aware of the Councils commitment through statements of contract, detailed induction packages including fraud awareness information and the counter fraud framework document, and continued training and awareness sessions to develop a strong anti-fraud culture.
- Take all steps possible to ensure appropriate penalties are sought in cases where fraud is proven, strenuously attempt recovery of any monies lost as a result of fraud and thoroughly assess the systems and processes to ensure fraud is minimised in the future.
- Following investigations changes to systems and processes may be made where necessary.

Counter Fraud Framework Manual

Reporting Toolkit

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team

Document Control

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Version 2	September 2008	Val Lambe	Link attached to item 1.2 and Amendments to Appendix A
Version 3	February 2010	Clair Green	2.3 Reference to Environment & Transport updated to Enviroment & Operations.

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Counter Fraud Framework Manual – Reporting Toolkit

Doc Ref:

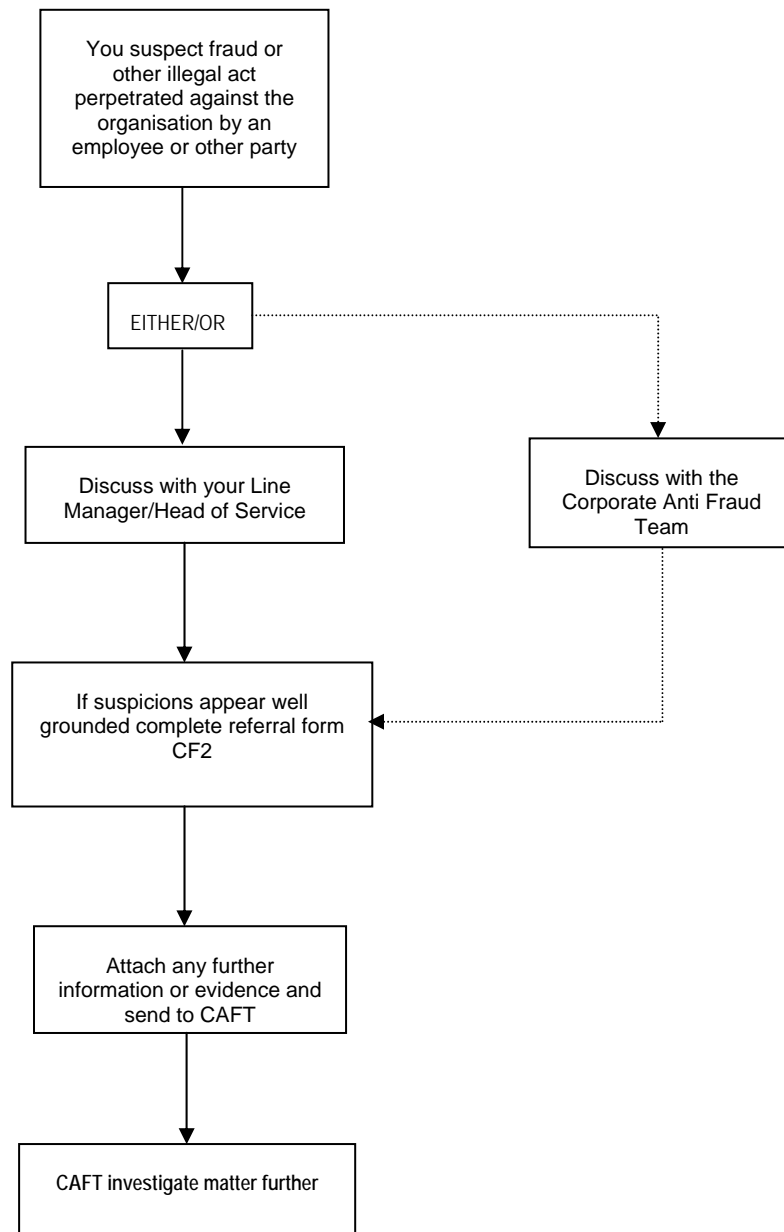
Filename http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT Report - Appdx Bv_Toolkit.doc

11_March_2010/CAFT Report - Appdx Bv_Toolkit.doc

Status: Issued

1 Introduction

- 1.1 To assist those wishing to report fraud or illegal acts in accordance with the London Borough of Barnet Fraud Policy or Whistleblowing Policy the flowchart below should be followed:



- 1.2 Please use the CF2 form for written referrals where possible (A Link to the CF2 form is attached) The following guidelines should be used when completing the CF2 form.

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Counter Fraud Framework Manual – Reporting Toolkit

Doc Ref:

Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.](http://sharepointds/democratic%20services/Non%20Executive%20Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT%20Report%20-%20Appdx%20Bv_Toolkit.doc)

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Status: Issued

CF2 Form Guidelines

- 2.1 The 'CF2: FRAUD ALLEGATION – REFERRAL TO CORPORATE ANTI FRAUD TEAM (CAFT)' form has been developed to ensure that all London Borough of Barnet service areas have an appropriate form when referring matters to the Corporate Anti Fraud Team.
- 2.2 The CF2 form is available in electronic format so typewritten referrals can be made. Please contact the Corporate Anti Fraud Team if you do not have access to the electronic version.
- 2.2 This form is intended to be in generic format so it can be used by any service area in referring an allegation to the Corporate Anti Fraud Team. If you are unsure about completing the referral form, or just need some advice, please contact the *Corporate Anti Fraud Team direct on 0208 359 2007* or any other extension listed on the Corporate Anti Fraud Team Contact List contained in Appendix A.
- 2.3 All fields on the CF2 form are mandatory. Therefore it is important that you follow the guidance set out below for correct completion of the fields:

Source of Referral:

Please state here the service area where the referral is from eg: Right to Buy, Benefits Team 1, Environment & Operations etc.

How did you hear about CAFT?

Self explanatory – but try to be specific eg: Fraud Awareness Training, know someone on the team, etc

To, From, Allegation Concerning, Address Details etc:

Self Explanatory – always complete each applicable field in full please.

Allegation:

State the type of allegation as clearly as possible and in a manner that best describes it eg: Undeclared non-dependant, Working whilst claiming, Computer Misuse, Altered mileage claim etc.

Reason for Referral:

Please take your time to complete this section and outline the circumstances of the allegation as clearly as possible in chronological, factual order. Include descriptions of people, vehicles, locations etc where relevant, as these always help to corroborate the information being referred. Be as specific as possible. Try to avoid including your opinion on the form. Remember, the information you are able to give us will assist in our Risk Assessment and Intelligence grading of the information which will ensure the referral gets the appropriate attention. The more information you give us, the better! NOTE: If you do not have enough room to write or type on the form, please continue on a separate continuation sheet and attach to the back of the CF2.

Any other Special Circumstances:

Please add here any other special information you may have regarding the claimant/suspect eg: 'The claimant/suspect is alleged to be a drug user', The claimant/suspect is known to me by

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sight and I could identify him if required', 'The claimant/suspect has hearing difficulties. I know this because....' etc.

Documents attached:

Please add any additional evidence or other information you feel is relevant to the referral. If in doubt send it anyway and we will assess its relevance. Please add the number of pages you are attaching so we can be sure we have received the complete set.

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Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.](http://sharepointds/democratic%20services/Non%20Executive%20Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT%20Report%20-%20Appdx%20Bv_Toolkit.doc)

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Appendix A: CAFT Contact Details

To be inserted.

Counter Fraud Framework Manual

Fraud Response Plan

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team

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Version 2	September 2008	Val Lambe	Amendment to 2.1 – Definition of Fraud. <i>All references made to Head of CAFT amended to Corporate Anti Fraud Team Manager. All references made to Chief Internal Auditor amended to Head of Internal Audit & Ethical Governance.</i>
Version 3	February 2010	Clair Green	2.1 Amended, deletion and added new definitions o types of frauds.
Version 3	February 2010	Clair Green	Deletion of 5.1-5.3 – other matters to be reported, renumbered 5.4 – 5.1
			7.3 Amended

Version 3	February 2010	Clair Green	7.4 previous (7.4) Deleted.
Version 3	February 2010	Clair Green	7.6 Amended – Included CAFT Deputy
Version 3	February 2010	Clair Green	7.7 Amended – supervision requirements.
Version 3	February 2010	Clair Green	7.10 Grammar Amendment
Version 3	February 2010	Clair Green	7.11 deleted 'civil' action
Version 3	February 2010	Clair Green	7.12 Amendment to report types & circulation list – deletion Deputy Director Corporate governance.
Version 3	February 2010	Clair Green	7.14 previous (7.14) deleted.
Version 3	February 2010	Clair Green	7.14 Amendment to CAFT reporting.

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Counter Fraud Framework – Fraud Response Plan

Doc Ref:

Filename http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.

11_March_2010/CAFT Report - Appdx Bvi_Fraud Response Plan.doc

Status: Issued

1 Introduction

- 1.1 This document intends to provide direction and help to staff and managers who find themselves in the position of having to deal with cases of suspected fraud, theft or corruption which involves misappropriation of Council funds or assets. (Please see Reporting Toolkit in the Counter Fraud Framework for further guidelines)
- 1.2 The key objective of the Fraud Response Plan is to ensure that suspicions of alleged dishonesty, fraud or control weaknesses are placed into independent hands as quickly as possible, and investigated legally and ethically thereafter. This will in turn determine the likely outcome and most appropriate course of action.
- 1.3 This document details a framework of procedures that allow information to be collated and decisions to be made, which ensures appropriate specialist action can be taken in preparation for any future criminal or civil actions.
- 1.4 This document does not include guidance for cases of burglary or robbery. These cases must be reported to Police following normal procedures.
- 1.5 It is imperative that Managers and Heads of Service familiarise themselves with this document.

2 Fraud definition

- 2.1 The Fraud Act 2006 defines that fraud requires
 1. Deceit, the intention to deceive or secrecy: and
 2. (a) an actual loss or gain;
(b) the intent to cause loss to another or expose them to the risk of it;
 3. Dishonesty.
- 2.2 Fraud can be further divided into the following categories, which outline some more specific examples. Please be aware this list is not exhaustive, for example, conflicts of interest can also be classed as fraud under certain circumstances – if in doubt contact the Corporate Anti Fraud Team for further guidance.

Housing Benefit and Council Tax Benefit Fraud

- Working whilst claiming
- Living together
- Non residence
- Undeclared income
- Undeclared capital

Theft of assets

- Theft, embezzlement, false accounting and deception
- Theft or misuse of information
- Commercial deception theft by suppliers, customers and others

Corruption

- Acceptance by an employee of an inducement for influencing a decision made on behalf of his employer

Counter Fraud Framework – Fraud Response Plan

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Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.](http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT Report - Appdx Bvi_Fraud Response Plan.doc)

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- Entertaining of or by an employee with the intentions of influencing a decision

Malfeasance

- Wrongful conduct of a public official whilst in office.
- A public official failing to carry out their obligations.

Technological abuse

- Accessing computer files without authority
- Unauthorised internet browsing
- Computer related fraud

3 Whistleblowing & Fraud Hotline

- 3.1 The London Borough of Barnet recognises there may be circumstances where an employee may not wish to reveal his/her identity in reporting cases of suspected fraud.
- 3.2 It has therefore established a Whistleblowing Hotline where suspicions can be reported anonymously. *The Whistleblowing Hotline number is 0208 359 6123.* (Further guidance for using this number can be found in the Whistleblowing Policy contained in the Counter Fraud Framework Manual).
- 3.3 A general hotline for reporting fraud has also been established, where the Corporate Anti Fraud Team can be contacted in a confidential manner to report suspicions of fraud. *The Fraud Hotline number is: 0208 359 2007.*

4 Reporting fraud

- 4.1 A reporting protocol has been agreed and is detailed fully below. The protocol applies to all types of fraud including benefit related, internal or general fraud. (Further guidance on reporting methods can be found in the Reporting Toolkit in the Counter Fraud Framework Manual).
- 4.2 The following is the reporting protocol in detailed format and should be referred to in order to clarify specific questions. If still unsure, please contact the Corporate Anti Fraud Team for further clarification.
- 4.3 Every employee is expected to remain alert to the possibility that fraud can occur. When concerns are first aroused Council employees must:
 - Treat his/her suspicions with the utmost care and must not discuss them with anyone who does not have an immediate and obvious need to know.
 - Report suspicions immediately to their Line Manager, or those employees who do not feel they are able to report to their Line Manager must contact the Corporate Anti Fraud Team on telephone number 0208 359 2007. In this case, no employee will be criticised for not first informing his/her Line Manager.
 - In all cases the employee reporting their suspicions should secure any obvious initial relevant information on which suspicions are based – providing this will not alert the person/s under suspicion – to ascertain the basic facts of the allegation.

Counter Fraud Framework – Fraud Response Plan

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- All actions taken by the employee and/or the Line Manager must be noted down with dates and times recorded for each action.
- Once informed of any allegation by an employee, Line Managers must not undertake disciplinary action, embark on a full investigation, attempt to access contents of personal computers, undertake surveillance or search any place without contacting the Corporate Anti Fraud Team for further direction and guidance.
- Once initial suspicions have been confirmed, the matter should be reported directly to the Corporate Anti Fraud Team as soon as practicable.
- Initial reporting should usually be via telephone and or face to face meeting. The use of reporting via email is discouraged.
- The Corporate Anti Fraud Team will provide guidance to Line Managers on further steps to be taken, which may include completing an appropriate referral form, attaching all relevant information and sending the referral to the Corporate Anti Fraud Team.
- All fraud allegations will be logged by the Corporate Anti Fraud Team and will be subject to a process of detailed risk analysis.
- In some cases, the allegation may be referred back to the service area for further investigation. Where this occurs, the Corporate Anti Fraud Team will provide specific support and direction where appropriate.
- The Corporate Anti Fraud Team will conduct a full investigation in accordance with relevant and appropriate legislation, the Council's disciplinary code and in liaison with Police, Human Resources and Legal services where applicable.

5 Other matters to be reported

- 5.1 Any employee approached (either directly or through a nominee) to act in any way which could be to the Council's disadvantage, or who have been offered a bribe or personal inducement, must report the facts immediately to their Line Manager and/or the Corporate Anti Fraud Team.

6 Protection of employees

- 6.1 All employees who report fraud acting in good faith are protected under the Public Interest Disclosure Act 1998 and will not face any detrimental action as a result. (Further information can be found in the Whistleblowing Policy contained in the Counter Fraud Framework Manual)

7 Response plan

- 7.1 Fraud referrals received by the Corporate Anti Fraud Team will be subject to a detailed risk analysis, which will determine if there is sufficient evidence to proceed with an investigation before being allocated to a specialist investigator.
- 7.2 The referral will be assigned a case number and tracked on an auditable computer system for the duration of the investigation.

Counter Fraud Framework – Fraud Response Plan

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- 7.3 Once the referral is allocated, the investigation officer will complete a preliminary investigation assessment. All internal fraud investigation costs may be subject to recharging to the relevant service area.
- 7.4 If the initial assessment suggests there are reasonable grounds for suspecting an offence has occurred involving an employee of the London Borough of Barnet, if necessary, the Corporate Anti Fraud Team Manager will decide on measures to prevent continued loss to the council.
- 7.5 Measures to prevent continued loss may include the immediate suspension of any suspect. The timing of the suspension will be considered to prevent loss of necessary evidence to be used in support of any disciplinary or criminal proceedings.
- 7.6 Under these circumstances, the suspect/s will be approached as agreed by the Corporate Anti Fraud Team Manager, Deputy or the appropriate Head of Service or Manager.
- 7.7 All suspects will be required to return all London Borough of Barnet Property including any keys, identity badges, security passes and IT equipment including Mobile Phones, laptops & blackberry's etc. They will be allowed to collect personal property under supervision and must not be able to remove any property belonging to the London Borough of Barnet.
- 7.8 Should it be required, provision shall be made for continued security of the Council facilities such as changing locks, access codes etc. If necessary, access permissions for all IT systems will be suspended at the request of the Corporate Anti Fraud Team Manager.
- 7.9 Any other requirements that may arise as a result of the investigation that are not mentioned in this plan shall be decided on by the Corporate Anti Fraud Team Manager.
- 7.10 The Corporate Anti Fraud Team Investigation Officer responsible for undertaking the investigation will:
- Secure and exhibit all relevant evidential material
 - Familiarise themselves with relevant service area systems and processes
 - Obtain witness statements from relevant people
 - Establish and maintain regular contact with Police Liaison Officers (where appropriate)
 - Follow all regulations and legislative requirements throughout the investigation in order to prepare the matter for the most appropriate course of action
 - Quantify any losses established as a result of the fraud by preparing detailed schedules so recovery can be attempted and to ensure the Council's insurers are fully and accurately informed.
 - Prepare interim and final reports detailing the investigation
 - Attend every court hearing relevant to the matter under investigation.
- 7.11 Where a loss is discovered to be substantial, Police and legal advice will be sought about the need to freeze any funds or assets belonging to the suspect. Where appropriate, financial asset tracing will be undertaken in order to locate and recover any proceeds of crime.
- 7.12 The Corporate Anti Fraud Team Manager will decide the appropriate format for reporting. This could be either a summary report, interim report or in disciplinary cases a full report which will be approved by either the Corporate Anti Fraud Team Manager or the Deputy Manager and then circulated to the relevant officers which may include the Head of Service, Head of Internal Audit, and any other person as appropriate. Feedback may be sought.

Counter Fraud Framework – Fraud Response Plan

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- 7.13 The Head of Internal Audit will report cases of relevance to the Audit Committee on a quarterly basis or if required more frequently, on an as and when basis in consultation with the Corporate Anti Fraud Team Manager.
- 7.14 Internal Audit will be responsible for undertaking any urgent special audits as a result of findings of any CAFT investigation, and/or follow up Audits as a result of a CAFT investigation.
- 7.15 This Fraud Response Plan will be maintained and updated on an annual basis, or as and when the need arises.

Appendix C

Anti Money Laundering Framework Manual

Introduction - Legislation

Prepared for: The London Borough of Barnet

Author(s): Debra Allday
 Advocacy Legal Services

Anti-Money Laundering Framework Manual – Introduction

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Document Name	Anti Money Laundering Framework Manual – Introduction - Legislation		
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1 Introduction

- 1.1 The London Borough of Barnet is committed to zero tolerance of money laundering within the organisation and also the community it serves. The Council also has particular responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. Legislation concerning Money Laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) has broadened the definition of Money Laundering. Local Authorities do not have a statutory duty to comply with these regulations, however it is deemed as best practice that Local Authorities put in place procedures and policies to prevent and protect their services from being used for potential money laundering activities.
- 1.2 This Anti-Money Laundering Framework has been developed to ensure the London Borough of Barnet has appropriate policies and guidelines in place in order to ensure money laundering is minimised through effective prevention, detection, investigation and deterrent measures and a unified cohesive approach to fraud and to reflect best practice. This framework is a living document that has been separated into specific parts to enable modification to some areas as legislation and procedural requirements vary over time.
- 1.3 The Anti-Money Laundering Framework forms part of a comprehensive manual, which also covers procedural guidelines and processes which regulate how the London Borough of Barnet deals with money laundering. Some parts of this manual will therefore remain confidential in order to prevent aiding potential fraud offenders.
- 1.4 This framework must be adhered to by all Council officers (including external appointment and those named in section 3.1) and elected members of the Council. The framework sets out the procedures which must be followed to enable the Council to comply with its legal obligations. Within this framework the term employees refers to all employees and elected members.
- 1.5 Failure by an employee to comply with the procedures set out in this framework may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the London Borough of Barnet's Disciplinary Policies and Procedure.

2. Objectives

- 2.1 To provide a clear statement of commitment which encourages ethical business behaviour throughout the London Borough of Barnet.
- 2.2 To ensure that through a strong anti-fraud culture, all employees and members of the London Borough of Barnet know they are expected to actively support and follow the policies and procedures in place, and that they are honest in their dealings with the Council.
- 2.3 To reassure the public that the London Borough of Barnet is committed to the fight against money laundering, and want to become a market leader in anti-money laundering, and accepts this responsibility wholeheartedly by being fully accountable for all of its actions.

3. Scope

- 3.1 The Barnet community want and expect the highest standards of conduct from all who provide services on their behalf. Therefore, this framework applies to all Council employees (both temporary and permanent), members, school governors and staff, staff and members of Council funded voluntary organisations, consultants, partners, contractors, suppliers and/or any other organisation with a business relationship with the London Borough of Barnet.
- 3.2 This framework also applies to the citizens of Barnet. Just as the council expect its employees to be honest with public funds, so to it is expected that people using council services be honest in their dealings with the council. This means the Council will investigate individuals who are suspected of money laundering against the London Borough of Barnet, whether it be internally or externally.

4 Definition

- 4.1 Public authorities such as the London Borough of Barnet and their staff are subject to the full provisions of the Terrorism Act 2000 (TA) and may commit most of the principal offences under the Proceeds of Crime Act 2002 (POCA). CIPFA confirm that public authorities are not legally obliged to comply with Money Laundering Regulations 2007 which require organisations to implement specific policies and procedures. However, as a responsible best practice public authority. Barnet have stringent policies and procedures which reflect the essence of the UK's anti-terrorist financing and anti-money laundering regimes.
- 4.2 Legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) has broadened the definition of money laundering and increased the range of activities caught by the statutory framework that impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.
- 4.3 **Money laundering** as defined by the Serious Organised Crime Agency (SOCA) as: "any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to launder 'dirty money' in an attempt to make it look 'clean' in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies"
- 4.4 Money Laundering is therefore the process by which criminally obtained money or other assets (criminal property) are exchanged for 'clean' money or other assets with no obvious link to their criminal origins.
- 4.5 Criminal property may take any form, including money or money's worth, securities, tangible property and intangible property. It also covers money, however come by, which is used to fund terrorism.
- 4.6 Whilst the risk to the Council of contravening the legislation is perceived to be either medium or low, the Council may be used unknowingly in laundering money from criminal activities.
- 4.7 Money Laundering is the process whereby the proceeds of crime are laundering activity includes:

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- Acquiring, using or possessing criminal property
- Handling the proceeds of crimes such as theft, fraud and tax evasion
- Being knowingly involved in any way with criminal or terrorist property
- Entering into arrangements to facilitate laundering criminal or terrorist property
- Investing the proceeds of crimes in other financial products
- Investing the proceeds of crimes through the acquisition of property/assets
- Transferring criminal property.

Terrorism is the use or threat of action designed to influence government, or to intimidate any section of the public, or to advance a political, religious or ideological cause where the action would involve violence, threats to health and safety, damage to property or disruption of electronic systems.

The definition of 'terrorist property' means that all dealings with funds or property which are likely to be used for the purposes of terrorism, even if the funds are 'clean' in origin, is a terrorist financing offence.

5. Obligations

- 5.1 It is important that all members and employees (including those named in section 3.1) are familiar with their legal responsibilities as serious criminal sanctions may be imposed for breaches of the legislation. In addition, anyone who conspires with or assists someone to commit the offence is also guilty of an offence.
- 5.2 The London Borough of Barnet has nominated a Money Laundering Reporting Officer (MLRO) to receive disclosures from members and employees of money laundering activity (their own or anyone else's).
- 5.3 The London Borough of Barnet must and its employees must:
- Maintain robust record keeping procedures.
 - Make those members and employees who are likely to be exposed to or suspicious of money laundering activities, aware of the requirements and obligations placed on the London Borough of Barnet, and on themselves as individuals, by the various anti-money laundering legislation.
 - Provided targeted training to those considered most likely to encounter money laundering activities e.g. how to recognize and deal with potential money laundering offences.
 - Implement formal systems for members and employees to report money laundering suspicions to the MLRO.
 - Establish internal procedures appropriate to forestall and prevent money laundering and make relevant individuals aware of the procedures.
 - Report any suspicions of money laundering to National Criminal Intelligence Service (SOCA).
 - Put in place procedures to monitor developments in the 'grey' areas of the legislation and to keep abreast of further advice and guidance as it is issued by relevant bodies.
- 5.4 The safest way to ensure compliance with the requirements of these legislations is to apply them to all areas of work undertaken by the Council; therefore, all members and employees are

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required to comply with this framework. Failure to comply with the procedures set out in this framework may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the London Borough of Barnet's Disciplinary Policies and Procedure

CLIENT IDENTIFICATION PROCEDURE

- 5.4 Directors and managers will ensure that where the Council is carrying out 'relevant business' as described within the Money Laundering Regulations 2007 CIPFA Guidance 2009, and:
- Forms an ongoing business relationship with a client; or
 - Undertakes a one- off transaction involving payment by or to the client of agreed amount or more; or
 - Undertakes a series of linked one-off transactions involving total payment by or to the client(s) of agreed amount or more; or
 - It is known or suspected that a one-off transaction (or a series of them) involves money laundering;
- then this Client Identification Procedure must be followed before any business is undertaken for that Client.
- 5.5 The Council must obtain satisfactory evidence of the identity of a prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones.
- 5.6 Directors and managers must maintain a client identification file of general client identification evidence. If the organisation is not included you should also then obtain the following additional evidence:
- 5.7 Additional evidence of the identity of key individuals in an organisation and of the organisation itself may be required on receipt of instructions from new clients, or further instructions from a client not known.
- 5.8 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transactions(s) cannot proceed any further. If there is an unjustified delay in the evidence of identity being obtained from the client or where the client is deliberately not providing the evidence a disclosure will have to be made.
- 5.9 Each Service Area must maintain records of:
- 5.9.1 Details of all relevant business transactions.
- 5.9.2 The precise nature of the records are not prescribed by law, however, they must provide an audit trail during any subsequent investigation, e.g. distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, each section of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.
- 5.10 At no time and under no circumstances should employees voice any suspicions to the person(s) whom you suspect of money laundering, even if the SOCA has given consent to a particular transaction proceeding, otherwise a criminal offence of "tipping off" may be committed.
- 5.11 No reference should be made on a client file to a report having been made to the MLRO. Should the client exercise their right to see the file, then such a note will tip them off to the

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report having been made and may render the employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

- 5.12 In all cases, the evidence should be retained for at least five years from the end of the business relationship or transaction(s).

CUSTOMER DUE DILIGENCE

- 5.13 Extra care needs to be taken to check the identity of the customer or client – this is known as carrying out Customer Due Diligence. There are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity as described within the Money Laundering Regulations 2007 / CIFPA Guidance 2009.
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

- 5.14 If the answer to any of the questions in paragraph 5.10 (above) is **no** then there is no obligation to carry out customer due diligence.

- 5.15 If the answer to all the questions in paragraph 5.10 (above) is **yes** then customer due diligence **must** be carried out before any business is undertaken for that client.

- 5.16 Additional evidence of identity, is necessary to carry out customer due diligence then you must seek for example:

- checking with the customer's website to confirm their business address;
- conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
- seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.

- 5.17 The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved.

- 5.18 If, at any time, it is suspected that a client or customer for whom the Council is currently, or is planning to carry out, a regulated activity is carrying out money laundering or terrorist financing, or has lied about their identity then this must be reported to the MLRO.

6. The Money Laundering Reporting Officer

- 6.1 The Council's Constitution Financial Regulations states that 'The Director of Corporate Governance will nominate an officer to undertake the duties of the Council's Money Laundering Reporting Officer as detailed within the Council's Anti Money Laundering Framework'.
- 6.2 The current nominated MLRO is the Corporate Anti Fraud Team (CAFT) Manager and the current nominated Deputy MLRO is the Deputy CAFT Manager who will undertake the full duties of the MLRO in their absence.
- 6.3 The Corporate contact is the CAFT Manager.

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6.4 Legal Services are also available to give advice as required.

RECOGNITION/REPORTING OF SUSPICIOUS TRANSACTIONS

6.5 The Council has a clear obligation to ensure that members and employees know to which person(s) they should report suspicions and that there is a clear reporting chain under which those suspicions will be passed without delay to the MLRO. Once a member or an employee has reported his/her suspicions to the MLRO, he/she has fully satisfied their personal statutory obligation.

6.6 All suspicious transactions irrespective of their values should be reported.

7. Reporting to The Money Laundering Reporting Officer

7.1 When money laundering activity is suspected to be taking or has taken place, or an officer should become concerned that their involvement in a matter may amount to a prohibited act under the legislation, must be disclosed as soon as practicable to their Line Manager/Head of Service. The disclosure should be within "hours" of the information coming to an employee's attention, not weeks or months later.

OFFICERS THAT FAIL TO DISCLOSE THEIR SUSPICIONS MAY BE LIABLE TO DISCIPLINARY ACTION.

7.2 Officers disclosure should be made to the MLRO using the proforma CF2ML found at the Reporting Toolkit of this policy Framework. The report should enclose copies of any relevant supporting (evidence) documentation and must contain as much detail as possible which should include the following:

- Why, exactly, you are suspicious of the activity – the MLRO will require full reasons along with any other available information to enable them to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering.
- Full details of the people involved, i.e. name, date of birth, address, company names, directorships, phone numbers, etc
- The dates of such activities and a note stating whether the activity has happened, on-going or imminent.
- Location where the activity took place i.e. department, section, depot, etc
- How the activities were undertaken
- The (likely) amount of money/assets involved (if known).
- Full details of the nature of the officer's involvement.
- The report must include all relevant details and state whether the report is historical and the event has already taken place or whether the officer is seeking consent to proceed with the action. As consent is obtained from the SOCA via the MLRO, officers should therefore make it clear in their report if consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- Any relevant supporting documentation should be included.

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- 7.3 Once the matter has been reported to the MLRO any directions given must be followed. **OFFICERS MUST NOT MAKE ANY FURTHER ENQUIRIES THEMSELVES:** any necessary investigation will be undertaken by the CAFT /SOCA/ Police.
- 7.4 Suspicions must simply be reported to the MLRO, who will decide whether a disclosure is required. The MLRO will in turn refer the matter on to SOCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.5 Upon receipt of a disclosure report, the MLRO must note the date of receipt on the relevant section of the report and acknowledge receipt of it. Officers will be advised of timescales within which the MLRO expects responses.
- 7.6 The MLRO will consider the report and any other available relevant internal information including (but not limited to):
- Reviewing other transaction patterns and volumes;
 - The length of any business relationship involved;
 - The number of any one-off transactions and linked one-off transactions;
 - Any identification evidence held; and undertake such other reasonable inquiries believed appropriate in order to ensure that all available information is taken into account in deciding whether a report to the SOCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with the reporting officer.
- 7.7 Once the MLRO has evaluated the disclosure report and any other relevant information, a timely determination will be made as to whether:
- There is actual or suspected money laundering taking place; or
 - There are reasonable grounds to know or suspect that is the case; and
 - Whether authorisation from the SOCA is required before for a particular transaction to proceed.
- 7.8 If the MLRO concludes that disclosure should be made to the SOCA then this must be made on their standard report form and in the prescribed manner, unless there is reasonable excuse for non-disclosure to the SOCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).
- 7.9 Where the MLRO suspects money laundering but has reasonable cause for non-disclosure, then the report will be noted accordingly (the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the SOCA). The MLRO can then immediately give consent for any ongoing or imminent transactions to proceed. Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then the report will be marked accordingly and consent given for any ongoing or imminent transaction(s) to proceed.
- 7.10 Where consent is required from the SOCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the SOCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the SOCA.
- 7.11 All disclosure reports referred to the MLRO and reports made to the SOCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

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- 7.12 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the SOCA.

8. The Offences

- 8.1 There are 2 main types of offences which may be committed: money laundering offences and failure to report money laundering offences

MONEY LAUNDERING OFFENCES

- 8.2 Money laundering goes beyond the transformation of the proceeds of crime into apparently legitimate money/assets. It covers a range of activities:

- 8.2.1 Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act).

- 8.2.2 Entering into or becoming concerned into an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328).

- 8.2.3 Acquiring, using or possessing criminal property (section 329).

- 8.2.4 Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorism Act 2000).

- 8.3 These are the primary (principal) money laundering offences and are prohibited acts under the legislation.

- 8.4 Potentially any member or employee of the Council could be caught by the money laundering provisions if they suspect money laundering and become either involved with it in some way and/or do nothing about it.

FAILURE TO REPORT MONEY LAUNDERING OFFENCES (WHICH MAY RESULT IN DISCIPLINARY ACTION BEING TAKEN AGAINST THE EMPLOYEE)

- 8.5 Such actions are committed where in the course of conducting business an individual knows, suspects or has reasonable grounds to do so (even if they did not actually know or suspect), that another person is engaged in money laundering and this is not disclosed to the MLRO. (

- 8.6 The London Borough of Barnet's Anti-Money Laundering Framework makes it clear that all employees should report any concerns they may have of money laundering activity irrespective of their area of work.

- 8.7 Suspicions of money laundering must be reported to the MLRO even if it is believed that someone else has already reported the suspicions if the same money laundering. Such disclosures to the MLRO will be protected in that they will not be taken to breach any restriction on the disclosure of information.

TIPPING-OFF OFFENCES (WHICH MAY RESULT IN DISCIPLINARY ACTION BEING TAKEN AGAINST THE EMPLOYEE)

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- 8.8 Under s.333 of the 2002 Act there is a criminal offence of “tipping-off”. Although this criminal offence cannot be committed by an employee. If a suspicion is either reported or not reported to the MLRO any employee who knows or suspects that such a disclosure has been made and thereafter mention it to another, could amount to a tipping-off offence. Officers believed to be involved in tipping off will be subject to disciplinary proceedings.

PREJUDICING AN INVESTIGATION OFFENCE

- 8.9 If an employee knows or suspects that an appropriate officer is, or is likely to be conducting a money laundering investigation and the employee makes a disclosure to a third party that is likely to prejudice the investigation, disciplinary action will be taken.

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Appendix

The Proceeds of Crime Act 2002 (PoCA) as amended by the Serious Organised Crime and Police Act 2005

- Establishes a series of criminal offences in connection with money laundering, failing to report knowledge or suspicions or reasonable grounds for knowledge or suspicions, tipping off a person to the fact that a report has been made, and prejudicing an investigation
- Sets out penalties for the various offences established under PoCA
- Establishes the Assets Recovery Agency (which will shortly merge with the Serious Organised Crime Agency (SOCA)), with power to investigate whether a person holds criminal assets, and if so, their location
- Creates five investigative powers for law enforcement.

The Terrorism Act 2000 (TA2000) as amended by the Anti-Terrorism, Crime and Security Act 2001

This Act:

- Establishes offences relating to involvement in facilitating, raising, possessing or using funds for terrorist purposes and for failing to report suspicions, tipping off and prejudicing an investigation
- Empowers authorities to make Orders on financial institutions in connection with terrorist investigations
- Establishes a list of proscribed organisations with which financial services firms may not deal.

The Money Laundering Regulations 2007 (MLR 2007)

These Regulations:

- Require firms to take measures to identify their customers
- Specify the policies and procedures that financial institutions and other relevant businesses must put in place in order to prevent and identify activities relating to money laundering and terrorist financing
- Require businesses in the regulated sector to appoint a Nominated Officer to receive internal reports from staff with knowledge or suspicion of money laundering or terrorist financing
- Set out the supervision and registration arrangements. Further information on the role of HMRC as a supervisory authority is available in MLR9 *Registration*.

Regulation EC 1781/2006 on information on the payer accompanying transfers of funds (commonly known as the Payments Regulation or the Wire Transfer Regulation)

The Regulation:

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- Is directly applicable in the UK. Supervisory and enforcement provisions and the creation of civil and criminal penalties are contained in the Transfer of Funds (Information on the Payer) Regulations 2007
- Applies to Payment Service Providers (PSPs), principally banks (supervised by the FSA), and money service businesses (supervised by HMRC)
- Aims to ensure that basic information on the originator of wire transfers is immediately available to law enforcement agencies to assist them in detecting and tracing the assets of terrorists or other criminals
- Applies to transfers of funds which are sent or received by a Payment Service Provider in the European Community
- Requires that transfers of funds are accompanied by information on the payer.

FURTHER INFORMATION

Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO or one of her deputies.

The Money Laundering Reporting Officer

Clair Green Acting CAFT Manager

Telephone: 020 8359 7168

Email: Clair.green@barnet.gov.uk

The Deputy Money Laundering Reporting Officer

Tony Nash Deputy CAFT Manager

Telephone: 020 8359 7255

Email: Tony.nash@barnet.gov.uk

Alternatively, further information can be obtained from the following sources:

www.soca.gov.uk – website of the Serious Organised Crime Agency

Proceeds of Crime (Anti-Money Laundering) – Practical Guidance for Public Sector Organisations – CIPFA (July 2009)

www.ccab.org.uk - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants

www.lawsociety.org.uk Money Laundering Guidance

Anti Money Laundering Framework Manual

Reporting Toolkit

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team Manager
 Money Laundering Reporting Officer

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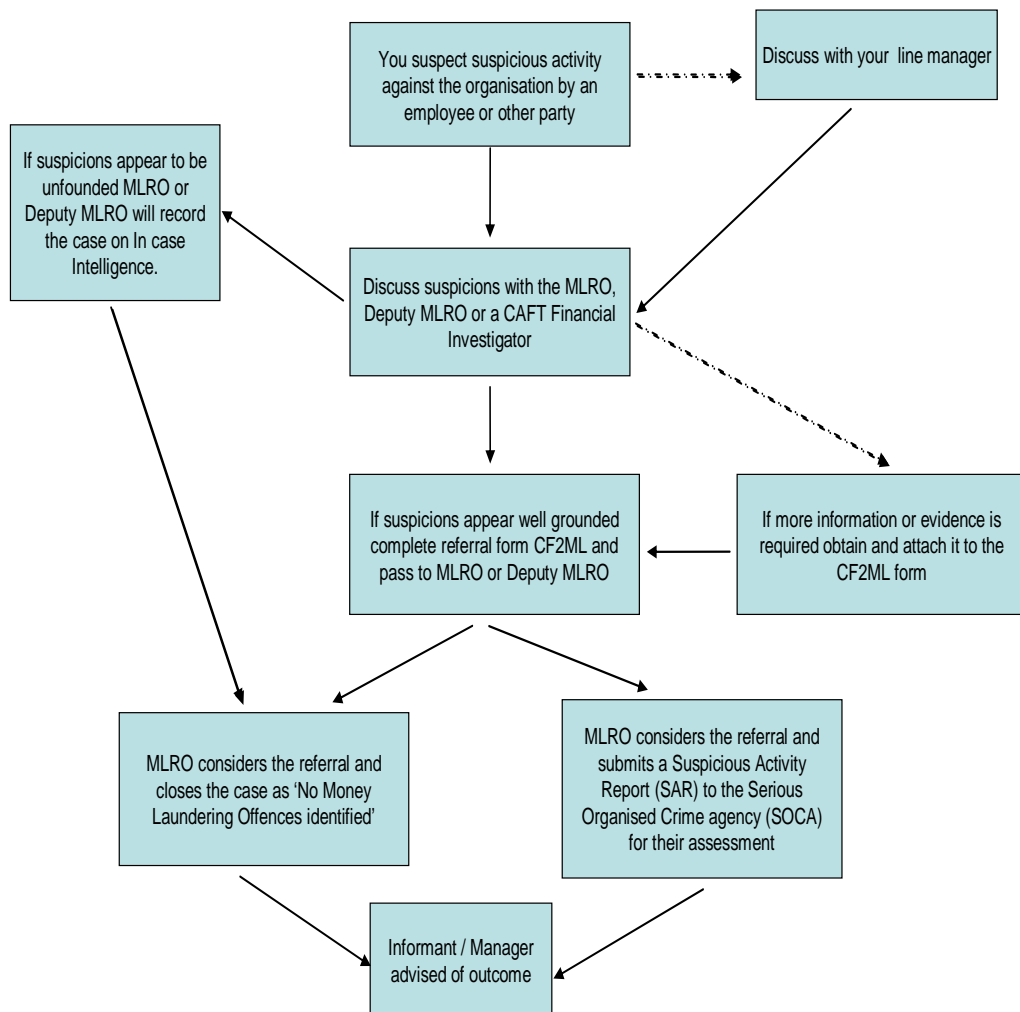
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1 Introduction

- 1.1 To assist those wishing to report a suspicious activity report in accordance with the London Borough of Barnet Anti Money Laundering Framework Manual the flowchart below should be followed:



- 1.2 Please use the CF2ML form for written referrals where possible (A link to the CF2ML form is attached) The following guidelines should be used when completing the CF2ML form.

[CF2ML.doc](#)

2 CF2ML Form Guidelines

- 2.1 The 'CF2ML: SUSPICIOUS ACTIVITY REPORT – REFERRAL TO MONEY LAUNDERING REPORTING OFFICER' form has been developed to ensure that all London Borough of Barnet service areas have an appropriate form when referring matters to the Council's Money Laundering Reporting Officer (MLRO).
- 2.2 The CF2ML form is available in electronic format so type written referrals can be made. Please contact the MLRO if you do not have access to the electronic version.
- 2.3 This form is intended to be in generic format so it can be used by any service area in referring suspicious activity to the MLRO. If you are unsure about completing the referral form, or just need some advice, please contact the Council's nominated *Money Laundering Reporting Officer, 0208 359 7791*.
- 2.4 All fields on the CF2ML form are mandatory. Therefore it is important that you follow the guidance set out below for correct completion of the fields:

Source of Referral:

Please state here the service area where the referral is from e.g.: Right to Buy, Benefits Team 1, Procurement etc.

To, From, Allegation Concerning, Address Details etc:

Self Explanatory – always complete each applicable field in full please.

Reason for Suspicion:

Please state here why you believe the activity to be suspicious. You will need to include any details of previous transactions or dealings with the customer and how the customer is known to your department.

Details of Transaction:

Please take your time to complete this section and outline the circumstances of any transactions as clearly as possible in chronological, factual order. Include amounts, dates, people, vehicles, locations etc where relevant, as these always help to corroborate the information being referred. Be as specific as possible. Try to avoid including your opinion on the form. Remember, the information you provide will assist the MLRO in deciding whether to refer the matter to Serious Organised Crime Agency (SOCA). The more information you give us, the better!

NOTE: If you do not have enough room to write or type on the form, please continue on a separate continuation sheet and attach to the back of the ML1 form.

Any other Special Circumstances:

Please add here any other special information you may have regarding the claimant/suspect e.g.: 'The claimant/suspect is alleged to be a drug user', 'The claimant/suspect is known to me by sight and I could identify him if required', 'The claimant/suspect has hearing difficulties. I know this because... ' etc.

Documents attached:

Please add any additional evidence or other information you feel is relevant to the referral. If in doubt send it anyway and the MLRO will assess its relevance. Please add the number of pages you are attaching so the MLRO can be sure that they have received the complete set.

3 Contact Details

3.1 Clair Green

Corporate Anti Fraud Team Manager

Money Laundering Reporting Officer (MLRO)

0208 359 7791

Clair.green@barnet.gov.uk

Or

tony.nash@barnet.gov.uk – CAFT Deputy Manager

declan.khan@barnet.gov.uk – CAFT Financial Investigator

matt.curzon@barnet.gov.uk - CAFT Financial Investigator

robert.dunsford@barnet.gov.uk – CAFT Financial Investigator

Anti Money Laundering Framework Manual

Response Plan

Prepared for: The London Borough of Barnet

Author(s): Clair Green
 Corporate Anti Fraud Team Manager
 Money Laundering Reporting Officer

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1 Introduction

- 1.1 This document intends to provide direction and help to staff and managers who find themselves in the position of having to deal with cases of suspected money laundering.
- 1.2 The key objective of the 'Money Laundering Response Plan' is to ensure that suspicions of alleged money laundering are referred to the Council's nominated Money Laundering Reporting Officer (MLRO) or nominated officer as quickly as possible, and investigated legally and ethically thereafter.
- 1.3 This document details a framework of protocols and procedures that will allow information to be collated and decisions to be made, which ensures appropriate specialist action can be taken in preparation for any future criminal proceedings.
- 1.4 This money laundering response plan will be maintained and updated on an annual basis, or as and when the need arises by the MLRO.

2 Money Laundering Definitions

- 2.1 **Money laundering** is the term used for a number of offences involving the integrating of 'dirty money' (i.e. the proceeds of crime) into the mainstream economy. The objective is to legitimise the possession of such monies through circulation and this effectively leads to 'clean' funds being received in exchange. The illegal activities often involve the proceeds of drug-dealing, human trafficking, fraud, theft or tax evasion through a succession of transfers and deals until the source of illegally acquired funds is obscured and the money takes on the appearance of legitimate or 'clean' funds or assets.

The Crown Prosecution Definition;

Money Laundering is the process by which criminal proceeds are sanitised to disguise their illicit origins. Acquisitive criminals will attempt to distance themselves from their crimes by finding safe havens for their profits where they can avoid confiscation orders, and where those proceeds can be made to appear legitimate.

The 'actus reus' of the offence under Section 327 of the Proceeds of Crime Act (POCA) is:

- Concealing criminal property;
- Disguising criminal property;
- Converting criminal property;
- Transferring criminal property;
- Removing criminal property from England and Wales.

(property is defined as 'criminal property if it constitutes a persons benefit from criminal conduct or the alleged offender knows or suspects that it constitutes such a benefit)

3 Types of Money Laundering

- 3.1 Money laundering schemes can be very simple or highly sophisticated. Most sophisticated money laundering schemes involve three stages:

Placement: the process of transferring the proceeds of crime into the financial system, either directly through high cash business or through the purchase of high value goods, property, or other assets.

Layering: the process of separating the proceeds of crime from the criminal source by creating layers of financial transactions to disguise the audit trail and provide anonymity.

Integration: the process whereby the layered funds re-enter the financial systems as normal funds.

4 Reporting Money Laundering

- 4.1 A reporting protocol has been agreed and is detailed fully below. The protocol applies to all types of suspicions of money laundering. Further guidance on reporting methods can be found in the Reporting Toolkit in the Anti Money Laundering Framework Manual.

- 4.2 The following is the reporting protocol in detailed format and should be referred to in order to clarify specific questions. If still unsure, please contact the MLRO for further clarification.

- 4.3 Every employee is expected to remain alert to the possibility that money laundering can occur. When concerns are first aroused Council employees must:

- Treat his/her suspicions with the utmost care and must not discuss them with anyone who does not have an immediate and obvious need to know.
- Report suspicions immediately to their Line Manager, or those employees who feel that their Line Manager may be involved or do not wish to discuss the matter with them, must contact the MLRO on telephone number 0208 359 7791 to report them. In this case, no employee will be criticised for not first informing his/her Line Manager.
- In all cases the employee reporting their suspicions should secure any obvious initial relevant information on which suspicions are based – providing this will not alert the person/s under suspicion – to ascertain the basic facts of the allegation.
- All actions taken by the employee and/or the Line Manager must be noted down with dates and times recorded for each action.
- Once informed of any allegation by an employee, Line Managers must not undertake disciplinary action, embark on a full investigation, attempt to access contents of personal computers, undertake surveillance or search any place without contacting the MLRO for further direction and guidance.
- Once initial suspicions have been confirmed, the matter should be reported directly to the MLRO as soon as practicable.
- Initial reporting should be made via a CF2ML form, however, initial contact can be made in person via telephone (refer to reporting toolkit)

Anti Money Laundering Framework Manual – Response Plan

- All suspicious Money Laundering reports will be logged by the MLRO and be subject to a process of detailed risk analysis and backgrounds checks.
- In some cases, the allegation may be referred back to the service area for further investigation, where this occurs; the MLRO will provide specific support and direction where appropriate.

5 Money Laundering Response Plan

- 5.1 All suspicious money laundering referrals will be recorded on the Corporate Anti Fraud Team's case management system (InCase Intelligence) within 48 hours of receipt unless the referral is received outside normal working days.
- 5.2 The MLRO will contact the referee within 48 hours of receipt, unless the referral is received outside normal working days, and advise them of the next course of action.
- 5.3 InCase Intelligence is a secure, time controlled case management system where the MLRO or nominated officer will record the referral, the intelligence findings, decision log and all actions taken.
- 5.4 All referrals will be allocated with a unique reference number and only the MLRO, the Deputy MLRO and the Accredited Financial Investigators in the Corporate Anti Fraud Team will have authorisation to view these records.
- 5.5 Suspicious money laundering referrals received by the MLRO will be subject to a process of detailed risk analysis and background checks.
- 5.6 If the initial assessment suggests that there are reasonable grounds for suspecting a money laundering offence has occurred, the MLRO will complete a Suspicious Activity Report and send this to the Serious Organised Crime Agency (SOCA) for their assessment.
- 5.7 The SOCA require seven working days to either grant consent for the transaction to continue or not advise no consent and will give further directions, if no response is received within the prescribed time then consent can be assumed on the eighth working day.
- 5.8 If the initial assessment by MLRO suggests that a money laundering offence has not occurred, the MLRO will inform the referee and grant consent for transactions to continue.
- 5.9 The MLRO will record the decision and reasons on InCase Intelligence and close the case as per CAFT Money Laundering procedures.
- 5.10 All money laundering referrals will be secured in a confidential file and held for a minimum of seven years.

6 Contact Details

- 6.1 Clair Green - Corporate Anti Fraud Team Manager
Money Laundering Reporting Officer (MLRO)
0208 359 7791
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Anti Money Laundering Framework Manual – Response Plan

or

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Meeting	Audit Committee
Date	11 March 2010
Subject	Children's Service – Directorate Risk Register
Report of	Director of Children's Service
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 Children's Services is attached.

Officer Contributors	Val White – Assistant Director, Partnerships, Performance & Planning
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Children's Service Risk Register Appendix B – Children's Service Financial Risk Register (to be circulated)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Val White – Assistant Director, Partnerships, Performance & Planning

1. RECOMMENDATIONS

- 1.1 That the Committee receive and comment upon the Children's Service 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.
- 3.2 There is one risk from the Directorate's Risk Register currently included in the Corporate Risk Register. The risk is:
- Increasing number of referrals, assessments, children subject to a child protection plan and children in care
- 3.3 The Children's Service Financial Risks for 2010-11 contain thirteen revenue budget and four capital budget risks.

4. RISK MANAGEMENT ISSUES

- 4.1 The risk management process in Children's Service was reviewed and strengthened by the service's Senior Management Team in May 2007 in order to:
- ensure a consistent approach to risk management throughout the Children's Service;
 - ensure 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 The Directorate Risk Register is the responsibility of the Director who ensures it is reviewed quarterly by the service's Senior Management Team, and that the most significant risks are proposed for inclusion in the Corporate Register. The Director also ensures that any identified risks in respect of his statutory responsibilities as Director and in respect of Safeguarding are included as appropriate.
- 4.3 The Directorate Risk Register does not contain any details of individual clients that may be at risk. These lists are held within the appropriate teams.

- 4.4 The Head of Finance ensures consistency between the Directorate Risk Register and the quantified corporate list of financial risks. Currently the financial risks are held in a separate register. This register will be incorporated within the Directorate Risk Register for the financial year 2010/11.
- 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 Directorate's Risk Register, excluding the financial risks, currently contains 18 risks, summarised in terms of their impact and likelihood in the table below.

		Impact		
		High	Medium	Low
Likelihood	High	3	0	0
	Medium	6	5	0
	Low	2	2	0

- 9.2 The three risks identified as being both high impact and high likelihood are:
- Sufficiency of local social care placements for children in care, difficulty in recruiting and retaining sufficient foster carers.
 - From April 2011 we assume responsibility from the Learning and Skills Council for the commissioning of 14-19 learning provision. Successful implementation requires robust stakeholder engagement with schools, colleges and local employers.
 - Increasing number of referrals to children's social care leading to an increase in assessments, children subject to a child protection plan and children entering care system.
- 9.3 The Directorate's Financial Risks for 2010/11 consist of thirteen revenue and four capital risks, these are outlined in Appendix B. (to be circulated)
- 9.4 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: SH
Finance: DM

2009/10 Children's Service Risk Register

Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer	Divisional Group	Last updated	Action taken	Actions to be taken	Status	Revised Assessment	
							Likelihood	Impact								Likelihood	Impact
A bright future for children and young people	Safe at home, safe at school, safe in the community	Reputation & Operational	Failure to keep children safe	Deputy Director - Safeguarding & Social Care	1/4/07	Regular management attention to core practice. BSCB fully functioning. LCP procedures in place	Medium	High	Independent chair of safeguarding board recruited. Promotion of safe recruitment across children's workforce. Priority for Children's Service to lead on safeguarding	Deputy Director - Safeguarding & Social Care	Safeguarding Division	28/1/10	Audits of work undertaken. New work plan being developed. Child protection audit, safeguarding practice audit, and ICS audit all completed, action plans being developed and progressed.	Audit of thresholds for entry to the service and within the service to be undertaken by IDEA.	Open	Medium	High
A bright future for children and young people	Foster care recruitment campaign	Operational	Sufficient local care placements not available.	Divisional Manager - Looked After Children	1/4/07	Monthly reporting	High	High	Foster carer campaign. Re-alignment of recruitment/assessment/support functions. Improved efficiency of 'in house' provision. More integrated/joint commissioning.	Acting Head of Social Care	Social Care Division	28/1/10	New campaign and communications officer recruited free up management time with recruitment and training, focus on initial assessments. Further review of all recruitment functions underway	New foster carer campaign to be launched in March. North London consortium exploring option of joint training. However, joint recruitment will present more of a challenge.	Open	High	High
A bright future for children and young people	Ensuring every school is a good school	Reputation & Operational	Schools, settings identified by Ofsted providing inadequate standards	Deputy Director Schools & Learning	1/4/07	Half termly school review group	Medium	High	Rigorous programme of monitoring, challenging, intervening and support.	Deputy Director Schools & Learning	School Improvement	28/1/10	actions taken as a result of school review group	No schools currently in Ofsted categories. School review group closely monitoring standards in schools - ongoing	Open	Low	High
A bright future for children and young people	The delivery of six cross cutting priorities in the CYP	Operational	Re-centralisation of HR results in loss of expertise and focus on Children's Service issues	Assistant Director Partnership, Performance & Planning	1/4/07	Dedicated Children's Service Business Relationship Partner in place	High	High	Regular account management meeting with Head of Shared Services	Assistant Director Partnership, Performance & Planning	Partnership, Performance & Planning	3/2/10	Corporate HR improvement programme in progress	Establish account meetings with new Children's Service HR Business Lead	Open	Medium	High
A bright future for children and young people	Every school a good school for every child	Strategic & Operational	Schools unable to appoint substantive heads creating uncertainty about effective leadership and management	Deputy Director Schools & Learning	1/9/06	Consider alternative management arrangements for the schools	Medium	High	Work with schools to ensure the interim arrangements are effective and governors have in place a strategy for recruitment	Directors of Children's Service	School Improvement	28/1/10	Strategic plan for succession introduced	Ongoing programme of targeted support for aspiring school leaders.	Open	Low	Medium
A bright future for children and young people	Ensuring every school is a good school	Reputation & Operational	Young people on education or recreational activities or trips may suffer injuries as a result of an accident or human error	Deputy Director Schools & Learning	1/10/06		Medium	High	Educational and recreational visits guidelines revised and Divisional Managers are responsible for agreeing all trips and ensuring compliance	Deputy Director Schools & Learning	Major Initiatives	28/1/10	New guidelines published and key stakeholders briefed	More awareness raising with Head Teachers and Governing bodies	Open	Low	High
A bright future for children and young people	The delivery of six cross cutting priorities in the CYP	Reputation & Operational	Possible unintended consequences of ASB strategy and police activity leading to increased number of YP entering care/custody	Assistant Director Inclusion	1/4/07	Close working with the police and other partners to minimise risk	High	Medium	Quarterly impact monitoring via Youth Justice Matters Six monthly reporting to EMG.	Assistant Director Inclusion	Youth Offending Division	28/1/10	Review through YOS Management processes	Following a re-allocation of resources within the team Barnet YOS has reduced its remand and sentenced to custody population. We are working in partnership to ensure that we are involved in planning for young people demonstrating ASB	Open	Medium	Medium

2009/10 Children's Service Risk Register

Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer	Divisional Group	Last updated	Action taken	Actions to be taken	Status	Revised Assessment	
							Likelihood	Impact								Likelihood	Impact
A bright future for children and young people	Ensuring every school is a good school	Operational	Inability to broker stakeholder buy-in for 14-19 strategy, including from local employers	Deputy Director Schools & Learning	1/4/07	Regular consultation with key stakeholders	Medium	High	Intensive work with stakeholders and partnership with Specialist Schools and Academies Trust	Deputy Director Schools & Learning	Major Initiatives	28/1/10	Partnership with specialist schools and Academies Trust - no longer working with	Established a new 14-19 team to lead on this agenda	Open	High	High
A bright future for children and young people	Reduce staff absence	Operational	Management absences at 68a Meadows Close (residential Unit) combined with on-going sickness absences means quality of care could deteriorate	Deputy Director, Safeguarding	19/6/08	6 weekly monitoring	Medium	Medium	Substantive management arrangements in place	Acting Head of Social Care	Safeguarding Division	28/1/10	All absences being addressed through absence monitoring procedure	Ongoing absence monitoring. Action taken as necessary.	Open	Low	Medium
A bright future for children and young people	Ensuring that every school is a good school	Reputation & Operational	Local Authority unable to reduce number of permanent exclusions	Deputy Director Schools & Learning	22/7/08	Reviewed on half termly basis	Medium	High	Programme targeted at 20 most at risk students in every secondary school	Head of Access to Learning	Access to Learning	4/2/10	Risk of exclusions not reducing but remaining at a high level or even climbing remains high. However the programme has now been extended to include up to twenty yp vulnerable to exclusion in participating secondary schools. There are good indications th	Report being provided to CYPSPB in relation to consider further extension and development of multi agency input to prevent exclusions .	Open	Medium	High
A bright future for children and young people	Ensuring that every school is a good school	Reputation & Operational	Inability to recruit headteachers in the most vulnerable schools	Deputy Director Schools & Learning	22/7/08	Regular reviews	Medium	Medium	Succession planning programme in place. Cohort 1 and 2 of leadership succession actively engaged in development programme. New programmes for Jewish and Catholic school leaders start September 2009.	Principal Acting Head School Improvement	School Improvement	28/1/10	Programme in place since Jan 08. Development conference for both cohorts January 22nd & 23rd 2009 Programme is ongoing. 10 members of the groups have been appointed as headteachers (5 in Barnet and 5 out of borough). Tailored Catholi	Ongoing programme of targeted support for aspiring school leaders.	Open	Medium	Medium
A bright future for children and young people	Safe at home, safe at school, safe in the community	Reputation & Operational	Vacancy rate in safeguarding and social care jeopardises the safety of the service	Director of Children's Service	18/12/08	Monitoring of vacancy rates	Medium	high	Re- launch of recruitment campaign. Market factor payments for social workers. Re introduce hand held's for social workers. Regarding of social work posts	Deputy Director - Safeguarding & Social Care	Safeguarding & Social Care	28/1/10		Market Factor Supplement and re-grading from April. BlackBerry roll out to social workers in February. Ongoing development of the Together Anything's Possible recruitment website.	Open	Medium	High
A bright future for children and young people	Safe at home, safe at school, safe in the community	Operational	Poor data quality through failure by staff to effectively use the ICS system	Director of Children's Service	18/12/08	Regular performance monitoring identifies poor data. And poor data quality.	Medium	high	ICS information manager in post	Deputy Director - Safeguarding & Social Care	Safeguarding & Social Care	28/1/10	Audit of use of ICS completed action plan to be developed and system and processes modified accordingly	Implementation of action plans relating to system development, training and reporting.	Open	Medium	High

2009/10 Children's Service Risk Register

Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer	Divisional Group	Last updated	Action taken	Actions to be taken	Status	Revised Assessment	
							Likelihood	Impact								Likelihood	Impact
A Bright Future for Children and Young People	Safe at home, safe at school, safe in the community	Operational	Significant increase in number of referrals, assessments, children subject to a child protection plan and children in care due to heightened awareness. 28/04/09 Update Evidence of emerging difficulty to recruit to social care workforce. 20/10/09 Update: 1	Director of Children's Service	2009/10	Close monitoring of number of referrals, assessments and children in care. Ongoing audit activity to ascertain the causes of the increase and assess the likelihood of it continuing. Current indication is that the increase will be sustained for some time.	High	High	Review and analysis of trends in referrals, caseloads and social work vacancies. Promotion of referral thresholds among referring partners.	Director of Children's Service	Safeguarding & Social Care	28/1/10	Update 28/04/09 New recruitment campaign to fill Social Work vacancies. Action taken does not change Initial Likelihood and Impact Assessments. Update 26/08/09 The increased level of social work activity continues to rise and based on qtr1 position will e	Recruitment of 5th Child in Need team. IDEa Threshold audit. Enhanced presence and role of CAF advisors within the referral and assessment teams.	Open	High	High
A bright future for children and young people	Case management of young offenders	Operational, compliance & regulation	Staff within the post court team are currently carrying caseloads of 24+ young people. This makes adhering to national standard reporting and risk based assessment, planning, intervention and supervision very difficult.	YOS Manager	19.8.09	Re shaping of current resources and introduction of caseload weighting	Medium	Medium	Greater use of national standard appointments with seconded staff	YOS Manager	Youth Offending Division	28/1/10	Introduced caseload weighting, directed secondees to make appointments enforceable under breach	Restructure taking place to create 1 x additional main-grade worker who will offer a range of group-work programmes in line with changes in legislation, the scaled approach and risk management	Open	Medium	Medium
A bright future for children and young people	Community payback	Operational, compliance & regulation	No triage model to reduce first time entrants, no reparation placements available for community payback	YOS Manager	19.8.09	very limited reparation	Medium	Medium	working with police to develop reparation	YOS Manager	Youth Offending Division	28/1/10	applied for grants, looked to reshape delivery within the team, working with police colleagues within the attendance centre	- Restructure to create dedicated triage worker to focus on interventions with first time entrants. -Increased use of volunteers to assist reparation placements	Open	Medium	Medium
Supporting the vulnerable	Victim satisfaction	Operational, compliance & regulation	No victim work	YOS Manager	19.8.09	new police officer to deliver victim work starting 1.9.09	Medium	Medium	New police officer assigned to lead on victim work	YOS Manager	Youth Offending Division	28/1/10	changed focus of police role to cover victim work. Re shaped role of the prevention team to take on more final warning work	-Police officer to focus on referral order and serious youth violence victims 1 day per week - re prioritising of time allocated to restorative justice in referral orders.	Open	Medium	Medium
A bright future for children and young people	Scaled approach and inspection	Operational, compliance & regulation	all of the above (36,37 & 38) are issues within and of themselves however new legislation which comes into place on 30.11.09 and an impending inspection will mean that delivery in these area is not optional. Currently we are not in a position to deliver	YOS Manager	19.8.09	looking at shape and workload redistribution within the team	Medium	High		YOS Manager	Youth Offending Division	28/1/10	Scaled approach lead assigned to the team, staff briefed and involved in planning for the scaled approach	Ongoing work in other areas will reduce risk to service following the introduction of the scaled approach	Open	Medium	High