

MEETING
AUDIT COMMITTEE

DATE AND TIME
MONDAY 21 JUNE 2010
AT 7.00PM

VENUE
HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Monroe Palmer
Vice Chairman: Councillor Tom Davey

Councillors:

| | | |
|--------------|-------------|---------------------|
| Alex Brodkin | Sury Khatri | Andreas Tambourides |
| Geof Cooke | Graham Old | |

Substitute Members:

| | | |
|------------|-------------------|----------------|
| Dean Cohen | Alan Schneiderman | Agnes Slocombe |
| Jack Cohen | Mark Shooter | Susette Palmer |

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

| Item No. | Title of Report | Pages |
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| 2. | ABSENCE OF MEMBERS | - |
| 3. | DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS | - |
| 4. | PUBLIC QUESTION TIME (If any) | - |
| 5. | MEMBERS' ITEMS (If any) | - |
| 6. | Presentation on International Financial Reporting Standards (approximately 10 minutes) | - |
| 7. | Draft Annual Governance Statement | 1 – 15 |
| 8. | Draft Statement of Accounts | To follow |
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| 14. | ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT | |

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Meeting Audit Committee
 Date 21 June 2010
Subject Draft Annual Governance Statement
 Report of Director of Corporate Governance
 Summary This report seeks approval of the proposed Draft Annual Governance Statement to be included in the annual accounts

Officer Contributors Chris Malyon – Assistant Director of Finance
 Richard King - Interim Assistant Director Audit and Risk Management
 Status (public or exempt) Public
 Wards affected All
 Enclosures Appendix A – Annual Governance Statement
 For decision by Committee
 Function of Council
 Reason for urgency / exemption from call-in (if appropriate) Not applicable

Contact for further information: Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

1. RECOMMENDATIONS

- 1.1 **To comment upon and approve the proposed Draft Annual Governance Statement for inclusion with the Statement of Accounts for 2009/10.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 5 December 2007 approved the arrangement for preparing an Annual Governance Statement.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Under the Council's Corporate Plan 2009/10, one of the corporate priorities is "More Choice Better Value" and a key objective within this priority is the commitment to "transparency, integrity and accountability in our governance arrangements and intention to review the governance structures to ensure they are fit for purpose given the significant changes in our ways of working and our increased joint working with partners."

4. RISK MANAGEMENT ISSUES

- 4.1 Referred to in the body of the report.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Good governance arrangements are necessary to ensure that the Council is meeting its equalities and diversity obligations and objectives.

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

- 6.1 Sound corporate governance is at the heart of effective use of resources. Embedding the AGS framework within the business planning and performance management framework will ensure a robust corporate approach is maintained for the future.

7. LEGAL ISSUES

- 7.1 Referred to in the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 The Audit Committee's responsibilities include "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

9. BACKGROUND INFORMATION

9.1 Background to the Annual Governance Statement

- 9.1.1 Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) requires a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.

9.1.2 The requirement for an authority to produce a SIC has been replaced by a requirement to prepare an Annual Governance Statement (AGS).

9.1.3 Circular 03/206 issued by the DCLG in August 2006 stated that proper practice in relation to internal control would include guidance in the “Corporate Governance in Local Government. A keystone for Community Governance (Framework and Guidance Note)” produced by CIPFA/SOLACE in 2001. The CIPFA/SOLACE Framework was revised in 2007 and it is this Framework which requires authorities to produce an AGS rather than a SIC to meet the requirements of the Accounts and Audit Regulations 2003 (as amended).

9.1.4 The CIPFA/SOLACE Framework is titled “Delivering Good Governance in Local Government”. It sets out the following core principles of corporate governance. They are:-

1. Focussing on the purpose of the authority and outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

9.1.5 In essence, the AGS is the formal statement that recognises, records and publishes the Authority’s governance arrangements as defined in the framework.

9.2 Content of the AGS

9.2.1 The AGS should incorporate a review to ensure that the Council has effective governance, risk management and internal control processes in place. Actions being taken or required to be taken should be identified.

9.2.2 The best practice framework provides guidance on what the AGS should contain including:-

- Responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control).
- Indication of the level of assurance that the systems and processes that form the governance arrangements can provide.
- Brief description of the key elements of the systems and processes that have been applied in maintaining and reviewing the effectiveness of the governance arrangements.

- An outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan.

9.2.3 The purpose of the AGS is to report on the Council's governance arrangements and covers all systems processes and controls, spanning the whole range of its activities.

9.3. Process

9.3.1 The Framework requires the AGS to be reviewed at least once a year. The AGS document is required to be included in the annual statement of accounts. The statutory reporting requirement for the AGS, however, is linked to the publication of the Authority's statement of accounts which is 3 months after the deadline for approval (i.e. end of September).

9.3.2 Part of the review process includes this reporting to the Audit Committee, which is responsible for assessing that the arrangements in this respect are effective to determine if their work during the year has identified issues of significant weakness.

9.3.3 If the Committee approves the AGS it will be incorporated into the statement of accounts for 2009/10 which is considered later on the Agenda. The Council's External Auditors will comment on the robustness of the AGS when carrying out the external audit of the 2009/10 accounts. Those comments will be reported to the Committee at its meeting on 21 September 2010 in order to enable the Committee to take those comments into account before the statutory reporting deadline of 30 September 2010.

9.3.4 The draft AGS for 2009/10 is attached at Appendix A. Further work following upon the review may result in updating of the position and some changes to the content of the AGS when the matter next comes before the Audit Committee in September.

10. LIST OF BACKGROUND PAPERS

10.1 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework.

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities

CIPFA/SOLACE Financial Advisory Network: The Annual Governance Statement.

10.2 Any person wishing to view the background papers should telephone Jeff Lustig, Director of Corporate Governance – Telephone: 020 8359 2008.

Legal: JEL

Finance: CM

ANNUAL GOVERNANCE STATEMENT 2009/2010

1. Scope of Responsibility

Barnet London Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.

Barnet London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

2. The Purpose of the Governance Framework

The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

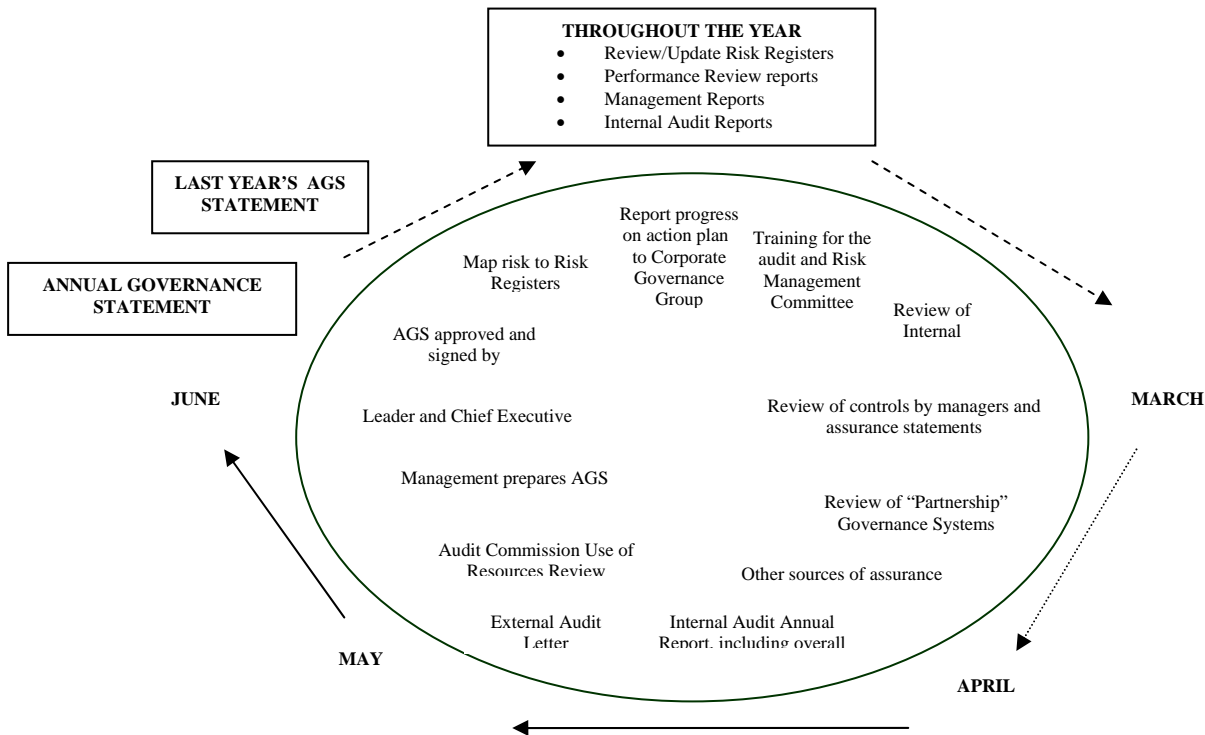
Internal Control Environment:

The Internal Control Environment is a system of dynamic checks and balances designed to manage risk, facilitate policy and decision making and deliver effective performance management in a cost effective and efficient manner thereby ensuring the Council uses its resources effectively:

- Performance Management System
- Corporate Strategy and Business Planning
- Annual Budget and Monitoring
- Code of Corporate Governance
- Project Management
- Anti Fraud Policy
- Financial Regulations and Procedures
- Code of Conduct
- Whistle Blowing Policy
- Complaints Policy
- HR Policies
- Information Standards
- Standards Committee
- Scrutiny Panels
- Audit Committee
- Contract Procedure Rules
- RIPA Policy

The Governance Framework:

The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2010 and up to the date of approval of the annual report and accounts. The governance cycle adopted by the Council is as follows:-

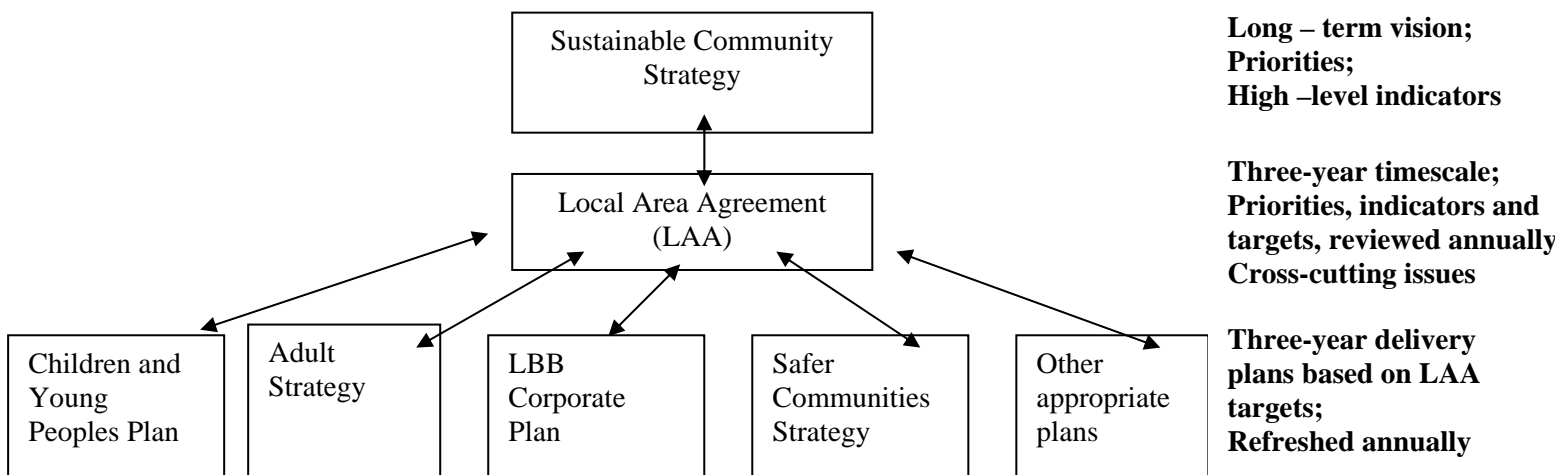


3. The Corporate Governance Environment

The Councils governance environment is consistent with the six principles of the CIPFA/SOLACE framework.

Principle 1: Identifying and Communicating the Council's Vision and Purpose

The diagram below outlines the relationship between the local strategic plans:-



Principle 2: Members and officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council, following proposals from the Executive, agrees the Council's policy framework, budget and key strategies. The Executive (the Cabinet), which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions).

This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 officer, Monitoring Officer and other senior managers are responsible for advising the Cabinet and scrutiny committees in legal, financial and other policy considerations.

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| <p>Executive Roles:</p> | <p>The Cabinet comprises a Leader and nine executive Members with the following portfolio responsibility (during the review period):</p> <ul style="list-style-type: none"> • Leader & Resources • Deputy Leader and Children's Services • Planning and Environmental Protection • Housing and Regeneration • Adults • Public Health • Investment in Learning • Policy and Performance • Environment and Transport • Community Engagement and Community Safety |
| <p>Clear Decision Making:</p> | <p>Formal procedures and rules govern the Council's business:</p> <ul style="list-style-type: none"> • Constitution • Scheme of Delegations • Financial Regulations • Scrutiny Process Guidance • Terms of reference for the Pension Fund Panel |
| <p>Compliance:</p> | <p>Specific statutory responsibility rests with:</p> <ul style="list-style-type: none"> • Chief Executive (Head of Paid Service) • Director of Corporate Governance (Monitoring Officer) • Deputy Chief Executive (Section 151 Officer) |

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| <p>Monitoring:</p> | <ul style="list-style-type: none"> • Financial and operational data is reported to the Cabinet and • Review panels quarterly • Work programmes of the Overview & Scrutiny Committees and the Audit Committee include a challenge to both policy development and performance review • Performance monitoring has improved in 2009/10 by bringing together operational and financial performance information • The institution of a dedicated Budget and Performance Overview & Scrutiny Committee has also enabled more effective Member oversight of the Council's performance • Further improvements are planned in 2010 with the introduction of customer satisfaction reporting |
| <p>Value for Money:</p> | <p>The Council has been very successful at driving the efficiency Agenda with the costs being one of the lowest in London. However there is still much to do. Recognising this the new streamlined corporate plan has 'better services with less money' as one of only three key priorities. Some key activities to take this agenda forward are:</p> <ul style="list-style-type: none"> • Establishment of an Investment Advisory Board • Service savings targets • Improved performance management/service planning • London Efficiency Challenge • Benchmarking exercises • Future Shape Programme (this is the main vehicle for driving the future efficiency programme and will change the way in which services are procured and delivered). • Every committee or Delegated Powers report has a corporate requirement to detail the value for money implication of the issue under consideration |
| <p>Partnerships:</p> | <p>Partnership working is pivotal to Barnet's success. The Local Strategic Partnership (LSP) is at the heart of this approach. Metropolitan Police, Barnet College, NHS Barnet (the Primary Care Trust, Middlesex University and CommUNITY Barnet (formerly Barnet Voluntary Service Council work with the Council for the benefit of our communities. Key priorities of the LSP as expressed in the Sustainable Community Strategy are:-</p> <ul style="list-style-type: none"> • Growing Successfully • Safer, Stronger and Cleaner Barnet • Investing in Children and Young People • Healthier Barnet (including older people). |

Principle 3: Values of Good Governance and Standards of Behaviour

The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its members and staff.

The Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. However Directors have the primary responsibility for ensuring that decisions are properly made within the operations of the Directorates. The standards of conduct and behaviour expected of members and officers are clearly set out in a number of the codes of conduct for members and for officers.

- Members Code of Conduct
- Officer Code of Conduct
- Protocols for Member – Officer Relations
- Planning and Licensing Codes

Training programmes for both members and staff support these codes.

The Deputy Chief Executive is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Internal Auditor has direct access to all three statutory officers and has well established reporting lines to members.

Core Principle 4: Making Transparent Decisions Which are Subject to Scrutiny and Risk Management

The Council recognises that all of its decisions must be legal and reasonable in the knowledge that all decisions are challengeable. The Council must therefore be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations.

Scrutiny Function:

The Scrutiny function works effectively to challenge performance and policy development, which is supported by focussed reviews undertaken by Task and Finish Groups and Ad Hoc Committees. Recent work undertaken in relation to youth homelessness and road resurfacing has been strongly welcomed by the Cabinet.

Scrutiny committees, which comprise non-executive members, question and challenge the policy and performance of the Cabinet and also the Council's policy and performance in respect of non executive functions. The successful instilling of a culture of pre-decision Scrutiny is integral to the continued effective operation of the Scrutiny function, allowing meaningful member oversight of and contributions to major strategic and policy items.

Scrutiny has also had an ongoing role in the Council budget process, allowing member oversight of the long and short term financial picture, together with guiding the Council's direction with regard to budget consultation.

Audit Committee:

A major strength of the internal control system is the role of the Audit Committee. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process.

To achieve these aims, the committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, plus review of summary internal audit reports, and seeking assurance that action has been taken as necessary;
- Consider, where appropriate, the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken on risk related issues identified by auditors and inspectors;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the Council's controls on data quality processes

Standards Committee

The Standards Committee is responsible for:

- Promoting high standards of conduct
- Assisting members to observe the Code of Conduct

- Advising the Council on the adoption of revisions to the Code of Conduct
- Monitoring the operation of the Code of Conduct
- Provision of training on the Code
- The granting of any dispensations

Robust Risk Management Processes:

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2009/2010. Formal risk management arrangements provide for risk identification, analysis and ownership. Service Plans utilise service based risk registers in their objective setting and overarching or corporate wide risks are identified within the Corporate Risk Register.

All Cabinet and Committee reports include a section on risks ensuring members make fully informed decisions.

Quarterly risk management forums are held to share best practice and to agree procedural improvements and the Internal Control Checklist process to aid managers proactively manage their service risks. A process which is reviewed annually.

As part of the budget setting process the Chief Financial Officer will assess the financial risks facing the Council and will recommend to the Council a prudent level of reserves, provisions and balances having taken into account those risks.

The Internal Audit Function:

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of adequate and effective systems of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfilment of those audit responsibilities. The work of the Service reflects professional best practice, is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, undertakes a planned programme which is approved by the Audit Committee. The programme includes independent reviews of the systems of internal control and risk management.

Each Head of Service is responsible for operating systems of internal control within their service that will provide reasonable assurance of effective and efficient operations, reliable information and compliance with laws and regulations. A report on audit activity is made regularly to the Audit Committee. Internal Audit has concluded overall, based on the findings of work undertaken at Barnet Council that only limited assurance can be given on the systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

Strong Financial Management:

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council
- A robust system of budgetary control including formal quarterly including projected outturns, and additional summary reports. Provisional outturn statements are produced and presented as close to the end of the financial year as possible
- Financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets
- A clear and concise capital appraisal process for prioritising and approving all capital projects

- Adherence to Prudential Indicators approved by Council to ensure that the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers;
- Financial Training for new budget holders
- Provision of a Project Management training

Core Principle 5: Developing the Capacity of Members and Officers to be Effective

The Council needs people with the right skills to direct and control staff. To this end both Members and staff need to have the right skills to drive the organisation forward. The Council's learning and development needs are met through training, e-learning and other methods.

- All new members are provided with a detailed induction programme into the operations, objectives, partnerships, and codes of the Council.
- Following the implementation of the new Corporate Plan, officer personal evaluation and target setting has to be directly aligned to the Council's key priorities.
- Cross organisational engagement has been undertaken to improve knowledge and understanding of those corporate priorities and how services contribute to them
- A two year Member Induction and Development Programme has been developed in consultation with Members and Officers, to be implemented at the start of the municipal year 2010/11.

Core Principle 6: Engaging with Local People and Stakeholders

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives.

There is a range of consultation and engagement mechanisms to identify local people's views and priorities. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas.

The Council adopted a Consultation and Engagement Strategy in 2004. As a consequence some traditional modes of communication have been used such as Residents Forums, Citizens' Panel and a Civic Network. However, in recent years communication vehicles have gone through radical change. The Council has maximised the use of these new opportunities, during the review period, including:-

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| The Leader Listens: | <ul style="list-style-type: none"> • Invites every household to meet with the Leader at meetings organised by polling district • Includes a blog which is moderated by the Leader • Extended to Leader Listens to Faith and Small Business |
| Website: | <ul style="list-style-type: none"> • Website re-launched in 2009 • Social networking links from home page • 'Improved ability for citizens to post comments • 'Fix My Street' – ability for residents to post issues • Pledge Bank – opportunity for communities to obtain funding by making a part commitment |
| Ward Visit: | Chief Executive and Ward Members meets residents to discuss local issues |

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| Budget Consultation: | <ul style="list-style-type: none"> • A series of face to face events, via the Leader Listens, Area Forums, and a Leader Listens Business Event • An online Budget Simulator (575 respondents) • An online qualitative survey on the Budget Headlines (18 respondents) • Letters sent out to all business rate payers inviting them to comment and take part in the consultation on the Budget Headlines • Budget and Performance Overview & Scrutiny Committee providing opportunity for wider consultation with Members on the budget at all stages of its development |
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4 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Head of Internal Audit's annual report, and any comments made by the Council's external auditors and any other review agencies and inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework which includes the following:-

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| Monitoring: | Financial and operational monitoring presented to senior managers, the Cabinet, and Scrutiny Committees on a quarterly basis |
| Internal Audit: | <ul style="list-style-type: none"> • Monitored by Audit Committee in year • Further strengthening of resources and profile planned • Implementation of revised working practices |
| Year End Processes: | <ul style="list-style-type: none"> • No significant issues identified in year end service control reports • Statutory Officer assurances obtained on internal control and governance arrangements • Review and cross referencing of inspection and audit reports and no issues identified. |
| Risk Management: | Service based risk registers completed and available for challenge Corporate risk register reviewed and refined |
| Standards Committee: | Met regularly and covered work programme in addition to fully operating the system of local regulation through Sub-Committee assessment meetings and hearings |
| Audit Committee: | Met regularly throughout the year Regular reports received on:- <ul style="list-style-type: none"> • Risk management • Internal Control • Anti fraud • Governance |
| Overview & Scrutiny | Overview & Scrutiny reviews its effectiveness on a yearly basis, with the findings reported with its annual report to Full Council. |
| Special Committee (Constitution Review) | Special Committee (Constitution Review) reviews the Council's Constitution over the course of the municipal year to ensure that good governance is maintained by it accurately reflecting current legislation and practice. |

Significant Governance Issues:

A number of areas for improvement were identified in the 2008/09 Annual Governance Statement. An update of those issues is set out below:-

| Improvement Area: | Current Position: |
|--|--|
| Lack of adherence to the Councils Treasury Management Strategy | New procedures now operating to ensure compliance with the Strategy. Regular reports presented to the Audit Committee on activity and compliance and training programme developed for Members to ensure that they have the necessary skills to robustly challenge and scrutinise the process. |
| Project Design and project management failures | A corporate framework was introduced in the summer of 2009. This has brought significant improvements to the governance and challenge of project initiation and delivery. It also provides detailed guidance and support for anyone involved in the management of a project. |
| Implementation of new scrutiny arrangements | New arrangements successfully implemented at the Annual Council Meeting 2009. A review of the new arrangements will be carried out early in 2010/11. |
| Clarification of the internal control systems and processes | An Internal Control Improvement Action Plan identified areas and provided actions for enhancing internal control. These actions, whilst some are ongoing, will be effectively implemented by September 2010. |
| Project post implementation reviews | As part of the corporate project management framework a post implementation review is required for every project. These will be captured and by the project consultancy team with the Commercial Services Directorate and used on future projects. |
| Member development | Developed a Member Induction and Development Programme 2010-12 to be implemented following the 2010 municipal elections. |
| Statutory Officer meetings – to aid improved governance | These meetings have been held on a regular monthly basis throughout the review period and have an agenda to deal with key current governance issues. |
| Review of the Scheme of delegation | The carrying out of this review was agreed by the Special Committee (Constitution Review) in 2009/10 and will be further reported upon to the Committee in 2010/11. |
| Role and profile of regulatory committees | Revised versions of Members Planning Code of Practice and Members Licensing Code of Practice were adopted by the Council in November 2009 following full consideration by the Standards Committee and the Special Committee (Constitution Review). Both aimed at giving Members and others a clearer insight into the appropriate behaviours and arrangements for dealing with these regulatory processes. |
| Develop partnership working towards a Goal of 'one public service' | 'One Barnet Programme Board' including representation from partners established to oversee Future Shape programme (see below). LSP continues to oversee joint working including receiving reports on Future Shape; |
| Ensure governance remains central to change management programme | See above comments on project management governance |

In May 2008, Cabinet agreed the establishment of a Future Shape of the Organisation programme, in order to ensure that the Council was best placed to exercise local leadership and respond to the challenges that would face local government and public services in the future.

In December 2008, Cabinet agreed a programme structure for the next phase of the future shape programme, and that a detailed assessment of the overall model for public service commissioning, design and delivery be undertaken. The outcome of this assessment was reported back to Cabinet in two phases on 6 July and 21 October 2009.

The conclusions of the initial work were that to meet the challenges ahead, the following principles should be applied:

1. A new relationship with citizens

In which citizens will have a much greater involvement in designing services and actively participating in improving their lives and Barnet.

2. A one public sector approach

In which our strategies and services and those of our public sector partners are integrated and aligned, so that we can work together to improve outcomes for people in Barnet. An important aspect will be placing democratic accountability at the heart of it all.

3. A relentless drive for efficiency

In which the Council plays a leading role in ensuring that public services as a whole are as efficient as they can be.

The 21 October report to Cabinet considered arrangements for implementing the Future Shape work programme and agreed that given the size of the programme and the risks involved, separate governance arrangements, including a Future Shape Programme Board and Overview and Scrutiny Committee be created to oversee the implementation of Barnet's Future Shape programme.

This Board was subsequently named as the One Barnet Programme Board and first met on 11 February 2010. Its specific purpose is to:

- Provide governance for the implementation of the Future Shape programme, to be known as the One Barnet programme
- Set the direction of the One Barnet programme and agree in principle and at first approval stage those projects that will form part of the programme
- Ensure that all projects deliver a corporate priority and fit with the 3 Future Shape principles
- Make recommendations to Cabinet, or any other Council decision making body where formal decisions are required, on the implementation of elements of the programme

It has a remit to:

- Consider and agree a work programme for the implementation of the One Barnet programme
- Review initial assessment plans and outline business cases
- Make recommendations to Cabinet on the approval or refusal of business cases
- Make any other recommendations to Cabinet as appropriate
- Receive reports from the Council's Investment Approvals Board ("IAB") as to the management of projects in the programme
- Consider any appropriate feedback from the Future Shape Scrutiny Panel

It is chaired by the Leader of the Council, and also includes the Deputy Leader, as well as Chief Executive, Deputy Chief Executives and Representatives from key public sector local strategic partners.

The Board is intended to be a consultative body only and does not take decisions in its own right. The Board will consider matters before it and make any recommendations as necessary to the Council's Cabinet or any other of the Council's decision making bodies.

Alongside this, the Future Shape Overview and Scrutiny Panel was established with a power to review the proposals being taken to the Programme Board as part of its activities to ensure early engagement in their development. The Panel evaluates and challenges business cases, reviews options appraisals, examines

linkages between the strands of the Future Shape programme, oversees implementation and refers issues to the One Barnet Programme Board and/or Cabinet as appropriate.

The governance of the Local Strategic Partnership will be reviewed during 2010-11 including the relationship with the One Barnet Programme Board.

5. 2010/11 Improvement Areas

| Key Improvement Area: | Assigned To: |
|---|---|
| CAFT Pro Active Fraud Programme 2010/11 will include high risks areas based on outcomes from previous CAFT investigations, 'No Assurance' IA reports, and national areas of concern for local government. This includes the impact of the recession on local authority fraud risks. | CAFT Manager |
| An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management | Head of IS/Performance &OD Manager |
| A detailed action plan for addressing the data protection issues highlighted in the ICO Audit Data Protection Audit Report | CDG/Director of Corporate Governance/Head of IS |
| Internal audit will provide quarterly progress reports to the Audit Committee on performance against the agreed annual plan. | Head of Internal Audit |
| Internal Audit will work with directors and senior managers on strengthening the risk management system | Head of Internal Audit |
| A comprehensive training programme for Members of the Audit Committee will be prepared and delivered to enhance the Committee's performance | Democratic Services Manager |
| Improving the Overview & Scrutiny structure to maximise the effectiveness of the Scrutiny function, including entrenching a pro-active culture of pre-decision Scrutiny. | Democratic Services Manager |
| Ensure partnership governance arrangements fit for purpose, specifically of the LSP | ACE/ DCG |
| Raise the profile of risk management within the organisation and embed within the business planning process. | DCE/AD of F |

AGENDA ITEM: 9

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| | |
|----------------|---|
| Meeting | Audit Committee |
| Date | 21 June 2010 |
| Subject | Internal Audit Annual Report |
| Report of | Interim Assistant Director Audit and Risk Management |
| Summary | The Committee is asked to note the 2009-10 Annual Report and Opinion. |

| | |
|--|---|
| Officer Contributors | Richard King - Interim Assistant Director Audit and Risk Management |
| Status (public or exempt) | Public |
| Wards affected | Not applicable |
| Enclosures | Appendix A: Internal Audit Annual Report Appendix B: List of completed audits and opinions |
| For decision by | Audit Committee |
| Function of | Council |
| Reason for urgency / exemption from call-in (if appropriate) | Not applicable |

Contact for further information: Richard King, Interim Assistant Director Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Annual Report**
- 1.2. That the Committee consider whether there is any areas on which they require additional information.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee Work Programme which was approved at the Meeting on 11th March 2010 included the Internal Audit Annual report for inclusion at this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit planned activity is aligned with the Council's objectives and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 3.2 The Annual Assurance Opinion forms part of the Annual Governance Statement that is presented elsewhere to this Committee.

4. RISK MANAGEMENT ISSUES

- 4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement.
- 4.2 Internal Audit work contributes significantly to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management.

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 directly as a result of this Report but it is for management to determine whether any resources should be used to enhance the management of risks in the identified deficient areas.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

8.1 The Constitution Part 2 Paragraph 3.3 recognises that the annual audit opinion plays an essential part in advising the Council that risk management procedures and processes are in place and operating properly.

9 BACKGROUND INFORMATION

9.1 This report provides details of all of the audits carried out during 2009/10 and also gives the assurance level for each audit. This ultimately leads to the overall assurance opinion for the year which is in the Report at Section 8.

9.2 Performance data is included in the main report at Section 6.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: PD

Finance: AT

Internal Audit Annual Report 2009/10

1. Introduction and Background

2009/10 has been a challenging year for the London Borough of Barnet particularly on issues concerned with the internal control environment. Against the background of the Icelandic Banks situation in 2008/9, an independent consultant's report highlighted a number of ways to improve internal control. The resultant internal control improvement action plan was presented to the Audit Committee in December 2009.

During the last year the Council has had a turnover of senior staff and the employment of a number of interim staff to fill vacancies and to augment skill levels and aid development. For Internal Audit, there has been a senior member of staff acting up as Chief Internal Auditor and, for the last 5 months of the financial year, an interim manager covering this position.

2. Core Activities

2.1 Internal Audit is "an assurance function that provides an independent and objective opinion to the *Council* on the control environment, by evaluating *its* effectiveness in achieving the *Authority's* objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources"
(CIPFA 2006)

2.2 The Section satisfies the Council's statutory responsibilities under the Accounts and Audit Regulations 2006 (The Regulations) "to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices."

2.3 The work of Internal Audit also assists the Deputy Chief Executive in the discharge of his responsibilities under the Regulations for accounting records and accounting control systems.

2.4 Internal audit also offers advice and guidance on internal control issues to the Council's officers in order to improve the

operation and effectiveness of risk management and thus the achievement of the Council's objectives.

3. Internal Audit Services

The primary objective for Internal Audit is to provide an annual assurance opinion on the control environment. This opinion is based upon a planned programme of activity.

This programme, the Annual Audit Plan, is approved by the Audit Committee in March each year. The Plan is subject to changes as the year progresses to recognise the changing impact of risks that the Council faces.

In examining and commenting on the operation and effectiveness of risk management, Internal Audit contributes to the Council's corporate governance. In this way, Internal Audit plays its part in the achievement of the strategic aims and objectives of the Authority.

In recognition of the statutory requirement contained in the Regulations and in accordance with the CIPFA Code, the Council has enshrined in Financial Regulations (Financial Administration, section 3) the various responsibilities and powers of Internal Audit. These are further identified in the Terms of Reference of the Audit Committee.

The main Internal Audit services provided in the year to fulfil these responsibilities are:

| | |
|-----------------------------------|------------|
| Systems audits | 40 planned |
| Follow-up audits | 44 planned |
| Key system audits | 4 planned |
| Other project and compliance work | 11 planned |

4. Staffing

Internal Audit work has been provided by a small in-house team of 4 together with contract staff. This arrangement provides additional flexibility for service delivery plus access to a broad and skilled base of professionally trained auditors. The contract for this

external provision of staff has now entered the 5th year and will be retendered for the year starting April 2011.

The Council's directly employed Internal Audit staff have the following professional qualifications:

- 2 x Chartered accountants
- 1 x MIIA – member of the Institute of Internal Auditor

5. Significant Issues during 2009-10

The plan, as revised at the Audit Committee meetings, has been 96 % completed. Remaining audits have either been deferred until 2010-11 or cancelled.

An Internal Audit Strategy was prepared and approved at the Audit Committee on 16 December 2009. The Annual Plan for 2010-11 is based on this Strategy.

There is a strengthening of the Internal Control Environment resulting from the actions contained within the Improvement Plan. Included amongst these actions is a regular meeting between the Corporate Risk Manager and the Chief Internal Auditor.

6. Performance Results for the year to 31 March 2010

Internal Audit's performance for the year was measured as follows:

- number of planned audits: 137 including 38 schools
- number of completed audits: 144 including 38 schools
- planned days: 1181
- actual days 1181

In addition, at the finalisation of each audit, the relevant manager is asked to complete an evaluation questionnaire. The number of returned questionnaires for the year was low but they show a very high level of satisfaction with the audits. For the current year, 2010/11, I will be seeking to increase significantly the number of questionnaires returned in order that a more representative evaluation can be given.

As agreed by members at the last meeting of this Committee, there will be a broader suite of performance targets to be achieved

by Internal Audit which should enable members, directors and senior managers to form a better judgement of Internal Audit's performance.

7. Internal Audit 2010 and Beyond

7.1 Introduction

The approved Strategy recognises that Internal Audit practice at Barnet must be different in order to deliver the service that a successful London Borough needs. The Service needs to be more proactive and assist the Council in its developments. Future Shape offers a unique opportunity not only to the Authority as a whole but also to Internal Audit. Internal auditors' traditional approach will no longer be sufficient for a dynamic Authority that seeks greater efficiency and effectiveness in service delivery. Auditors will need to be more proactive and to establish working practices that assist an organisation to develop new and ground breaking delivery vehicles.

7.2 Staff Skills

To achieve this, auditors' skills and experiences will need to be developed. To this end, a Training and Development Plan will be prepared. This will identify the skills necessary for the Council's future and establish individual staff's abilities against these requirements. For each auditor, a personal development plan will be formulated and this will be summarised into the T & D Plan for the Section. This Plan will have to recognise the resource constraints for training and development budgets but it is hoped that some no cost development options will be available through working alongside the Internal Audit contractor and possibly also with the External Auditor amongst others.

7.3 Reporting to the Audit Committee

As proposed and accepted within the Internal Audit Strategy, progress against the agreed Annual Plan will be reported to each Committee meeting. The report to take a more narrative form and include:

- the subject of the audit
- the assurance level

- timing of the audit
- brief details of the subject area including quantitative and/or financial statistics
- the principal findings

I hope that this changed reporting will give members a better picture of the risk management in the area under consideration. Additionally within the detailed audit reports issued to directors and managers, the auditors will present positive aspects of the risk management alongside any areas for improvement.

7.4 Follow-up Audits

In line with the Strategy, not every audit will be subject to a follow-up. Those audits with significant impact on the internal control environment will be revisited to confirm that the agreed actions have been implemented and that risk is, as a consequence, being better managed.

For those audits where follow-up is not planned, I will be looking to the relevant director/manager to confirm that the agreed actions have been implemented by the agreed date.

The Strategy recognised and articulated the responsibilities of directors and managers in terms of agreeing and owning the outcomes of internal audits. I confidently expect that this should lead to a much improved service from Internal Audit and greater coverage of the Council's significant activities.

7.5 Internal Audit Performance

At present, there is a limited volume of performance data given to members and directors on Internal Audit performance. Greater transparency in this area should give more confidence in the value for money aspects of the Service.

In addition, Internal Audit will be participating in the Benchmarking Club of the Chartered Institute of Public Finance and Accountancy (CIPFA). This will enable me and the future Head of Internal Audit to assess our performance against other participants in the Club and make direct comparisons with a small peer group. This should lead to performance improvements. This comparative information will form part of future performance reports to members and directors.

8. Annual Opinion

Based on the internal audit work carried out during 2009/10, I can give limited assurance on the operation of the Council's internal control environment. The internal control environment comprises the systems of governance, risk management and internal control.

Audits have been carried out in accordance with auditing standards as contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom which have been accepted by members as the standards to which the Section works and against which performance is evaluated.

Audit Opinions on 2009-10 Completed Audits

| Systems Audits | Assurance | Follow-up Ref |
|--|------------------|----------------------|
| 1 Data Quality in Environment & Transport | Full | |
| 2 Accommodation Strategy | Satisfactory | |
| 3 Cashiers | Satisfactory | |
| 4 Children in Care | Satisfactory | |
| 5 Children's Centre Service | Satisfactory | |
| 6 Choice & Independence - Supply Management | Satisfactory | |
| 7 Corporate Anti Fraud Team | Satisfactory | |
| 8 Insurance | Satisfactory | |
| 9 Money Laundering | Satisfactory | |
| 10 Postal Remittances | Satisfactory | |
| 11 Regeneration Skills Development Partnership Group | Satisfactory | |
| 12 Regulation of Investigatory Powers Act 2000 | Satisfactory | |
| 13 Self Service - staff leave, expenses etc. | Satisfactory | |
| 14 Anti Crime Agenda | Limited | a |
| 15 Capital Expenditure | Limited | |
| 16 Cleaning Contract -Safeguarding | Limited | b |
| 17 Common Assessment Framework for children | Limited | |
| 18 Disposal & Capital Receipts | Limited | |
| 19 Internal Control & Risk Management in Children's Service | Limited | |
| 20 Internal Control & Risk Management in Corporate Governance | Limited | c |
| 21 Internal Control & Risk Management in Environment and Transport | Limited | |
| 22 Internal Control & Risk Management in Planning Housing & Regeneration | Limited | |
| 23 Income from Property | Limited | |
| 24 Integrated Community Equipment | Limited | |
| 25 Procurement and Contracts Children's Service | Limited | |
| 26 Procurement Contracts & Accounts Payable | Limited | d |
| 27 Project Support | Limited | |
| 28 Public Transportation & Traffic Management | Limited | |
| 29 Regeneration of homes for Council Tenants | Limited | e |
| 30 Registration of Electors | Limited | |
| 31 Remote Access to Council Computer Systems | Limited | |
| 32 Temporary Accommodation | Limited | |
| 33 Working with Partners | Limited | |
| 34 Appointeeship | No | |
| 35 Blue Badges | No | |
| 36 Data Security & Handling | No | |
| 37 Deputyship | No | |
| 38 Leisure Management | No | |
| 39 Meals | No | |
| 40 Parking -Pay & Display Maintenance & Cash Collection | No | |
| 41 Section 106 Payments | No | |
| 42 Telecare | No | |

APPENDIX B

| Systems Audits | | Assurance | Follow-up Ref |
|-----------------------|---------------------------------------|------------------|----------------------|
| 43 | Treasury Management (Icelandic Banks) | No | f |
| 44 | Use of Consultants | No | g |

| Audit of Projects | | Assurance |
|--------------------------|----------------------------|------------------|
| 1 | Housing System Review | Satisfactory |
| 2 | Mill Hill Depot Relocation | Satisfactory |
| 3 | Contact Point | Limited |
| 4 | Individual Budgets | Limited |

| Regularity or Probity Audits | | Assurance |
|-------------------------------------|--------------------------------|------------------|
| 1 | Grant for Supporting People | Satisfactory |
| 2 | Grant for Stroke Service | Satisfactory |
| 3 | Milly Apthorp Charity Payments | Limited |

| Follow-up Audits | | Assurance | System Audit Ref |
|-------------------------|---|------------------|-------------------------|
| 1 | Treasury Management | Full from No | f |
| 2 | Contact Point in Children's Service | Full from Ltd | |
| 3 | LG Pension | Full from Ltd | |
| 4 | Child Protection 2nd follow-up | Full from Sat | |
| 5 | Choice & Independence Programme Governance | Full from Sat | |
| 6 | Housing Benefit | Full from Sat | |
| 7 | Drugs & Alcohol Value for Money | Sat from No | |
| 8 | Telecare Alarm System for Vulnerable Clients | Sat from No | |
| 9 | Business Continuity in Adult Social Service | Sat from Ltd | |
| 10 | Barnet Homes Monitoring | Sat from Ltd | |
| 11 | Business Continuity 2nd Follow-up | Sat from Ltd | |
| 12 | Cash Collect, Banking & Treasury Management 2nd Follow-up | Sat from Ltd | |
| 13 | Cash Security Collection | Sat from Ltd | |
| 14 | Cashiers 2nd Follow-up | Sat from Ltd | |
| 15 | Consultation 2nd Follow-up | Sat from Ltd | |
| 16 | Electronic Document Record Management Phase 1 Project | Sat from Ltd | |
| 17 | Fair Pricing Tool | Sat from Ltd | |
| 18 | Free School Meals | Sat from Ltd | |
| 19 | Growth Area Funding -grant | Sat from Ltd | |
| 20 | Housing Revenue Account 2nd Follow-up | Sat from Ltd | |
| 21 | Housing Strategy & Performance | Sat from Ltd | |
| 22 | Meals 2nd Follow-up | Sat from Ltd | |
| 23 | Non-Housing Revenue Account Subsidy | Sat from Ltd | |
| 24 | Partnership Arrangements 2nd Follow-up | Sat from Ltd | |
| 25 | Principle Development Agreement 2nd Follow-up | Sat from Ltd | |
| 26 | Regeneration of homes for Council Tenants | Sat from Ltd | c |
| 27 | Respite Care | Sat from Ltd | |
| 28 | Administration of Term Contracts | Sat from Sat | |
| 29 | Barnet Connexions - Career Advice | Sat from Sat | |

APPENDIX B

| Follow-up Audits | Assurance | System Audit Ref |
|---|------------------|-------------------------|
| 30 Child Protection | Sat from Sat | |
| 31 Data Quality (Key Lines of Enquiries) | Sat from Sat | |
| 32 Data Quality Best Value Performance Indicators | Sat from Sat | |
| 33 Depot Replacement Project | Sat from Sat | |
| 34 Imprest Accounts | Sat from Sat | |
| 35 Parking Control | Sat from Sat | |
| 36 Strategic Planning | Sat from Sat | |
| 37 Trading Standards & Licensing | Sat from Sat | |
| 38 Transport Contract Project | Sat from Sat | |
| 39 West of Borough Project | Sat from Sat | |
| 40 LAA Grant | Sat from Sat | |
| 41 Business Continuity | Ltd from No | |
| 42 Customer Billing | Ltd from No | |
| 43 Meals Audit | Ltd from No | |
| 44 Parking Pay & Display Maintenance 7 Cash Collection | Ltd from No | |
| 45 Use of Consultants | Ltd from No | g |
| 46 Anti Crime Agenda | Ltd from Ltd | a |
| 47 Central Contract Monitoring 2nd Follow-up | Ltd from Ltd | |
| 48 Cleaning Contract Safeguarding | Ltd from Ltd | b |
| 49 Final Accounts - contracts | Ltd from Ltd | |
| 50 Homelessness | Ltd from Ltd | |
| 51 Housing Revenue Account | Ltd from Ltd | |
| 52 Internal Control & Risk Management in Corporate Governance | Ltd from Ltd | c |
| 53 Partnership Arrangements | Ltd from Ltd | |
| 54 Procurement Contract & Accounts Payable | Ltd from Ltd | d |
| 55 SAP control over users and access | Ltd from Ltd | |

School Audits

- 1 Barnfield
- 2 Bell Lane
- 3 Broadfields
- 4 Brunswick Park
- 5 Childs Hill
- 6 Christ College
- 7 Church Hill
- 8 Colindale
- 9 Cromer Road
- 10 Danegrove
- 11 Deansbrook Junior
- 12 Dollis Junior
- 13 East Barnet
- 14 Edgware Infant
- 15 Edgware Junior
- 16 Finchley Catholic High
- 17 Frith Manor
- 18 Garden Suburb Junior
- 19 Hendon
- 20 Holly Park
- 21 Hyde
- 22 Mapledown
- 23 Mill Hill High
- 24 Moss Hall Junior
- 25 Northway
- 26 Orion
- 27 QE Girls
- 28 Queenswell Infant
- 29 St John's CE N11
- 30 St Margaret's Nursery
- 31 St Mary's CE High School
- 32 St Mary's N3
- 33 St Michael's Catholic High
- 34 Summerside
- 35 Underhill Junior
- 36 Wessex Gardens
- 37 Whitefields
- 38 Woodcroft

AGENDA ITEM: 10

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| | |
|----------------|---|
| Meeting | Audit Committee |
| Date | 21 June 2010 |
| Subject | Review of the Effectiveness of Internal Audit |
| Report of | Interim Assistant Director Audit and Risk Management |
| Summary | To consider the report from the External Auditors on the above review of Internal Audit |

| | |
|--|---|
| Officer Contributors | Richard King, Interim Assistant Director Audit and Risk Management and Hem Savla, Audit Manager |
| Status (public or exempt) | Public |
| Wards affected | Not applicable |
| Enclosures | Appendix A - Report on Review of Effectiveness of Internal Audit |
| For decision by | Audit Committee |
| Function of | Council |
| Reason for urgency / exemption from call-in (if appropriate) | Not Applicable |

Contact for further information: Richard King, Interim Assistant Director, Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the report of the External Auditors is noted and that the Action Plan is approved.**
- 1.2 That the Interim Assistant Director, Audit and Risk Management report back to future meetings of this Committee on progress against the actions.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 An effective Internal Audit service is a prerequisite for a well run local authority to achieve its objectives. Internal Audit provides a key assessment of how the Council's risk management processes identify, evaluate, monitor and report that controls are operating effectively. Thus, Internal Audit supports the achievement of all of the Council's priorities and objectives.

4. RISK MANAGEMENT ISSUES

- 4.1 If the External Auditor does not regard the Internal Audit Service of the Council as effective, it will be impossible to achieve the highest score of 4 for internal control in the their Use of Resources judgement.
- 4.2 In addition, if the External Auditor does not feel confident about Internal Audit's work and output, this may well lead to additional costs to the Council as they will perform extra work to compensate for any identified deficiencies.
- 4.3 An ineffective Internal Audit Service will not be able to provide the level and types of assurance that members and directors need for the effective achievement of their responsibilities. Thus, there is a risk that the Council may not achieve all its aims and objectives.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

- 6.1 None at present as the implementation of the action plan will be carried out as part of the reorganisation of the Section's working methods and processes.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

9.1 Attached to this report at Appendix A is the report from Grant Thornton.

9.2 Representatives from the External Auditors, Paul Dossett and Hanisha Solanki, will attend the meeting to introduce the report and answer any members' questions.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: SS
Finance: AT

London Borough of Barnet

Review of the Effectiveness of Internal Audit

22 April 2010

| | |
|------------------------------|-----------|
| Draft Issued | 15/2/2010 |
| Draft Discussed | 11/3/2010 |
| Revised draft | 01/4/2010 |
| Management comments | 13/4/2010 |
| Final Issued | 22/4/2010 |
| Presented to Audit Committee | 21/6/2010 |

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1 Executive Summary

Introduction

- 1.1 During 2009/10 the Council has been considering the provision of its internal audit services, this has included an Interim Chief Internal Auditor being in place since November 2009. The Chief Executive has also been instrumental in lifting the profile of internal audit through the process of making reference to the post of Head of Internal Audit within his management restructure. The basis of our review was to consider the current arrangements to ensure that the Council has an internal audit service that responds effectively and in a timely manner to the current high risk environment that the Council is pursuing through its Future Shape agenda.
- 1.2 In our Annual Audit Report to those Charged with Governance (ISA 260) and our Use of Resources Report for 2008/09, we raised concerns about the coverage and other areas that implied a lack of effectiveness of the Council's in-house Internal Audit service. This resulted in a risk being identified in our 2009/10 audit plan, which was included within our indicative fee letter in May 2009 and approved by the Audit Committee in March 2010.
- 1.3 As the Council's External Auditors, we have to consider the effectiveness of the organisation's Internal Audit service in two key respects:
 - **Financial Statements Audit** - the work of Internal Audit provides us with an assessment of the Council's key financial controls in place during the year, which helps provide assurance that the figures presented in the Financial Statements are fairly stated. This determines the amount of substantive audit work we are required to undertake in order to support our audit opinion. Generally, we seek to rely on the work of internal audit as much as possible in order to minimise the duplication of work and reduce the level of year end accounts testing where systems are considered appropriate.
 - **Use of Resources Assessment** - consideration of the Council's Internal Control arrangements form a key part of our Use of Resources Assessment. This incorporates both the significant findings from the work of Internal Audit in the year, and an assessment of the effectiveness of Internal Audit itself. In addition to the UoR assessment, this work supports the VFM conclusion in our audit report.

The Context of this Review

- 1.4 During 2008/09, the Council made progress towards enhancing Internal Audit effectiveness through reorganisation of the service. The Council has recently appointed an Interim Chief Internal Auditor, who is a former Chair of the CIPFA Audit Panel. This appointment reflects recognition from the Council that Internal Audit requires a significant overhaul in its strategic and operational management and performance. The initial outline plan for the reorganisation was presented to the Council's December Audit Committee.
- 1.5 The Interim Chief Internal Auditor is in the process of implementing a series of significant changes, which started with a detailed self assessment against the CIPFA Code of Practice for Internal Audit in Local Government.

- 1.6 In undertaking this review we sought to satisfy ourselves that the organisation is aware of the development needs of Internal Audit, and that these issues are being addressed. In doing so we will contribute to the process of development by providing the Council with our assessment of the effectiveness of Internal Audit. We designed this review to complement the work already underway and to avoid unnecessary duplication of effort.

The Purpose of this Review

- 1.7 The purpose of this review is two fold:
- ***To support the 2009/10 audit process*** - enhancing our understanding of the effectiveness and capability of Internal Audit in 2009/10, in order to support our use of resources assessment. The review will also help inform the level of reliance we place on the work of internal audit in forming our audit opinion.
 - ***To help the Council to improve its Internal Audit service*** - comparing the current Internal Audit arrangements, and the outline plan for re-organisation, to our assessment of effectiveness and to best practice to identify recommendations for improvement which will contribute to the enhanced effectiveness of the service.

Overall View

- 1.8 In our view, Internal Audit, in its current form, provides an adequate level of assurance to those charged with governance that significant business risks are being appropriately managed. However there are a number of opportunities to improve the effectiveness of internal audit which the Council is already in the process of implementing. A focus on improvement is essential to ensure that the Internal Audit function keeps up with the pace of change that the Council is currently experiencing.
- 1.9 We have considered the steps that the Interim Chief Internal Auditor is implementing to improve current arrangements and we wish to express our support for this process.
- 1.10 We have made a number of recommendations which are intended to support and complement the work already underway at the Council. These are set out in Section 2 of this report, and summarised in Appendix B.

Key Findings

- 1.11 Our review focused on eleven key questions that address fundamental aspects of an effective Internal Audit service. The detailed results of our review are set out in Section 2 of this report. The basis of the review was to assess the current provision, which had elements of looking backwards on the service provided to date, however we sought to balance our view with improvements the Council is already undertaking. Our summarised findings are as follows:

| | Key Question | Our View |
|----|--|------------------------|
| 1 | Is the annual audit strategy appropriately focused on the organisation's key risks? | No |
| 2 | Is the in-house service granted sufficient independence within the organisation? | Yes |
| 3 | Does the service have sufficient stature, in terms of corporate sponsorship and powers of access, within the organisation? | Yes, improvement needs |
| 4 | Does the service have sufficient resources to deliver the level of audit coverage required? | Inconclusive |
| 5 | Does the audit strategy provide assurance to management that key business risks are being effectively managed in year? | Partially |
| 6 | Does the audit strategy provide adequate assurance to management that business critical systems are operating effectively in year? | Partially |
| 7 | Does detailed audit work achieve the correct balance between assessing management arrangements and testing compliance? | Yes |
| 8 | Does the service achieve appropriate levels of co-operation and buy in from departmental management, to support its conclusions and recommendations? | No |
| 9 | Are risks identified by audit appropriately measured and prioritised in terms of organisational risk? | Inconclusive |
| 10 | Is the interface between internal audit and the Audit Committee effective in communicating critical risk management issues to those charged with governance? | No, for 2008/09 |

| | Key Question | Our View |
|----|---|------------------------|
| 11 | Is internal audit effective in following up and driving improvement in regard to identified key weaknesses? | Yes, improvement needs |

Use of this Report

- 1.12 This report has been prepared for use by the Council, no responsibility is assumed by us to any other person.
- 1.13 This report includes only those matters that have come to our attention as a result of performing this review. Our review is not designed to identify all matters that may be relevant to Those Charged With Governance. Accordingly the review does not ordinarily identify all such matters.

Acknowledgements

- 1.14 We would like to record our appreciation for the co-operation and assistance provided to us by management and officers during the course of our review.

Grant Thornton UK LLP
April 2010

2 Detailed Findings

The Scope of This Review

2.1 The review of Internal Audit comprised two key stages:

Stage 1

- Documenting and reviewing the arrangements in place for the 2009/10 financial year.
- Comparing the arrangements to 'best practice' within local government and in other sectors.
- Identifying potential gaps or weaknesses in the service.

Stage 2

- Documenting and reviewing the proposed outline changes to the service for 2010/11.
- Mapping the proposed changes to the service to the service gaps or weaknesses identified in Stage 1 to ensure that these have been adequately addressed.
- Where appropriate, providing recommendations for further improvement.

Our Approach

2.2 We conducted our review using the following approach:

- Interviews with Key Staff (Appendix A)
- Document Review
- Comparison to latest guidelines from the Chartered Institute of Public Finance Accountants (CIPFA) and Institute of Internal Audit (IIA).
- Assessment against recognised 'best practice' applicable to Local Authorities and from our experience in other sectors.

Key Findings

2.3 Our review focused on eleven key questions that address fundamental aspects of an effective Internal Audit service. The details provided in this section support our conclusion on each of the key questions identified.

| | |
|-------------------|---|
| Question 1 | Is the annual audit strategy appropriately focused on the organisation's key risks? |
| Our View | No |
| Findings | <p>Up to 2009/10, the annual Internal Audit planning process has not been entirely driven by the organisation's corporate risk register which is instead considered along with the risk registers of the various directorates and taken into account with the internal audit team's separate risk analysis. Discussions are then held with directors to agree the most appropriate areas for review during the coming year. The plan is presented with reference to directorates, processes and corporate priorities and, as a result, possibly delivers broader assurance than is necessary over a range of processes as opposed to focusing more acutely on fewer, more important risks.</p> <p>Internal Audit undertook a review of the risk management framework in 2006/07 and then a follow-up audit in 2008/09, which resulted in satisfactory assurance. However this assurance has not provided Internal Audit with sufficient confidence in the risk management framework to use it as the basis for setting its overall plan. In the view of Internal Audit, the current risk management approach is not applied consistently across the Council. Internal Audit are currently reviewing risk management arrangements to ensure reliance can be placed for the compiling of the 2010/11 Internal Audit Plan, which is due at the end of April 2010.</p> <p>The Institute of Internal Auditors (UK & Ireland) says that if the organisation's own risk register is not a suitable basis for planning, then the internal audit department should use other means. However, where this is the case, it is suggested that internal audit works with the organisation in order to improve its risk maturity and the reliability of its risk management processes as a basis for planning.</p> <p>Best practice internal audit plans should be driven primarily by the organisation's own corporate risk register and focus the delivery of assurance on the effective operation of the key controls identified in the risk register. Typically, as is already the practice in Barnet, a proportion of available days will also then be made available to review the ongoing effectiveness of core systems.</p> <p>In planning for 2010/11 Internal Audit intends to draw direct links between the directorate level risks to risks identified in the corporate risk register. Arrangements have been made for the Interim Chief Internal Auditor to meet regularly with the Head of Risk Management so that they can achieve better coordination. The organisation's risk management process is going to be reviewed by Internal Audit in 2009/10 but the outcome of this will not be available in time to influence the initial 2010/11 audit plan. It is possible that the internal audit plan will change as a result of the review if it emerges that the organisation is less risk mature than the new approach assumes.</p> |

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| Recommendation | <p>We support the view of the Interim Chief Internal Auditor that the starting point for the revised Internal Audit strategy should be to provide assurance on the effectiveness of controls and other mitigating actions used to manage the Council's key corporate risks. Coverage should then cascade down through the risk registers of individual directorates to ensure that significant risks are addressed in order of priority (i.e. likelihood and potential impact). This should provide a more direct means of assurance to Those Charged With Governance, that key corporate risks are being addressed appropriately. Portions of the strategy can be redirected to provide assurance on the effectiveness of core systems, special projects and other developmental tasks as the revised Strategy suggests.</p> <p>If the corporate risk register is not appropriately robust to be used in this way, Internal Audit should work with Council officers to help develop risk management arrangements.</p> |
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| Question 2 | Is the in-house service granted sufficient independence within the organisation? |
| Our View | Yes |
| Findings | Internal Audit operates with a significant degree of independence and objectivity within the Council. Self assessment against the CIPFA standards recognises that regardless of how the internal audit service is designed, staff should be reminded of the need for independence, objectivity and professionalism at all times. This is Defined by Financial Regulations (section 2, paragraph 3.2) and is emphasised through reporting lines within internal audit, and considered appropriate. |

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| Question 3 | Does the service have sufficient stature, in terms of corporate sponsorship and powers of access, within the organisation? |
| Our View | Yes, with improvement needs |
| Findings | <p>The stature and corporate sponsorship of the service is defined in the organisation's Financial Regulations (section 2, paragraph 3.2). Since the Head of Internal Audit post was left vacant, the audit manager acting as Head of Internal audit has provided and delivered an audit plan. However, the strategic direction of Internal Audit has been less clear given the lack of direct links with the corporate risk register, and there is scope to improve the quality of reporting to the Audit Committee as noted in question 10.</p> <p>Due to this focus on lower level details of processes, the service has not been able to achieve the 'buy-in' of service managers, exacerbated by the perceived lack of focus in the audit work. This view has been supported from informal discussions external audit have had with officers over the past few years. This in turn has led to an erosion of confidence in the service from both senior management and External Audit.</p> <p>However, the current powers of access including the Audit Committee Chairman, Chief Executive and Directors should ensure that the appropriate direction of travel is achieved.</p> <p>With the Interim Chief Internal Auditor in place and reporting to the Corporate Governance Director (and recently the Deputy Chief Executive), who is part of the statutory officers' group, this has provided a more robust platform, and a stronger voice with a particular focus on strategic issues, for Internal Audit within the Council. However we are aware that the Interim Chief Internal Auditor's contract may expire in the short term.</p> |
| Recommendation | It is imperative that the Council fills the substantive post of Head of Internal Audit on a permanent basis, as soon as possible, to ensure that the Internal Audit service is taken forward appropriately, and that the momentum for improvement is not lost. |

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| Question 4 | Does the service have sufficient resources to deliver the level of audit coverage required? |
| Our View | Inconclusive |
| Findings | <p>It is not possible to conclude whether or not the internal audit department has adequate resources. This would require the Council to undertake a formal audit needs assessment including consideration of the resources required to provide adequate assurance to Those Charged With Governance that key corporate risks are being appropriately managed.</p> <p>Currently, the level of available Internal Audit resource within the Council dictates the amount of work which is delivered. Following best practice, Internal Audit resources should be determined by management and reviewed by the Audit Committee on an annual basis. This should include due consideration of the minimum level of assurance required for key corporate risks, additional assurance that may be desirable and the number of audit days that can be delivered in the year within existing budgetary constraints. This requires a thorough understanding of the Council's priorities in regard to risk and a degree of flexibility in regard to the budget available for audit resources.</p> <p>Furthermore, the Council makes use of additional resource supplied by Deloitte and Enpeyz. It is understood that Deloitte have been used in the past to provide specialist skills which are not present in the Internal Audit team such as IT audits, and also to provide additional resource to the team.</p> <p>The Council has recognised a need to continue to develop the competence and skill base of the existing Internal Audit staff resource. The CIPFA Audit Skills Framework, which is similar to the IIA competency framework, is to be introduced in the department in 2010/11. This will allow the training needs of the team to be better assessed and identified and their performance managed.</p> <p>We understand that the Interim Chief Internal Auditor is undertaking a full assessment of the training needs of Internal Audit Staff in order to make sure that the team is equipped with the necessary competencies and skills to take forward the revised Internal Audit Strategy.</p> |
| Recommendation | <p>A formal audit needs assessment should be undertaken to identify the minimum level of assurance required to assess the mitigation of key corporate risks and to support the preparation of the Annual Governance Statement. Once this has been established, the Council should review the available financial resources and consider the impact on the audit strategy, including consideration of how best to deploy additional resource (e.g. from Deloitte).</p> |

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| Question 5 | Does the audit strategy for 2009/10 provide assurance to management that key business risks are being effectively managed in year? |
| Our View | Partially |
| Findings | <p>Up to 2009/10 the audit strategy has evolved to provide assurance to service directors on key business processes, which have been identified through a combination of dialogue with these managers and historical precedent. This is done on the assumption that these key processes contribute to the achievement of the directorate's strategic objectives, on the basis that the failure of a process presents a 'risk' that the strategic objective is not met.</p> <p>These key financial processes are reviewed on a cyclical basis (e.g. every three years) but are not prioritised in terms of corporate risks, however each system is reviewed in the planning process in terms of risk factors such as staff changes, system changes etc. The Council's corporate risk register does have some influence on audit planning and many key corporate risks receive at least some coverage, by virtue of being driven by risks identified at directorate level.</p> <p>However, because there is no direct link between Internal Audit's work and corporate key risks, the appropriate coverage of all risks is not certain and can not easily be ascertained by Those Charged with Governance.</p> <p>The approach is, therefore, directorate risk based, in that for the key processes reviewed relevant directorate level risks are identified in discussion with service directors. These risks broadly correspond to those identified on the directorate risk registers, which feed into the corporate risk register. However, it is important to note that the prioritisation and coverage of the work is driven by service level risk concerns, rather than corporate risk concerns. This means that corporate level risks which do not fit into one of the identified key processes, do not necessarily receive direct audit coverage. Furthermore, the prioritisation and timing of audit review tends to be determined by the established audit cycle, rather than the organisation's immediate need to manage its exposure to corporate level risks.</p> <p>We understand that senior management within Internal Audit have, to date, not had sufficient confidence that the risk management process has been applied consistently across the organisation, and therefore the corporate risks register has not been used as a starting point for the audit strategy.</p> <p>We recognise that responsibility for risk management does not rest with Internal Audit, but there has been a lack of engagement, and understanding of the relationship, between the managers responsible for the design and maintenance of the corporate risk management processes and Internal Audit. This has been identified as a result of the Internal</p> |

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| | <p>Control Improvement Action Plan.</p> <p>We understand that that the risk management process is currently being reviewed by Internal Audit before the end of April 2010.</p> |
| Recommendation | See recommendation for Question 1. |

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| Question 6 | Does the audit strategy provide adequate assurance to management that business critical systems are operating effectively in year? |
| Our View | Partially |
| Findings | <p>Up to 2009/10 core financial systems audits have been viewed as work carried out solely on behalf of External Audit, in order to help avoid increases in external audit fees by performing the work that would otherwise be done by us. These reviews cover the core systems on a cyclical basis of three years.</p> <p>This view highlighted the disconnect between the Internal Audit strategy and the understanding of corporate risks, as the failure of core financial systems, such as Housing Benefit or the Financial Ledger, is likely to present a substantial financial and reputational risk to the Council.</p> <p>When a core system is reviewed, testing is performed on key controls identified within the in-scope processes. The key controls are agreed in discussion with the External Auditors. From this, Internal Audit provide different levels of assurance that the strategic objectives for the system are likely to be achieved.</p> <p>Under current development plans for Internal Audit, a more corporate risk-based approach is to be taken in planning and delivering work and a proportion of the plan will be allocated to providing ongoing or cyclical assurance that key systems continue to operate effectively. This approach broadly matches best practice in other sectors.</p> <p>The following improvements have been undertaken by the Council in response to these issues:</p> <ul style="list-style-type: none"> • core financial systems are considered in the context of the associated business risks, and that Internal Audit coverage is directed to provide assurance accordingly. This should leave scope for systems which are not considered to present a significant corporate risk, to be reviewed in order to maximise efficiency in working with External Audit. • The Council is considering the relative merits of annual and cyclical reviews of core financial systems, in order to provide assurance on key risks and to promote efficient working with External Audit. |

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| Question 7 | Does detailed audit work achieve the correct balance between assessing management arrangements and testing compliance? |
| Our View | Yes |
| Findings | <p>The Council currently strikes a balance between review of management arrangements and high level controls, and more detailed testing of key controls within a process.</p> <p>All reviews identify the risks that may prevent the achievement of service level strategic objectives, associated with the processes under review. The existence of management arrangements to mitigate the identified risks is then assessed and then whether there is evidence of operational compliance with these arrangements. By nature, many of these arrangements operate at high level, rather than at a detailed process level.</p> <p>The exception tends to be in regard to core financial systems work, where the review focuses more on the operation of the key controls at a detailed process level. This work is more likely to be supported by detailed compliance testing, which is appropriate to the task.</p> <p>Reports provide some commentary on the design of controls and mitigating actions, although the relative effectiveness is not always stated explicitly which we believe is necessary as an assurance measure for the Audit Committee. The reports focus on those controls and mitigating action which are not operating as intended.</p> |

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| Question 8 | Does the service achieve appropriate levels of co-operation and buy in from departmental management, to support its conclusions and recommendations? |
| Our View | No |
| Findings | <p>When a review takes place a draft report is presented to the service manager responsible, and there is an opportunity for findings to be discussed and clarified before the report and recommendations are finalised. Once this process is complete, the service manager has provided a formal response and, by implication, has taken responsibility for addressing issues within the agreed timeframe.</p> <p>The annual audit follow-up process has identified a number of instances where directorates have failed to deliver actions in the agreed timeframe, across a number of directorates, over a number of years. From our observations and discussions with Council officers, the reasons for this may be that:</p> <ul style="list-style-type: none"> • Service managers agree Internal Audit recommendations in principle, but do not regard them as a priority, as the work does not have direct relevance to the day to day operations of the directorates. • The significant length of time between the review taking place, and the follow-up, does not take into account changes in systems or circumstances, which make the recommendation obsolete, as recognised by Internal Audit. • Service managers may agree recommendations, or provide ambiguous responses in order to allow the review to be completed, but do not 'buy-in' to the process. • Internal Audit typically agrees the scope and subsequent findings of its reviews with service managers. We understand that some Directors are not involved in this process and often have a different view on the priorities and risks which should be addressed, although it is clear that Directors are always invited to attend by Internal Audit. <p>However it should be noted that this problem is exacerbated by changes in staffing, particularly the number of interims in place across the Council that may have moved on, leading to no action being taken on the recommendations.</p> <p>During 2009/10, the Audit Committee has been addressing this issue by identifying Directors, who in turn suggested service managers, to attend the meetings to explain why recommendations have not been implemented. While this has had a dramatic effect on the profile of Internal Audit and the consequences of not delivering agreed actions, there is a risk that it does not address the underlying reasons for the lack of buy-in from service managers. This may result in further disengagement from service managers as well as consuming significant time in Audit Committees.</p> <p>This question is not entirely directed towards Internal Audit effectiveness as the culture of internal control is the responsibility of all directors, and</p> |

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| | <p>those directorates where issues are apparent with buy-in should be working with Internal Audit to understand the reasons for this.</p> |
| <p>Recommendation</p> | <p>The Council should ensure that the underlying reasons for the failure to properly and promptly implement agreed actions is fully understood and addressed. The use of the appearance of service managers at audit committee should be used appropriately and efficiently as an exceptional measure.</p> <p>Directors should ensure that sufficient time is devoted to taking part in planning an internal audit review and ensuring that the results are discussed and recommendations implemented.</p> |

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| Question 9 | Are risks identified by audit appropriately measured and prioritised in terms of organisational risk? |
| Our View | Inconclusive |
| Findings | <p>The Internal Audit department currently provides levels of assurance, to the review of a key process as a whole, based on the balance of identified risks successfully mitigated (e.g. Full assurance, Significant Assurance, Limited Assurance and No Assurance). However, it is not clear how these statements relate to the system under review.</p> <p>Greater clarity might be provided by the use of an explicit audit conclusion, that comments on whether risk management activities and controls are, for example:</p> <ul style="list-style-type: none"> • Suitably designed to address the risk management objectives required by management. • Operating with sufficient effectiveness to provide assurance that risk management objectives were achieved during the period. <p>In this example, if both criteria are met, this may be indicative of 'Significant Assurance'. If only one of the criteria has been met, this may be indicative of 'Limited Assurance'. Neither criteria being met would indicate that 'No Assurance' could be taken.</p> <p>Two priorities for individual actions are currently included in the Internal Audit reports; Priority 1 (High) and Priority 2 (Medium). It is intended that these will be reviewed and possibly extended for 2010/11.</p> <p>Greater clarity would be provided by the use of more explicit priority gradings for internal audit findings, for example:</p> <ul style="list-style-type: none"> • Fundamental - Requiring immediate resolution. • Significant - Requiring resolution within an agreed timeframe. • Best Practice - Not essential, but would reflect best practice. <p>We understand that work is underway in reviewing these areas.</p> |
| Recommendation | The method used to communicate the level of assurance derived from Internal Audit reviews should be considered, and the priority of recommendations, in order to provide greater clarity to managers and Those Charged with Governance. |

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| Question 10 | Is the interface between internal audit and the Audit Committee effective in communicating critical risk management issues to Those Charged with Governance? |
| Our View | No, for 2008/09 |
| Findings | <p>We consider an effective interface between internal audit and the Audit Committee is established based on the following qualities:</p> <p>1. concise, comprehensive and timely communication of key risks and assurances</p> <p>Department managers, senior managers and directors will be aware of the audit work carried out and the detailed context of the issues raised during an audit. However, the only information which members of the Audit Committee receives is contained within the annual audit report. In addition the Audit Committee only received information during 2008/09 twice - an interim and an annual audit report. This increases the risk that significant control weaknesses are not being monitored by the Audit Committee in a timely manner.</p> <p>The annual report includes the generic control issues arising and summaries of reports in which 'No assurance' was given. Without providing an appropriate context to the reviews, in terms of relevance to the risks identified in the risk register, the volume of transactions or the value of funds impacted, it is difficult for the Audit Committee to draw effective conclusions on the control environment.</p> <p>As well as simply communicating the assurance opinion and key facts arising from a review, the individual audit report creates an impression for its readers of the professionalism, competence and quality of the internal audit department. We found that there was no explanation provided of the definitions used to determine the level of assurance provided by the reports.</p> <p>We understand that the Interim Chief Internal Auditor has included definitions within current reports and the Audit Committee accepted recommendations for more concise and frequent level of reporting.</p> <p>We are pleased to note that the increase in frequency of progress reports (quarterly) has now been approved by the Audit Committee.</p> <p>2. an overall opinion on an annual basis</p> <p>The annual internal audit report for 2008/09 did not include an overall opinion on the control environment. There is therefore no overall assurance opinion to Those Charged with Governance on the adequacy of the control environment.</p> <p>The new internal audit strategy will introduce an overall opinion on the control environment in the annual report and this should require a greater</p> |

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| | <p>level of context to be provided on the issues raised.</p> <p>3. set performance measures that can be monitored by the Audit Committee that give an indication of effectiveness, efficiency and quality of the internal audit service</p> <p>The performance indicators previously reported to the Audit Committee were the:</p> <ul style="list-style-type: none"> • percentage of audit plan completed • percentage of audit reports followed up within 12 months <p>In addition the Audit Committee had requested in 2007 that the customer evaluation questionnaires be reinstated and the 2008/09 report included the average scores for 2006/07, 2007/08 and 2008/09.</p> <p>These performance indicators are limited in their use and provide no information on the efficiency or effectiveness of the internal audit department.</p> <p>Furthermore, the analysis of performance management within the internal audit annual report for 2008/09 does not provide any comment on the low response rate to the customer evaluation questionnaires, analysis of the results or any actions which are being taken as a result of feedback received.</p> <p>The Audit Committee (March 2010) agreed a set of performance indicators for 2010/11 that will address efficiency, effectiveness, quality and workforce that will enable monitoring of performance.</p> |
| Recommendation | An overall internal audit opinion should be given on an annual basis. |

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| Question 11. | Is internal audit effective in following up and driving improvement in regard to identified key weaknesses? |
| Our View | Yes, improvement needs |
| Findings | <p>Most Internal Audit reviews of key financial systems are conducted on a three year cyclical basis following the format of a full review, follow-up review, and no review. However, annual risk assessment is undertaken during the audit planning process to assess if planned cyclical review of any key financial system needs to be brought forward. Core financial systems are subject to 'follow-up' of agreed actions within 12 months. Whilst this processes ensures that weaknesses are addressed it also poses a number of problems:</p> <ul style="list-style-type: none"> • Internal Audit may expend resources following up recommendations which are no longer applicable to the system as it currently operates; • The follow up of audit recommendations, some of which relate to significant matters, is done on an annual timetable. This means that Those Charged with Governance have to wait for a whole year for assurance that key risks have been addressed; and • It reduces the level of reliance that External Audit can place on the work of internal audit in the years following a core financial system review. <p>Overall, we question whether the responsibility for the follow-up should rest with internal audit or within the directorate. Clearly once a recommendation is agreed the officer responsible should obtain assurance from their staff that those control weaknesses have been addressed within those timescales that had been agreed with internal audit. Ideally a database of audit recommendations should be held by or available to the Audit Committee and they should receive reports from directorates based on the priority rating given to each recommendation, for example high risk recommendations could be implemented by next quarterly Audit Committee, medium risk within 6 months and low risks within a year. There may be opportunities for the Audit Committee to commission Internal Audit, through their annual plan, to conduct spot checks that these recommendations are indeed implemented.</p> <p>A shift in the perceived responsibility of following up recommendations from internal audit to officers could reduce the need for a follow-up review with full reviews undertaken based entirely on corporate risks identified within the year. This process will ensure that the internal audit approach is properly risk based and will also mean that a cyclical audit approach is no longer required.</p> |
| Recommendation | There should be an agreed process for assurances on, and collation of, the implementation of internal audit recommendations. The responsibility for these assurances should rest with officers, with compliance testing carried |

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| | <p>out by Internal Audit as appropriate. Internal audit may assist the Audit Committee in keeping a log of recommendations and obtaining updates from directorates.</p> <p>Follow-up audits should only be undertaken at the request of a director if assurance is not considered robust, particularly where there is significant risk to the Council if these recommendations are not implemented.</p> |
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A Appendix: Interviews with Key Staff

| Name | Role |
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| Richard King | Interim Head of Internal Audit & Ethical Governance |
| Hem Savla | Acting Head of Internal Audit & Ethical Governance |
| Jeremy Davies | Chair of the Audit Committee |
| Jeff Lustig | Director of Corporate Governance |

B Appendix: Action Plan

| Q No | Recommendation | Management Response | Officer Responsible | Action Date |
|------|--|--|---------------------|--|
| 1 | <p>We support the view of the Interim Head of Internal Audit that the starting point for the revised Internal Audit strategy should be to provide assurance on the effectiveness of controls and other mitigating actions used to manage the Council's key corporate risks. Coverage should then cascade down through the risk registers of individual directorates to ensure that significant risks are addressed in order of priority (i.e. likelihood and potential impact). This should provide a more direct means of assurance to Those Charged With Governance, that key corporate risks are being addressed appropriately. Portions of the strategy can be redirected to provide assurance on the effectiveness of core systems, special projects and other developmental tasks.</p> <p>If the corporate risk register is not appropriately robust to be used in this way, Internal Audit should work with Council officers to help develop its risk management arrangements</p> | <p>The outcome of the internal audit of corporate risk management arrangements will be used to drive further improvements to which Internal Audit will contribute.</p> | <p>Interim HoIA</p> | <p>31st July 2010 and ongoing</p> |

| Q No | Recommendation | Management Response | Officer Responsible | Action Date |
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| 3 | It is imperative that the Council fills the substantive post of Head of Internal Audit on a permanent basis, as soon as possible, to ensure that the Internal Audit service is taken forward appropriately, and that the momentum for improvement is not lost. | Appoint Assistant Director Audit and Risk Management. The appointment process is currently underway with the recruitment consultant. | Deputy Chief Executive and Statutory 151 Finance Officer | 1 st September 2010 |
| 4 | A formal audit needs assessment should be undertaken to identify the minimum level of assurance required to assess the mitigation of key corporate risks and to support the preparation of the SIC. Once this has been established, the Council should review the available financial resources and consider the impact on the audit strategy, including consideration of how best to deploy additional resource (e.g. from Deloitte). | Formal needs assessment will be considered along with a review of the structure of Internal Audit once the level of assurance required by the new post election Audit Committee has been confirmed. | Interim HoIA | 30 th June 2010 |
| 4 | The Head of Internal Audit should carry out a full assessment of the training needs of Internal Audit Staff in order to make sure that the team is equipped with the necessary competencies and skills. Where the required skills are not in place, the Council should consider options for providing this resource (e.g. using the arrangement with Deloitte). | Staff self assessment against Excellent Auditor competencies currently underway to identify training and development needs, which will be taken up during staff appraisals in May 2010. Training and Development Plan will be developed following the staff appraisals. | Interim HoIA Interim HoIA | 15 th May 2010 30 th June 2010 |

| Q No | Recommendation | Management Response | Officer Responsible | Action Date |
|------|---|--|---------------------|----------------------------|
| 8 | The Council should ensure that the underlying reasons for the failure to properly and promptly implement agreed actions is fully understood and addressed. The use of the appearance of service managers at audit committee should be used appropriately and efficiently as an exceptional measure. | Interim HoIA to attend directorate management meetings and discuss issues that need addressing. Interim HoIA to remind service managers of their responsibility for implementing agreed actions and hence their contribution to improve risk management. | Interim HoIA | 30 th June 2010 |
| 8 | Directors should ensure that sufficient time is devoted to taking part in planning an internal audit review and ensuring that the results are discussed and recommendations implemented. | As above | | |
| 9 | The method used to communicate the level of assurance derived from Internal Audit reviews should be considered, along with the priority of recommendations, in order to provide greater clarity to managers and Those Charged with Governance. | Definitions have already been redrafted and will be issued as part of all future Internal Audit reports. | Interim HoIA | 1 st April 2010 |

| Q No | Recommendation | Management Response | Officer Responsible | Action Date |
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| 10 | An overall internal audit assurance opinion should be given on an annual basis. | An overall Internal Audit assurance opinion will be included in the Annual Internal Audit Report for 2009-10. The plan for 2010/11 is based around giving an annual opinion. | Interim HoIA | 30 th April 2010 |
| 11 | <p>There should be an agreed process for assurances on, and collation of, the implementation of internal audit recommendations. The responsibility for these assurances should rest with officers, with compliance testing carried out by Internal Audit as appropriate. Internal audit may assist the Audit Committee in keeping a log of recommendations and obtaining updates from directorates.</p> <p>Follow-up audits should only be undertaken at the request of a director if assurance is not considered robust, particularly where there is significant risk to the Council if these recommendations are not implemented.</p> | <p>Positive confirmation will be sought from Directors that management actions have been implemented by agreed time scales. Use of a 'recommendations' log will be considered.</p> <p>Follow-up audits will be undertaken only where deemed necessary.</p> | <p>Interim HoIA</p> <p>Interim HoIA</p> | <p>30th April 2010</p> <p>1st April 2010</p> |

AGENDA ITEM: 11

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| Meeting | Audit Committee |
| Date | 21 June 2010 |
| Subject | External Audit Fees 2010/11 |
| Report of | The Deputy Chief Executive & Chief Finance Officer |
| Summary | This report advises the committee of the external audit and inspection plan for the coming year. |

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| Officer Contributors | Karen Balam, Assistant Director of Resources |
| Status (public or exempt) | Public |
| Wards affected | Not applicable |
| Enclosures | Appendix A – copy of Annual audit fee 2010/11 letter |
| For decision by | Audit Committee |
| Function of | Council |
| Reason for urgency / exemption from call-in (if appropriate) | None |

Contact for further information: Maria Christofi, Head of Strategic Finance on 020 8359 7122

1. RECOMMENDATIONS

1.1 That the annual audit fee 2010/11 letter from Grant Thornton UK LLP be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The annual audit fee letter 2010/11 describes the audit work proposed to be undertaken for the 2010/11 financial year and supports fundamental aspects of financial standing and performance management in Barnet, which relates to the Council's 'Better Services with Less Money' priority.

4. RISK MANAGEMENT ISSUES

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

5. EQUALITY AND DIVERSITY ISSUES

5.1 The annual audit fee letter relates to the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

6.1 The indicated level of fees has been incorporated by the Council when setting the annual budget and Council Tax for 2010/11.

7. LEGAL ISSUES

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

8. CONSTITUTIONAL POWERS

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

9 BACKGROUND INFORMATION

9.1 The annual audit fee 2010/11 letter dated 6 April 2010 is attached at Appendix A. It sets out the approach and proposed work to be undertaken by

the Council's appointed external auditor, Grant Thornton UK LLP, to enable a view to be reached on the Council's:

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

9.2 The fee schedule for the planned work for 2010/11 is set out in the letter. The proposed fee of £450,000 is in line with the Audit Commission's benchmark scale fee. The fee also incorporates risks relating to the preparation for accounting under International Financial Reporting Standards (IFRS). It does not include inspection fees relating to the Comprehensive Area Assessment (CAA).

9.3 The fee for auditing the Pension Scheme is identified separately in the summary proposals at £35,000. The table below sets out the audit fees for 2008/09, 2009/10 and the planned fees for 2010/11.

| Audit Area | Planned 2010/11 £'000 | Fees 2009/10 £'000 | Fees 2008/09 £'000 |
|---|-----------------------------|--------------------------|--------------------------|
| Fees payable with regards to the external audit service | 415 | 415 | 420 |
| Pension Scheme Audit | 35 | 38 | 40 |
| Total Audit Fees | 450 | 453 | 460 |
| Certification of claims and returns | 85 | 85 | 90 |
| Total Fees | 535 | 538 | 550 |

9.4 In addition, there is a proposed fee of £85,000 (based on 2009/10 figure) for the certification of claims and returns provided by the Council. This is an indicative fee only and may be subject to change based on volume, charged on an hourly rate basis.

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

9.6 There is no detailed audit plan to accompany the schedule of fees, this will be determined following the completion of the audit work for 2009/10. A detailed plan will be presented to this Committee in due course. The detailed audit plan for 2009/10 was presented to the Audit Committee on 11th March 2010.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: TE

Finance: KB



Our Ref PW/MS

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6 April 2010

Dear Nick

Annual audit fee 2010/11

Further to our discussions, we are writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at the London Borough of Barnet. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As we have not yet completed our audit for 2009/10 the audit planning process for 2010/11 including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £415,000 (exclusive of VAT) which matches the planned fee for 2009/10. A summary of this is shown in the table below.

Audit fee

| Audit area | Planned fee 2010/11 | Planned fee 2009/10 |
|--|---------------------|---------------------|
| Financial statements, including WGA | £210,000 | £170,000 |
| Use of Resources/VFM Conclusion [including risk based work] | £205,000 | £245,000 |
| Total audit fee | £415,000 | £415,000 |
| Certification of claims and returns | tbc | tbc |

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for the London Borough of Barnet is £441,037. The fee proposed for 2010/11 is 5.90% below the scale fee, this is reflective of the progress the Council is currently making with the transition to IFRS and the level 3 Use of Resources score achieved in the 2008/09 assessment.

From 2010/11, the Council is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS will increase auditors' work, particularly in year one where a restatement of the previous year's accounts to the new basis will be required to provide prior year comparatives. The Audit Commission has increased the scale fees for local authorities by six per cent to reflect the costs of this additional work, this is reflected in the indicative fee stated above.

Using our IFRS experts, we will continue to help the Council to prepare for introduction of IFRS, through awareness raising sessions for members and constructive challenge on the Council's plans and progress. This is included within the financial statements audit fee. Specialist colleagues from Grant Thornton's Financial Reporting Advisory Group, can also be commissioned for more detailed technical support, should the Council require it.

A separate plan for the audit of the financial statements will be issued in December 2010. This will detail the risks identified, planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with the Director of Resources and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

Grant certification work will be charged at published hourly rates.

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

- Managing finances
- Governing the business
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. Our work on use of resources informs our 2010/11 value for money conclusion. At the current time, we have identified two risk areas in relation to our value for money conclusion. For each risk, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly. Our initial risk assessment for value for money audit work is shown in the table below:

| Risk | Planned work | Timing of work |
|--|--|---------------------------------|
| <p>Future Shape</p> <p>The Council developed its response to the credit crunch and other ongoing challenges through its future shape programme. The change programme is based on three principles:</p> <ul style="list-style-type: none"> • a new relationship with citizens • a one public sector approach • a relentless drive for efficiency <p>There are five work-streams which are supported by the Future Shape Programme Management Office:</p> <ul style="list-style-type: none"> • value for money: more efficient and strategic use of public sector systems and resources • Leadership: a coherent and shared vision of the future for Barnet • New relationship with citizens: offering choice, promoting independence, getting it right the first time • People and culture: the right people, with the right skills, in the right place • Commissioning: one Barnet developing new approaches to solving our greatest challenges | <p>The projects which sit under the five work-streams are currently in the assessments or options appraisal stages, during 2009/10 we are reviewing the governance arrangements of the One Barnet Programme which underpins all of these projects. We are also reviewing personalisation of social care in 2009/10.</p> <p>We expect to focus on value for money and leadership work-streams in 2010/11, particularly how the Council expects to manage property assets across the Council and across the public sector.</p> | <p>Third quarter of 2010/11</p> |

| Risk | Planned work | Timing of work |
|--|--|----------------------------|
| Scrutiny arrangements We reviewed scrutiny arrangements in 2007/08 and our follow-up reviewed was delayed in 2009/10 given pending elections, as such we will consider whether improvements have been made since our initial review during 2010/11 | We will look to build on this work to assess how Scrutiny has developed when the new arrangements are operating. | Fourth quarter of 2010/11. |

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

The above fee excludes any work requested by you that the Audit Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 are:

| | | |
|--------------------------------------|-----------------|--|
| Engagement Lead - Paul Winrow | (0)20 7728 2269 | paul.winrow@gtuk.com |
| Audit Manager – Maryellen Salter | (0)20 7728 3005 | maryellen.salter@gtuk.com |
| Asst Audit Manager - Hanisha Solanki | (0)207 7282072 | hanisha.solanki@gtuk.com |
| Audit Executive – Simon Cooke | (0)20 7728 2790 | simon.j.cooke@gtuk.com |

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

Yours sincerely

Paul Winrow

Engagement Lead

Grant Thornton UK LLP

cc Deputy Chief Executive

cc Chair of the Audit Committee

A Planned Outputs

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

Table One

| Planned output | Indicative date |
|--|------------------------|
| Detailed Accounts Audit plan | December 2010 |
| Future Shape | January 2011 |
| Scrutiny Report | March 2011 |
| Audit strategy document | June 2011 |
| Annual governance report | September 2011 |
| Auditor's report giving the opinion on the financial statements and value for money conclusion | September 2011 |
| Use of resources report | September 2011 |
| Annual audit letter | November 2011 |
| Certification Report | February 2012 |

AGENDA ITEM: 12 Page nos. 69 - 75

| | |
|----------------|---|
| Meeting | Audit Committee |
| Date | 21 June 2010 |
| Subject | Environment & Operations – Directorate Risk Register |
| Report of | Director of Environment & Operations |
| 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 Environment & Operations is attached. |

| | |
|--|---|
| Officer Contributors | Hester Fairgrieve - Strategic Planning Advisor, Environment & Operations Caroline Grew - Acting Senior Performance & Development Officer, Environment & Operations |
| Status (public or exempt) | Public |
| Wards affected | None |
| Enclosures | Appendix A – Environment & Operations Risk Register |
| For decision by | Audit Committee |
| Function of | Council |
| Reason for urgency / exemption from call-in (if appropriate) | Not applicable |

Contact for further information: Hester Fairgrieve, Strategic Planning Advisor, telephone number 020 8359 7011

1. RECOMMENDATIONS

- 1.1 That the Committee receive and comment upon Environment & Operation's 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:
- Environmental Management - organisation making effective use of natural resources (KLOE 3.1).

4. RISK MANAGEMENT ISSUES

- 4.1 The risk management process in Environment & Operations is currently being reviewed and strengthened by the service's Strategic Management Board in order to:
- ensure a consistent approach to risk management throughout Environment & Operations;
 - 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 All managers are updating their individual risk registers for their service areas as part of the service planning process for 2010/11, which will be completed by end May 2010. These will include identified risks in respect of Corporate Plan or LAA targets. All high / high risks are recorded in team plans. Team level risks are the responsibility of the relevant service manager who will ensure they are reviewed monthly, with the most significant risks being included in the Directorate Register.
- 4.3 All service managers have received (May 2010) or are in the process of receiving risk training from the Corporate Risk Officer, to ensure understanding and put in place a consistent approach. This will be constantly reviewed to ensure that training is effective for both new and current managers.

- 4.4 The Directorate Register is the responsibility of the Director who ensures it is reviewed quarterly by the service's Strategic Management Board, 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 her statutory responsibilities as Director are included as appropriate.
- 4.5 All service managers are required to complete the Internal Control Checklist (ICC) in respect of their service area. The ICC uses, as part of the evidence to the outcomes stated, details from the risk register. It also gives assurance for the formal Statement of Internal Control.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective management of risk gives assurance that services are provided 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 and performance implications and enhance the control environment and governance requirements.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The highest priority risks within the Directorate's Risk Register are those that are identified as being both high impact and high likelihood. The Directorate's Risk Register currently contains four such risks:
- Passenger transport – the Framework Agreement for SEN passenger transport ends in August 2011. As we are currently reviewing alternative forms of provision as part of the future shape programme, there is a risk that new provision will not be in place by the time the current agreement ends. We expect that the likelihood of this risk should reduce as the future transport programme progresses.
 - Condition of roads and pavements - meeting targets on Principal and Non-Principal Roads against national standards (NIs). There is a risk that there will be insufficient investment to mitigate the underlying downward trend in road condition. Again, this risk should reduce as we implement the new asset management approach to highways maintenance

- Delivery of waste management targets – risk of not achieving the 50% recycling rate by 2020. Barnet is on track to continue to have the highest recycling rate among the seven North London Waste Authority boroughs and existing services offer the potential for residents to recycle or compost over 70% of all their household waste. The 50% aspirational target is challenging and to meet this challenge Barnet is implementing a number of actions including a kitchen caddy project, on the go recycling, improved coverage of the flat recycling service and investigation of incentives to encourage residents to recycle more. In addition, further work is being carried out to enable more targeted communication with residents.
- Environmental Management - organisation making effective use of natural resources (KLOE 3.1). This has a potential impact on the CAA score, together with an associated reputational risk and an inability to report NI 185/194. This risk now features on the Corporate Risk Register.

9.2 All risks are reviewed regularly by Strategic Management Board 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 process that has been put in place, and is currently being strengthened further, ensures that these are managed and appropriate actions put in place to address them.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MAM
Finance: CM

2010/11 Directorate Risk Register

| Number | Corporate Priority | Objective | Risk Type | Risk Description | Risk Raised by | Date Raised | Controls in place | Initial Assessment (High/Medium/Low) | | Mitigating Action | Lead Officer | Last updated | Action taken | Current status | Revised Assessment | |
|--------|---------------------------------|--|-------------------------|--|---------------------------------------|-------------|--|--------------------------------------|--------|---|---|--------------|---|----------------|--------------------|--------|
| | | | | | | | | Likelihood | Impact | | | | | | Likelihood | Impact |
| 1 | Better services for less money | Deliver the E&O restructure | Strategic & Operational | Failure to deliver all elements of E&O review | Strategic Planning Advisor | 01/04/2010 | Governance structure in place to support delivery, risk register, status updates | Medium | High | Monitor through governance arrangements; development of detailed implementation plan | Assistant Director, Highways | 12/05/2010 | Weekly project review meetings are being held; key risks and issues are regularly taken forward to monthly Project Board meetings | Open | Medium | High |
| 2 | Better services for less money | Deliver an effective and efficient passenger transport service to internal clients | Operational & Financial | Framework Agreement for SEN passenger transport ends in August 2011. Risk that new provision will not be in place by time current agreement ends | Strategic Planning Advisor | 01/04/2010 | Governance arrangements in place; regular liaison with suppliers; status updates | High | High | Take forward as part of future transport programme, appoint external consultant to support process; seek advice from procurement; agreement of short-term arrangements with suppliers if required. | Assistant Director, Highways | 12/05/2010 | Project now initiated; external consultant now appointed, in process of appointing additional project management resource. | Open | High | High |
| 3 | Better services for less money | Implement Exor Atlas as Barnet's Highway Asset Management System | Operational & Financial | Failure to implement new ways of working and use modern technology to best effect to ensure we can drive out efficiencies and service improvement and enable customer self-service | Highways Manager (Network Management) | 01/04/2009 | Implementation of action plan | Medium | Medium | Resource identified to take project forward, purchase system and modules/licenses, review examples of how the system is working for other authorities, trial of hand held technology with IT | Assistant Director, Highways | 12/05/2010 | Implementation of Exor Atlas is progressing and the upgrade of NRSWA functions is now in place. Resources now lined up. | Open | Low | Medium |
| 4 | Better services for less money | Effective managements of projects | Operational | Failure to apply effective project management techniques and effectively monitor risks, delivery of project outcomes & milestones | Business Support Consultant | 01/11/09 | Review of all current projects and contracts to assess level of risk. Further controls will be introduced to address outcomes of review | Medium | High | Prepare framework with major projects team. Briefing to SMT | Business Support Consultant | 12/05/10 | Draft framework prepared awaiting submission to SMB before rollout. Framework extended to include robust monitoring of Highway Works Programme. | Open | Medium | High |
| 5 | Better services for less money | Ensure performance management embedded across E&O | Compliance | Effective performance management structures not in place resulting in local and national indicators not being met | Assistant Director, Environment | 12/05/2010 | SMB & SMT monitoring, Member challenge, OSC | Medium | High | Review performance management framework for directorate. Performance reviewed monthly by SMT, with strengthened quarterly performance meetings for SMB. | Assistant Director, Community Protection | 12/05/10 | New risk for 2010/11 | Open | Medium | High |
| 6 | Better services for less money | Workforce that is fit for purpose | Operational | Unmotivated and unskilled workforce with high sickness levels | Strategic Management Board | 04/01/2010 | Regular monitoring and review, status updates, liaison with HR | Medium | High | Regular team meetings; training plans; supervision and appraisals. Regular review of sickness by SMT, with status updates to SMB; workforce planning workshops with SMT | Director of E&O | 12/05/10 | Workshop planning workshops held with SMT; staff survey results analysed and team plans for dealing with it developed and now being implemented; sickness is a regular agenda item on SMT and SMB | Open | Medium | High |
| 7 | Better services for less money | Effective delivery of Street Lighting PFI Contract | Operational & Financial | Contractor has struggled to deliver the required standards and as a consequence has suffered large financial adjustments. Contractor has indicated this is not sustainable and has threatened to withdraw from the contract. | Highways Manager (Network Management) | 04/09 | Nationally recognised expert appointed to help manage contract to mitigate and minimise risk issues. | High | High | Work with service provider at the highest levels to identify short comings and address each to improve standards and hence reduce the applicable level of financial adjustments due to sub contractor default. | Interim Assistant Director, Highways | 12/05/10 | Historical problems reviewed and identified. Items of dispute are now resolved and this has removed the existing financial burden on service provider and hence assisted to improve the sustainability of the contract. | Open | Medium | High |
| 8 | Better services for less money | Ensure parking service is delivered within budgetary constraints. Meet income targets. | Financial | Parking income falls below target / costs exceed budget | Parking Manager | 01/09/2009 | Budget reprofiled and weekly monitoring takes place on inputs, activity levels, and income generated. | High | High | Focus enforcement activity on the areas / times with the highest levels of non compliance; put programme in place to improve the reliability of the Pay and Display machines; and introduce cashless option for street parking to better collect revenue. | Interim Assistant Director, Highways | 12/05/2010 | Business efficiency leading to a better balance of income and expenditure has been placed at the heart of both planning and operations. Work on improving reliability of pay and displays and rolling out cashless parking is progressing. | Open | Medium | High |
| 9 | Better services for less money | Ongoing implementation of 'Civica Civil Enforcement (CE)' System | Operational | Delays to implementation lead to a lag in the benefits of Civica CE system being realised. | Parking Manager | 01/09/2009 | Dedicated project management resource | Medium | High | Dedicated project management resource to monitor progress against agreed milestones which focus on delivering the planned benefits. Ensure phase 1 is on course for successful completion - laying the platform for Phase 2. | Interim Assistant Director, Highways | 12/05/2010 | Core system now in place. Ongoing work will focus on delivering specific benefits. | Open | Low | Medium |
| 10 | Better services for less money | Ensure the service meets its Health & Safety operational requirements | Operational | Injury to staff | Assistant Director, Environment | 01/07/2009 | Risk Assessments reviewed and updated annually, staff training requirements reviewed annually, assessment and collation of stats relating to accidents reported quarterly and annual H&S report submitted to JNCC. Lead Health and Safety officer nominated for the service. | Low | High | Record the stats in order to report quarterly and annually; undertake periodic reviews of existing documents i.e. risk assessments. | Assistant Director, Environment / Health and Safety Lead Officer | 12/05/2010 | The annual report identifies the actions to be taken over the next 12 month period and the achievement or otherwise of these targets. Each service manager has responsibility of the targets set in the report. This will be reviewed at SMT. | Open | Low | High |
| 11 | Better services for less money | Deliver quality E&O services to budget | Financial | Budget Managers unable to manage budgets leading to overspends and little opportunity to take early action | Assistant Director, Environment | 01/07/2009 | Budget management training; regular meetings with budget managers | Medium | High | Targeted training and support to budget managers | Business Support Consultant | 12/05/2010 | Targeted support and training to budget managers provided during 2009/10 | Open | Low | High |
| 12 | Better services with less money | Delivery of the re-configured Drug & Alcohol Action Team | Operational & Financial | Value for money savings will not be achieved / performance improvement risk | Community Protection Group Manager | 01/04/2010 | Monitoring of progress by Drug and Alcohol Strategic Commissioning Group; partnership implementation plan | Medium | High | Development and implementation of action plan for re-configuration overseen by DASCSC | DAAT Manager & Interim Joint Commissioning Substance Misuse Manager | 12/05/2010 | New risk for 2010/11. Reconfigured implementation plan has been agreed through Drug and Alcohol Strategic Commissioning Group (DASCSC) | Open | Medium | High |
| 13 | Better services with less money | Ensure data is used effectively to drive service improvement | Reputational | Important/sensitive data is lost | Director of Environment & Operations | 01/04/2010 | Encryption, regular checks and monitoring | Low | High | All tablets encrypted; guidance provided to staff | Director of E&O | 12/05/2010 | New risk for 2010/11. Corporate guidelines implemented in E&O; all managers and staff separately briefed | Open | Low | High |

20010/11 Directorate Risk Register

| Number | Corporate Priority | Objective | Risk Type | Risk Description | Risk Raised by | Date Raised | Initial Assessment (High/Medium/Low) | | Mitigating Action | Lead Officer | Last updated | Action taken | Current status | Revised Assessment | | |
|--------|--|---|--|--|--------------------------------------|-------------|--|--------|-------------------|---|--------------------------------------|--------------|---|--------------------|--------|--------|
| | | | | | | | Likelihood | Impact | | | | | | Likelihood | Impact | |
| 14 | Better services with less money | Ensure equalities is integral to everything we do | Operational | Poor understanding of our customers / how a particular proposal will affect them - leading to unfair access to, or provision of, services | Strategic Planning Advisor | 04/01/2010 | Place Survey; Service Plans; Fortnightly SMB and SMT meetings to discuss issues; OSC | Medium | High | Bring external consultants in to provide support to Directorate; leadership from SMB and SMT; improved service planning process | Director of E&O | 12/05/2010 | External consultants review undertaken and are due to report in June 2010; changes to be embedded as part of E&O review. Action, once implemented, will reduce likelihood to low | Open | Medium | High |
| 15 | Better services with less money | Deliver a consistent level of service throughout the year within budget | Financial | Unexpected budget pressures on service and falling income from a period of severe weather | Director of Environment & Operations | 23/12/2009 | Regular reviews, BC plan | Medium | High | Regular planning meetings, review of lessons learnt. BC plans in place. | Director of E&O | 12/05/2010 | Meetings have been held to reflect on key lessons from severe weather in 09/10. Plans for dealing with a repeat in 2010/11 have been put in place to minimise financial impact. | Open | Medium | Medium |
| 16 | Better services with less money/Successful London Suburb | Environmental Management- Organisation making effective use of natural resources (KLOE 3.1) | Operational/ Financial/ Reputational | Potential impact on CAA score, together with an associated reputational risk; inability to report NI 185/194 | Director of Environment & Operations | 20/04/2010 | Data collection using the prescribed data collection methodology with support from councils "TEAM" energy accounting database, appropriate data collection templates. National / local benchmarking where available. | High | High | Undertake periodic reviews to ensure progress against Use of Resources; consideration of additional staff resource to help with data capture; manage the invest to save programme based on a business case approach to deliver best use of resources. | Director of Environment & Operations | 12/05/2010 | A paper- "A New Sustainable Model for Barnet Council" has been prepared for discussion recommending, amongst other actions, increased resources to support an expansion in the collection and reporting of carbon emission and water usage data and the continuation of the Council's Energy Efficiency "Invest to Save" Programme. The Council's Energy monitoring software is in the process of being upgraded to permit the use of electronic data uploads. Part time data officers post has been temporarily moved to full time within Commercial Services. | Open | High | High |
| 17 | Successful London Suburb | Improve the condition of roads and pavements - meet targets on Principal and Non-Principal roads against National standards by establishing an agreed carriageway and footway maintenance programme and implementing asset management programme for highways maintenance. | Operational | Insufficient investment to mitigate the underlying downward trend in road condition | Assistant Director Highways | 20/07/09 | Annual condition surveys | High | High | Developing HAM approach to maintain investment in highways over short, medium and long term against agreed level of service | Assistant Director, Highways | 12/05/10 | Permanant repairs carried out to deal with impact of severe weather, additional funding from central gov received; asset management established as a project, with dedicated resource | Open | High | High |
| 18 | Successful London Suburb | Delivery of waste management targets | Operational | Failure to grasp the scale of change needed to achieve 50% recycling rate | Waste & Sustainability Manager | 01/11/2009 | Implement Waste minimisation plan; maximise participation in recycling services | Medium | High | Development of Waste Action Plan, Annual publicity plan engagement work Participating in NLWA 50% Club meetings | Waste & Sustainability Manager | 12/05/10 | Development of Waste Action Plan (now being implemented), Annual publicity plan and engagement work Participation in NLWA 50% Club meetings. | Open | High | High |
| 19 | Better services for less money, Successful London Suburb | Achievement of NLWA procurement – waste disposal contract | Financial, Strategic & Reputational | NLWA interim and long term procurement does not progress in a timely manner, leading to Barnet paying additional costs | Waste & Sustainability Manager | 01/11/2009 | Barnet Waste Board NLWA Procurement Risk Register Documents available on T drive under 'NLWA Procurement | Medium | High | Progress monitoring at NLWA meetings and through review of NLWA correspondence and papers, with additional support from specialist waste consultant | Waste & Sustainability Manager | 12/05/10 | Progress monitoring at NLWA meetings and through review of NLWA correspondence and papers, with additional support from specialist waste consultant; Inter-authority Agreement is being drafted and will be ready for November 2010. PFI credits awarded - landmark award (largest in Europe) | Open | Medium | High |
| 20 | Successful London Suburb | Continued development of the CCTV operation | Operational | Existing facility is at capacity and unlikely to support future needs | Community Protection Group Manager | 06/08 | Close monitoring of demands; options review | Low | Medium | Seeking new facility for CCTV; review of future delivery options | Community Protection Group Manager | 12/05/10 | Temple Fortune Scheme added for 2010 which has further impacted on capacity. External consultant appointed with project manager from Commercial Directorate. Currently exploring options for future delivery/locations. | Open | Medium | Medium |
| 21 | Successful London Suburb | Effectively manage the demands / expectations placed on the Community Protection Group by prioritising work based on risk/impact assessments. | Operational | Failure to achieve service priorities; embedding service changes | Community Protection Group Manager | 08/08 | Standard risk assessment template; regular status updates to SMT | Medium | High | Review risk assessment process in TS & L; re-profiling on function as part of E&O review i.e.nuisance vehicles to parking and implement risk assessment process for it. Review all procedures and protocols during 2010/11. | Community Protection Group Manager | 12/05/10 | Ongoing. Risk remains medium / high as resources have further reduced across Community Protection since 2008. Internal audit review conducted 08/09; updates for 09/10 given satisfactory assurance. | Open | Medium | High |
| 22 | Successful London Suburb | Improve public confidence in Police and the Council | Operational | Ineffective and inefficient use of resource in tackling crime and anti social behaviour | Community Protection Group Manager | 01/04/2010 | Monitoring by Safer Communities Board; regular liaison and review with partners, annual communication plan | Medium | High | Review of anti-social behaviour with partners, development of new communications plan led by communications team, data analysis and intelligence to identify trends/patterns/needs | Community Protection Group Manager | 12/05/10 | New risk for 2010/11 | Open | Medium | High |
| 23 | Successful London Suburb | Implement the recommendations of the DV Service Review | Strategic & Operational | Poorly performing and costly domestic violence provision - poor performance, not getting value for money; risk to victims as focus on high level intervention rather than prevention; growing agenda and national requirements | Community Safety Manager | 13/06/2009 | DV Board monthly meeting, regular liaison with partners | High | High | Implement governance structure plus sub groups, development of performance framework, strategy and action plan and a commissioning review of DV services; produce violence against women and girls strategy; link to safeguarding corporate risk | Director of E&O | 12/05/10 | Revitalised DV Strategic Board; Task & Finish Group produced draft strategy; new governance structure agreed; Specialist Domestic Violence Court Accreditation | Open | Medium | High |
| 24 | Successful London Suburb | Reduce re-offending | Operational | Failure to meet new statutory obligation from 1st April 2010 to reduce re-offending | Community Protection Group Manager | 01/04/2010 | Monitoring by Safer Communities Partnership, regular liason and joint planning with partners | Medium | High | Review partnership approach to re-offending; external walk through of DIP PPO scheme | Director of E&O | 12/05/10 | New risk for 2010/11 | Open | Medium | High |

20010/11 Directorate Risk Register

| Number | Corporate Priority | Objective | Risk Type | Risk Description | Risk Raised by | Date Raised | Controls in place | Initial Assessment (High/Medium/Low) | | Mitigating Action | Lead Officer | Last updated | Action taken | Current status | Revised Assessment | |
|--------|--|---|--------------|---|--|-------------|--|--------------------------------------|--------|--|---------------------------------|--------------|--|----------------|--------------------|--------|
| | | | | | | | | Likelihood | Impact | | | | | | Likelihood | Impact |
| 25 | Successful London Suburb | Delivery by TFL of the planned improvement scheme at Henlys Corner by 2012 | Operational | Risk of non or late delivery as proposed scheme has yet to be formally endorsed by LBB, and TFL programme believed to be tight with details yet to be confirmed or agreed | Transport & Regeneration Manager | 12/05/2010 | Regular liaison meetings with TFL | Low | Medium | CDG and Cabinet Briefing to seek endorsement programme for July. Close and collaborative liaison with TFL on the works | Assistant Director, Highways | 12/05/2010 | New risk for 2010/11 | Open | Low | Medium |
| 26 | Sharing Opportunities and Sharing Responsibilities | Manage customer expectations in the context of reduced public funding | Reputational | Falling Customer Satisfaction levels & rising expectations | Assistant Director, Environment | 01/04/2010 | Place Survey, regular liaison with customers | High | Medium | Regular dialogue with customers, further analysis of Place Survey results, development of more targeted 21 Little Barnets approach as part of E&O redesign | Director of E&O | 12/05/2010 | New risk for 2010/11 | Open | High | Medium |
| 27 | Sharing Opportunities and Sharing Responsibilities | Develop the parks and open spaces strategy by ensuring parks meet local needs | Operational | Insufficient funding to provide continued improvements; poor customer engagement / ownership | Assistant Director Environment/Principal Greenspaces Manager | 20/07/09 | Development of parks and open spaces strategy with residents | Medium | Medium | Early engagement with Friends Groups, community groups, residents; liaison with comms; development of needs assessment | Assistant Director, Environment | 12/05/10 | Open space PPG completed. Scoping document agreed with SMB and lead Member | Open | Medium | Medium |

AGENDA ITEM: 13

Page nos. 76 - 96

| | |
|----------------|---|
| Meeting | Audit Committee |
| Date | 21 June 2010 |
| Subject | Annual Report of the Corporate Anti Fraud Team 2009/10 |
| Report of | Acting Corporate Anti Fraud Team Manager and Director of Corporate Governance |
| Summary | To note the Annual Report of the Corporate Anti Fraud Team 2009/10 |

| | |
|--|--|
| 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 | Annual Report of the Corporate Anti Fraud Team 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: Clair Green 0208 359 7791

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Corporate Anti Fraud Team's Annual Report for 2009/10.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004 (delegated powers report, ref: BT/2004-05 -2 March 2004)
- 2.2 On 11 March 2010, the Audit Committee included in the work programme for 2010/11, that that an annual report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 On 11 March 2010, the Audit Committee approved the team Annual Workplan and the Council's revised Counter Fraud Framework which the team operates within. The Framework consists of a set of comprehensive documents, which detail the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle Blowing Policy, they are available of the CAFT intranet site.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's Corporate Plan 2010/13 sets out three new corporate priorities; Better Services with less money, A successful London Suburb and Sharing opportunities and Sharing responsibilities.

The 'Future Shape' programme comprises of three principles; A new relationship with citizens, A one-public sector approach and A relentless drive for efficiency.

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 by continuing to provide an efficient value for money anti fraud activity, that is able to investigate all referrals that are passed to us to an appropriate outcome, whilst continuing to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering and criminal activity, deterrent measures whilst delivering a cohesive approach to the reflect best practice and support all the new corporate priorities and principles.

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through our Annual Report and our service delivery.
- 5.2 The Annual Report will have no adverse impact or diversity issues. CAFT have worked closely with the Benefits Service and communications in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided and reduce the likelihood of intentional or other fraud being committed.

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

- 6.1 The London Borough of Barnet received subsidy funding from the Department of Work and Pensions (DWP) for the Administration of Housing and Council Tax Benefit. The CAFT receive a percentage of that funding for the prevention, detection and investigation of Housing and Council Tax Benefit Fraud and Error in the benefit System. In 2009/10 we received £653,256 which equates to an agreed 21.4% of the overall subsidy allocated to LBB.
- 6.2 Taking into account the above subsidy, the net budgeted cost for CAFT for 2009/10 was £177,465. However, due to an underspend of £186,767, CAFT has generated a small surplus of £9,302. (The underspend was due to a number of factors including savings on staff costs due to vacancies and secondments of £97,930, the overachievement of budgeted subsidy income and other income of £80,941 and running costs under spends of £7,896.)
- 6.3 The DWP have confirmed the subsidy amount for 2010/11 and it has been agreed that CAFT are to receive £620,541 (again representing 21.4% of the overall amount allocated to Barnet). Taking this subsidy amount into consideration the net budgeted costs for CAFT are set at £188,640. We have worked with our colleagues in Finance Service to realign our cost centre budget to more accurately reflect our costs against our subsidy and other income, and do not anticipate an underspend for 2010/11.
- 6.4 We must also consider potential real risk of 'in year' cuts to the above agreed amounts of subsidy funding from the DWP and work is underway within the council to deal with such risks. It must also be considered that there may be reduced subsidy funding from the DWP for 2011/12 and beyond, alongside any budget savings that the council will have to incur over the coming years, and we must anticipate the potential implications of this and recognise that this will no doubt have a impact on our future service delivery.

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.

9 BACKGROUND INFORMATION

- 9.1 This report provides an overview of the performance of the Corporate Anti Fraud Team (CAFT) over the last year. It also summarises our funding, objectives and long term goals and challenges. The CAFT is a specialist investigative unit which was established in May 2004 to investigate allegations of Housing Benefit, Council Tax Benefit, Internal and Corporate Fraud within the London Borough of Barnet.
- 9.2 The aim of the team has always been 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, whilst also providing a bespoke comprehensive Fraud Awareness Training and Education programme throughout the organisation.
- 9.3 The work of the CAFT over the last 6 years means that there is a much stronger anti fraud culture across the London Borough of Barnet, however we recognise that we must continue to further develop this culture with awareness and media campaigns and strengthening of our partnership work.
- 9.4 Internal Audit undertook a review of the effectiveness of the team in 2009. We received a 'satisfactory' assurance level from Internal Audit, with some best practice recommendations; these recommendations have all now been implemented. In addition to this we have developed a much closer working relationship with Internal Audit ensuring improved liaison and a reporting framework.
- 9.5 Benchmarking results in relation to Benefit Fraud Sanctions for 2009/10 are included within the report and clearly show that Barnet are in the top quartile for London for sanction performance in 2009/10, and in addition to this results for actual achieved sanctions per investigator we are the best performing London Borough. This performance reflects the new working practices and structure that the team introduced in 2009/10 and full details of this, including a comparison to previous years performance are included within the report.
- 9.6 CAFT are currently working to develop and implement an ongoing risk based pro-active fraud programme. To do this we will be undertaking a full assessment of the of the current working arrangements in Barnet 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'. We will also be using our knowledge on past CAFT investigations, along with meetings with all directorates, outcomes from the 'fraud risk' questions on internal control checklist and generally known fraud risks to local authorities.

- 9.7 For the first time in 2009/10 we worked with Risk Management Team to include questions on fraud risks and fraud awareness on the Internal Control Checklist. The results of this checklist identified a high number of staff who have not received Fraud Awareness Training or service areas that have identified Fraud risks on there risks registers. In response to this and we have implemented an action plan to assist services with the issues they highlighted and to provide effective fraud awareness training to their staff.
- 9.8 CAFT are also involved in a new Public Sector Fraud Partnership (PSFP) Fraud Prevention steering group. This group has previously produced good practice guidance and toolkits for the Partnership. In 2010/11 the group will be focussing on issues highlighted in the PSFP survey as high risk and increasing areas of fraud, we will be starting with Procurement as this was the highest new area identified.
- 9.9 We feel confident that in the ever changing environment of fraud, with new fraud risks emerging constantly, that this new approach will enable us to develop robust pro active fraud plans. This will assist the diverse services within the Council strengthen their preventative fraud measures, followed with revised practices and procedures. We can then focus on the effectiveness of our investigations, whilst continuing to strengthen the Council's preventative fraud measures allowing us to effectively report and provide assurance on fraud risks and the effectiveness of our service to both the Audit Committee and the Council's Directors.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: JL
Finance: CM

Corporate Anti Fraud Team (CAFT) Annual Report 2009/10

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Introduction

This report provides an overview of the performance of the Corporate Anti Fraud Team (CAFT) over the last year. It also summarises our funding, objectives and long term goals and challenges. The CAFT is a specialist investigative unit which was established in May 2004 to investigate allegations of Housing Benefit, Council Tax Benefit, Internal and Corporate Fraud within the London Borough of Barnet.

The aim of the team has always been 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, whilst also providing a bespoke comprehensive Fraud Awareness Training and Education programme throughout the organisation.

The team operates within an approved Counter Fraud Framework which consists of a set of comprehensive documents, which detail the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle Blowing Policy.

The work of the CAFT over the last 6 years means that there is a much stronger anti fraud culture across the London Borough of Barnet, however we recognise that we must continue to further develop this culture with awareness and media campaigns and strengthening of our partnership work.

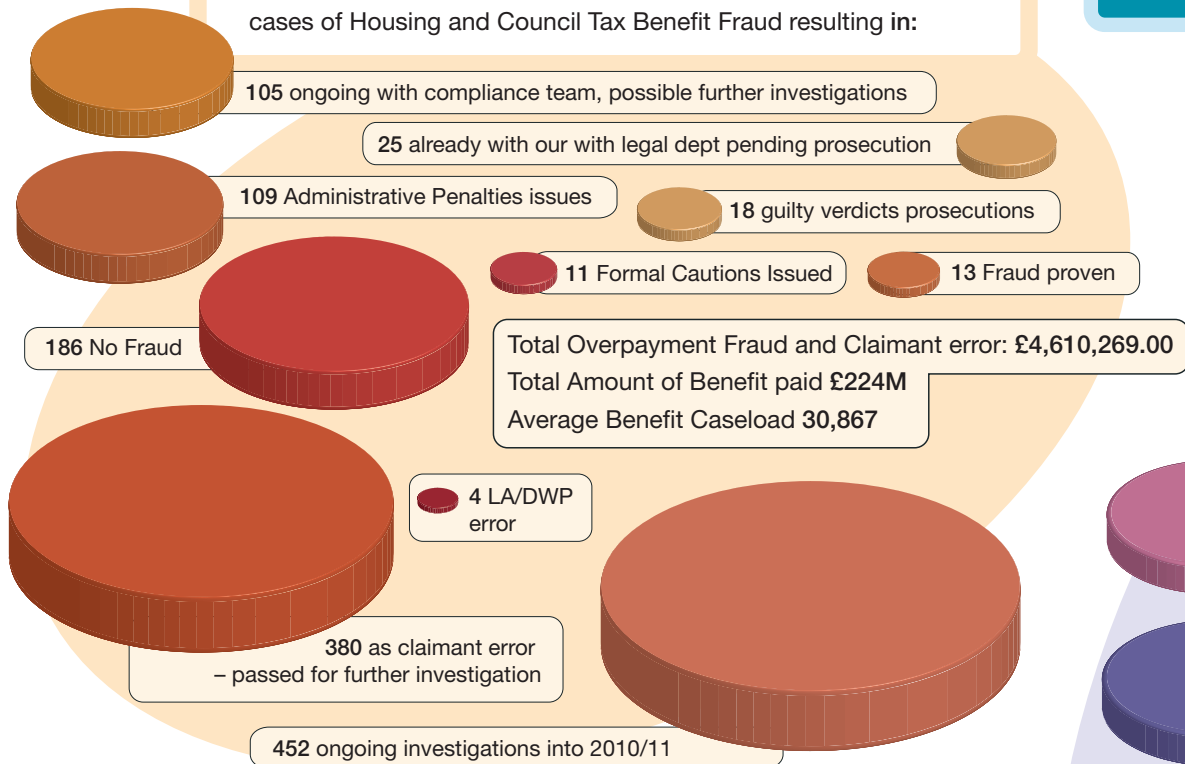
This report shows that the scope of our work is wide and varied. As well as reacting too, and investigating the referrals made to us, we are working proactively to uncover areas of risk, assisting in the development of preventative measures and are hoping to achieve success by deterring potential fraudsters from even attempting fraud within the London Borough of Barnet in the first place.

Clair Green
Acting Corporate Anti Fraud Team Manager

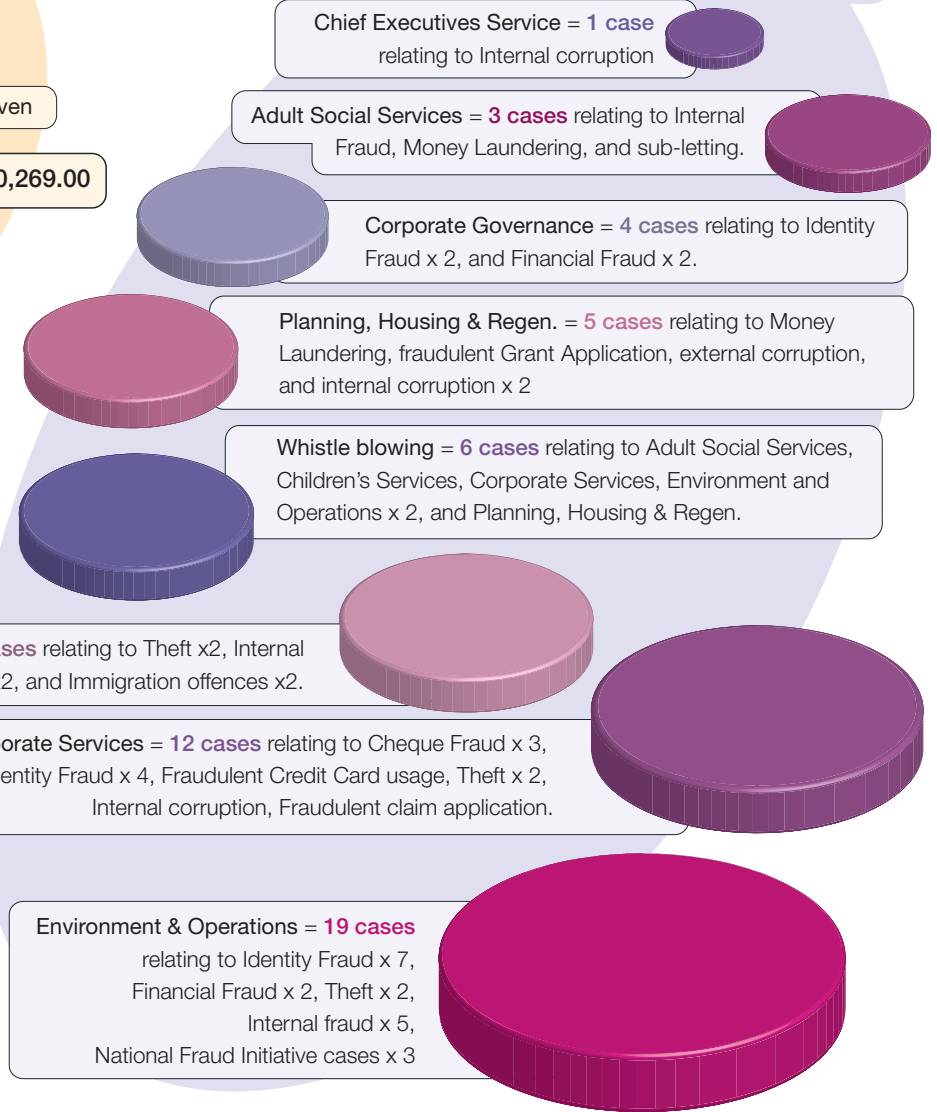
*The work of
the CAFT over
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stronger anti
fraud culture
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London Borough
of Barnet.*

Performance Summary 2009/10

Benefit Fraud and Error statistics - The team has investigated 826 cases of Housing and Council Tax Benefit Fraud resulting in:



Corporate Fraud Statistics by Directorate
The team investigated a total of 87 cases:



Blue Badge Fraud Figures

The team investigated a total of 138 cases:



Counter Fraud Structure

This structure is temporary structure that was put in place in September 2009 due to staff secondments, workload pressure and the revision of current practices; this report will show that the structure has worked well and that the team has performed well over the past year particularly in the area of Housing and Council Tax Benefit Fraud.

The London Borough of Barnet receive subsidy funding from the Department of Work and Pensions (DWP) for the Administration of Housing and Council Tax Benefit. The CAFT receive a percentage of that funding for the prevention, detection and investigation of Housing and Council Tax Benefit Fraud and Error in the benefit System. In 2009/10 we received £653,256 which equates to an agreed 21.4% of the overall subsidy allocated to LBB.

Taking into account the above subsidy, the net budgeted cost for CAFT for 2009/10 was £177,465. However, due to an underspend of £186,767 CAFT has generated a small surplus of £9,302. The underspend was due to a number of factors including savings on staff costs due to vacancies and secondments of £97,930, the overachievement of budgeted subsidy and income and other income of £80,941 and running costs under spends of £7,896.

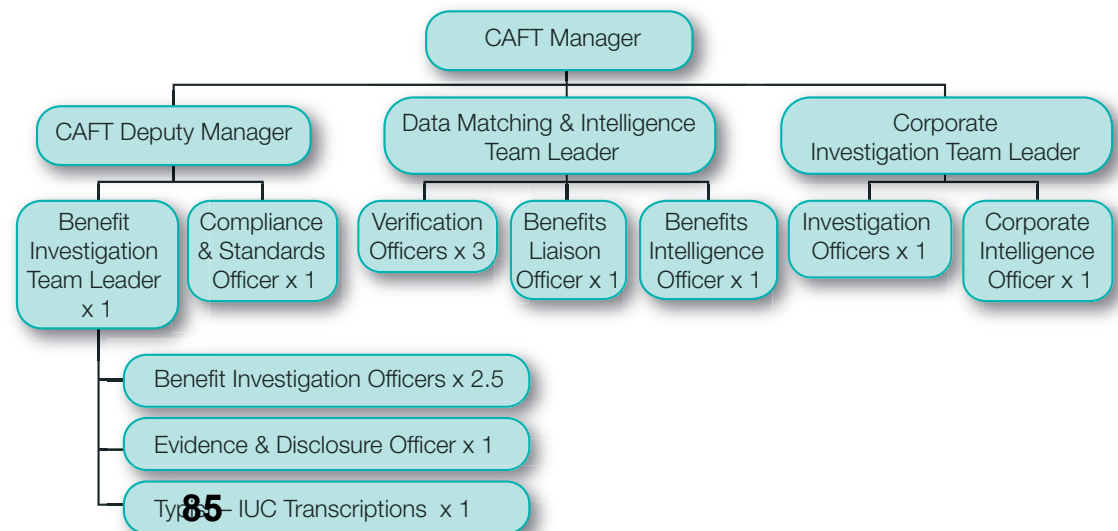
The DWP have confirmed the subsidy amount for 2010/11 and it has been agreed that CAFT are to receive £620,541 (again representing 21.4% of the overall amount allocated to Barnet). Taking this subsidy amount into consideration the net budgeted costs for CAFT are set at £188,640. We have worked with our colleagues in Finance Service to realign our cost centre budget to more accurately reflect our costs against our subsidy and other income, and do not anticipate an underspend for 2010/11.

We must also consider potential real risk of 'in year' cuts to the above agreed amounts of subsidy funding from the DWP and work is underway within the council to deal with such risks. It must also be considered that there may be

reduced subsidy funding from the DWP for 2011/12 and beyond, alongside any budget savings that the council will have to incur over the coming years, and we must anticipate the potential implications of this and recognise that this will no doubt have a impact on our future service delivery.

A further strain on our service delivery is that some CAFT officers also perform other roles within the authority; such as supporting the Elections project team in the 2010 Elections; supporting the Council's Emergency Planning Service and offering support when needed to other directorates. Whilst it is acknowledge that support is given to ensure that we use the diverse range of skills that the officers have across the authority it should be recognised that at times this has an effect upon our resources.

The team has performed well over the past year particularly in the area of Housing and Council Tax Benefit Fraud.



Partnerships

CAFT have continued to develop a number of partnerships over the year.

CAFT have an excellent joint working relationship with the Jobcentre Plus. We have regular liaison meetings where we meet to discuss joint investigations, legislative changes and joint working strategies. We have attended open days in various offices within the Borough and Jobcentre Plus have attended open days held by ourselves. We will be undertaking proactive work between the two departments in the coming months. You will see elsewhere examples of successful joint working between the two departments.

We work and adhere to a Fraud Partnership Agreement with the Jobcentre Plus. This agreement sets out the principles for effective partnership working between the two departments. This agreement is in place until March 2011.

The Audit Commission is a public corporation in the United Kingdom. Their primary objective is to improve economy, efficiency and effectiveness in local government, housing and the health service. The CAFT works in partnership with the Commission for large projects like the 'National Fraud Initiative' which identifies possible fraud by way of matching personal data between all

government agencies as well as local authorities. In 2009/10 this initiative identified over 18,000 cases .

CAFT works closely with a number of different units within the Metropolitan Police Service. These include Safer Neighbourhood Teams from around the borough that assists with operations involving Blue Badge misuse. The Warrants Team who have a shared intelligence agreement with CAFT for the purpose of identifying and locating offenders for whom arrest warrants have been issued. The Payback Unit who advise and assist the CAFT Financial Investigators with cases relating to money laundering and the NPIA who monitor and advise on all the financial investigations undertaken by CAFT

CAFT currently have a UK boarder Agency Intelligence Officer embedded in the Team to carry out joint investigations and operations which include identifying and apprehending illegal workers in the council as well as assisting in the prevention and identification of illegal residents who are unlawfully claiming benefits.



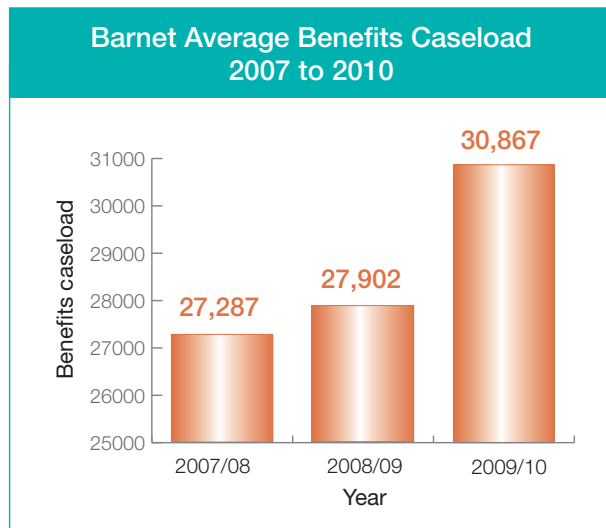
Working together for a safer London



Benefit Fraud Analysis

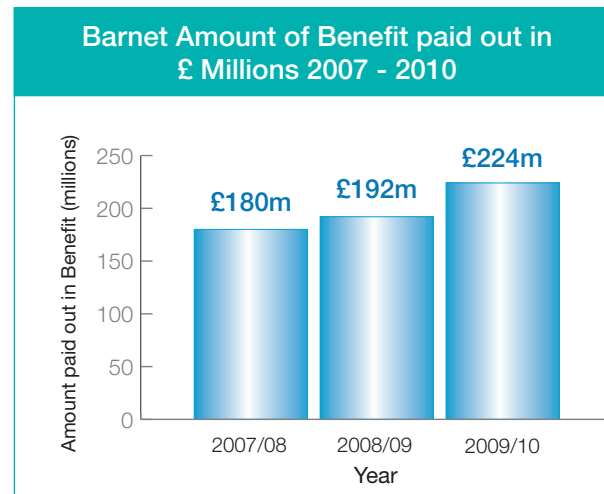
We have compared various data over the last three years as detailed below.

Barnet Average Benefits Caseload 2007 to 2010



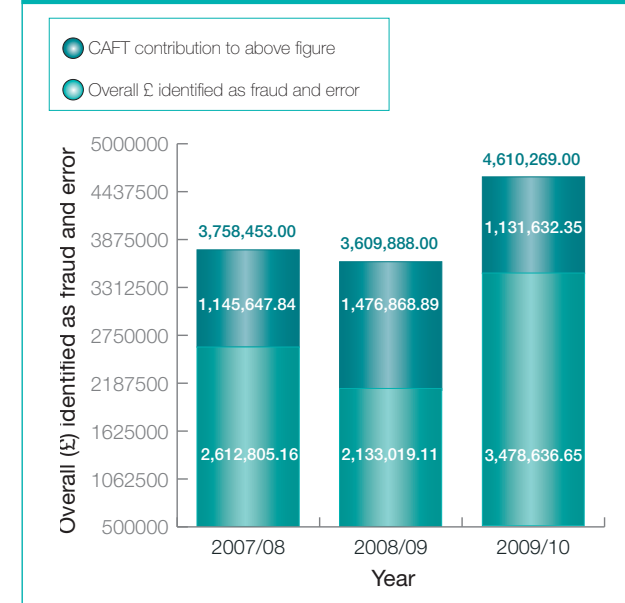
In recent years we have encountered a national economic downturn and this is reflected here in the above graph. It shows that the number of benefit claimants in Barnet over the last 3 years has increased and that there has been an increase of 10.6% increase in 2009/10 alone.

Barnet Amount of Benefit paid out in £ Millions 2007 - 2010



This graph details the amount of Benefit paid out by Barnet in the last 3 years. As with the above graph this has risen in accordance with the increase of the number of benefit claimants within the borough.

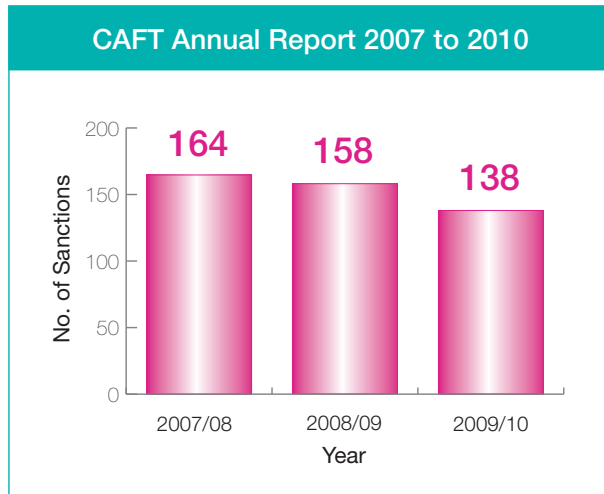
Amount of Fraud and Error identified in the Barnet's benefits System 2007 -2010



This graph below details the amount of benefit fraud and error overpayments identified in the last 3 years. It shows the overall amount that has been identified and CAFT's contribution to that amount.

The DWP issued statistics in 2008/9 that stated that combined level of fraud and error in the Housing Benefit system in the UK was 2.2%. In comparison to this Barnet's combined level of fraud and error in our benefit system is shown to be 2.1% (£4,610,269.00).

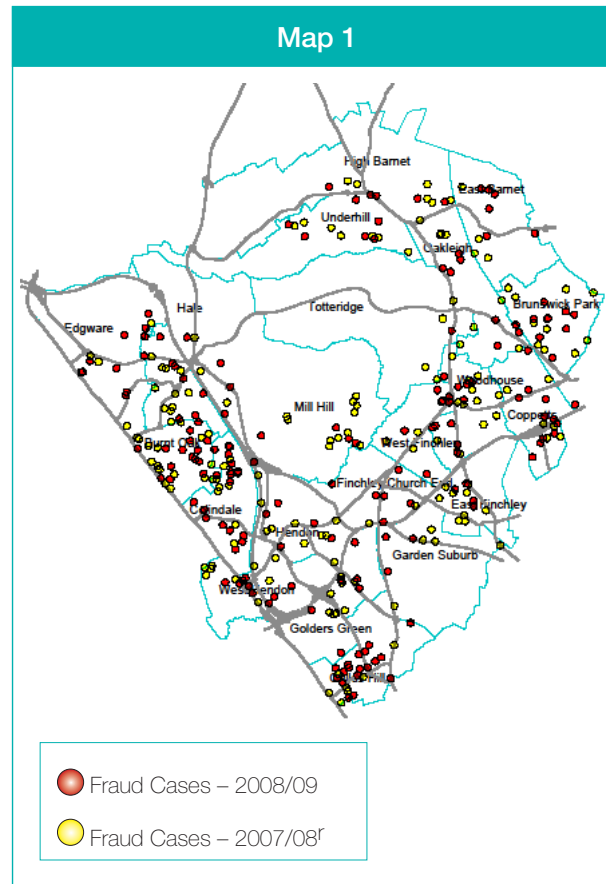
CAFT Sanctions 2007 to 2010



This graph shows the number of benefit sanctions administered by CAFT in the last 3 years. (A sanction is classified as a “successful prosecution, an administrative penalty or a formal caution”) While there has been a reduction in the number of sanctions during 2009/10, we believe that this has been to the reduction of investigation officers working in the area of benefit fraud and not the actual reduction of fraud in the benefits system. The benchmarking graph later will show that we have made great achievements in the number of sanctions we have achieved in view of the number of benefit investigators in the team.

Map 1:

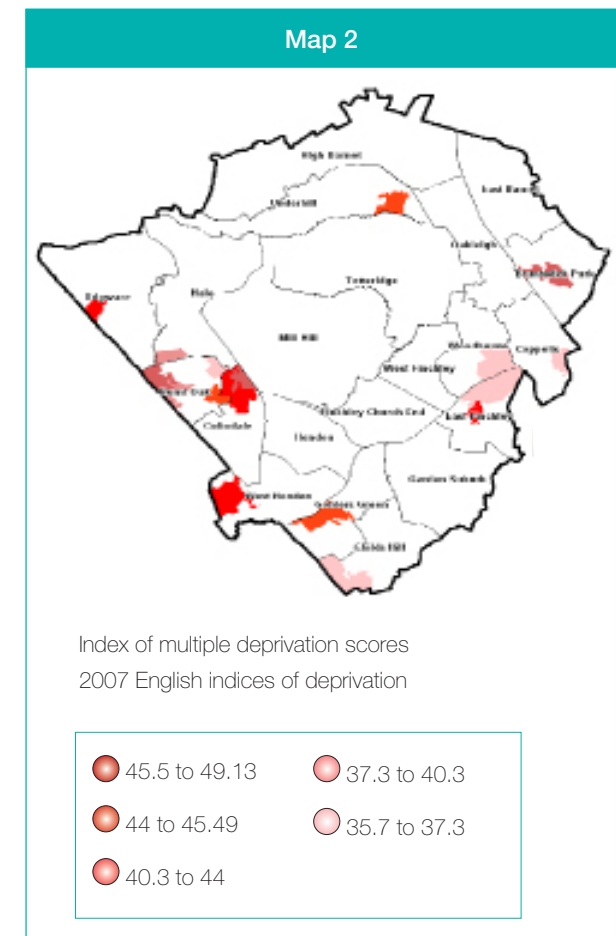
The Council's Crime Intelligence Analyst has analysed all Benefit Fraud and Error data for 2009/10 below. A dot map showing the locations with a high concentration of Housing Benefit Fraud Sanctions by the Barnet CAFT in 2007/08 and 2008/09



Map 2:

The 20 most deprived Lower Super Output Areas in Barnet (see overleaf - based upon Index of Multiple Deprivation Figures for 2008) . Those areas with a high concentration of fraud sanctions in 2009/10 appear to correlate with the areas identified in the two previous years. Most notably this is in the west of Barnet around Burnt Oak and Colindale wards but also stretches up into Hale and Edgware wards and south into West Hendon.

Map 2 shows that the results of the latest index of multiple deprivation map for Barnet and the 20 Lower Super Output Areas which came out as the most deprived in the borough. There is obvious correlation between those areas of known deprivation and those areas which over the last three years have seen the highest concentration of sanction by the Barnet CAFT team.



Benchmarking

This exercise was undertaken by the Society of London Treasurers in April 2010 in relation to the performance of London benefit fraud teams.

| | Authority | Total | Caseload (approx) | Sanctions per 1,000 caseload | FTE Investigators | Sanctions per IO |
|----|----------------------|-------|-------------------|------------------------------|-------------------|------------------|
| 1 | Barking & Dagenham | 62 | 24500 | 2.53 | 6.5 | 9.5 |
| 2 | Barnet | 138 | 31000 | 4.45 | 3.5 | 39.4 |
| 3 | Bexley | 75 | 18500 | 4.05 | 3 | 25.0 |
| 4 | Brent | 81 | 40000 | 2.03 | 4.75 | 17.1 |
| 5 | Bromley | 112 | 20000 | 5.60 | 5 | 22.4 |
| 6 | Camden | 157 | 29000 | 5.41 | 5.5 | 28.5 |
| 7 | City of London | 9 | 1200 | 7.50 | 1 | 9.0 |
| 8 | Croydon | 130 | 35000 | 3.71 | 5 | 26.0 |
| 9 | Ealing | 127 | 32000 | 3.97 | 5 | 25.4 |
| 10 | Enfield | 156 | 37000 | 4.22 | 7.5 | 20.8 |
| 11 | Greenwich | 112 | 28000 | 4.00 | 9.6 | 11.7 |
| 12 | Hackney | 53 | 42000 | 1.26 | 6 | 8.8 |
| 13 | Hammersmith & Fulham | 88 | 22000 | 4.00 | 5 | 17.6 |
| 14 | Harrow | 56 | 16700 | 3.35 | 3.5 | 16.0 |
| 15 | Havering | 100 | 18500 | 5.41 | 5 | 20.0 |

| | Authority | Total | Caseload (approx) | Sanctions per 1,000 caseload | FTE Investigators | Sanctions per IO |
|----|----------------------|-------|-------------------|------------------------------|-------------------|------------------|
| 16 | Hillingdon | 107 | 26000 | 4.12 | 4 | 26.8 |
| 17 | Hounslow | 44 | 24000 | 1.83 | 5.5 | 8.0 |
| 18 | Islington | 88 | 31000 | 2.84 | 5.5 | 16.0 |
| 19 | Kensington & Chelsea | 87 | 17000 | 5.12 | 4 | 21.8 |
| 20 | Kingston | 57 | 10000 | 5.70 | 3 | 19.0 |
| 21 | Lambeth | 81 | 42000 | 1.93 | 5.8 | 14.0 |
| 22 | Merton | 74 | 15500 | 4.77 | 5.75 | 12.9 |
| 23 | Newham | 208 | 42000 | 4.95 | 8 | 26.0 |
| 24 | Redbridge | 111 | 22500 | 4.93 | 7.5 | 14.8 |
| 25 | Richmond | 31 | 11000 | 2.82 | 2.5 | 12.4 |
| 26 | Southwark | 110 | 39000 | 2.82 | 7.5 | 14.7 |
| 27 | Sutton | 141 | 15500 | 9.10 | 4 | 35.3 |
| 28 | Tower Hamlets | 187 | 36,883 | 5.07 | 9 | 20.8 |
| 29 | Waltham Forest | 118 | 32100 | 3.68 | 8 | 14.8 |
| 30 | Wandsworth | 87 | 28800 | 3.02 | 6 | 14.5 |
| 31 | Westminster | 119 | 25000 | 4.76 | 4 | 29.8 |

Benchmarking for corporate internal investigations is very difficult to measure. The Public Sector Fraud Partnership undertake a annual survey in this area but is difficult to compare the relationship between outcomes, costs, set up and operational areas as each organisations differ so much. Some organisations have one corporate anti fraud team which operates alone, such as we do here 'one area' fraud teams based within the separate services such as benefits, housing and blue badge services, whilst some outsource their internal investigations.

Data Matching and Intelligence

A large number of the fraud referrals that the team deals with originate from data matches.

The External Auditors letter 2008/9 have assessed that 'satisfactory' progress has been made in the area of the NFI data matches.

We co-ordinate and resolve the Department of Work and Pensions (DWP) Housing Benefit Data Matching Service (HBDMS) within the Council. The HBDMS matches the data held on the benefits system against data held by all other Local Authorities and Government Organisations, identified discrepancies are passed to CAFT to examine and investigate. These data-matches greatly assist the Verification Team in their role in safeguarding the Benefit System against fraud and error. The officers worked very closely with the Benefit Investigators in CAFT and resolved 1,841 data-matches. We have responded to 427 data protections requests from other agencies such as the Police, DWP and other local authorities, for information held within the Councils various systems and data bases for the prevention and detection of fraud.

The also CAFT co-ordinates the Audit Commissions National Fraud Initiative data matching exercise. In 2008/9 the London Borough of Barnet received 18,078 matches in total which the CAFT co-ordinate. The matches cover all areas with the council and it is noted in the External Auditors letter 2008/9 that they have assessed that 'satisfactory' progress has been made in this area and continues to be made.

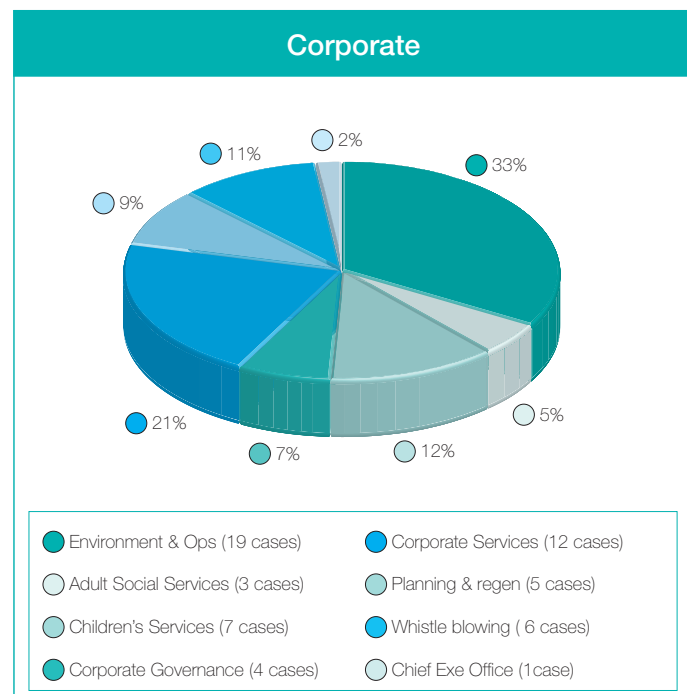
In 2010/11 CAFT alongside the Revenues and Benefits service have been requested by the Audit Commissions National Fraud Initiative team to participate in a pilot with the involving National Non Domestic Rates (NNDR) data. We anticipate that taking part in this pilot will give Barnet positive publicity whilst will enabling us to ensure that we are at the forefront of tackling business rate fraud and be ahead of the game when the matches are realised next year. The types of abuse the pilots will include are; Empties relief by matching to Companies House data; Charitable relief - Charity Commission data; Small business rates - VOA data; Other matches where loss of business rates could be identified e.g. illegal hoardings and other possible frauds e.g. HB claimants running a business and not declaring income

Internal Corporate Fraud Analysis

We receive fraud referrals from all of the directorates across the authority as well as via whistle blowing. These referrals do not necessarily relate to staff investigations within the originating directorates

Referral Source

This graph represents the number of Corporate Referrals broken-down by directorate that we received in 2009/10 totalling 57. The different Fraud Types are listed below:-



Environment & Operations: 19 cases relating to Identity Fraud x7, Financial Fraud x2, Theft x2, Internal fraud x5, National Fraud Initiative cases x3

Adult Social Services: 3 cases relating to Internal Fraud, Money Laundering, and sub-letting.

Children's Services: 7 cases relating to Theft x2, Internal Fraud, Cheque fraud, ID Fraud x2, and Immigration offences x2.

Corporate Governance: 4 cases relating to Identity Fraud x2, and Financial Fraud x2.

Corporate Services: 12 cases relating to Cheque Fraud x3, Identity Fraud x4, Fraudulent Credit Card usage, Theft x2, Internal corruption, Fraudulent claim application.

Chief Executives Service: 1 case relating to Internal corruption.

Planning, Housing & Regen: 5 cases relating to Money Laundering, fraudulent Grant Application, external corruption, and internal corruption x2.

Whistle blowing: 6 cases relating to Adult Social Services, Children's Services, Corporate Services, Environment and Operations x2, and Planning, Housing & Regeneration.

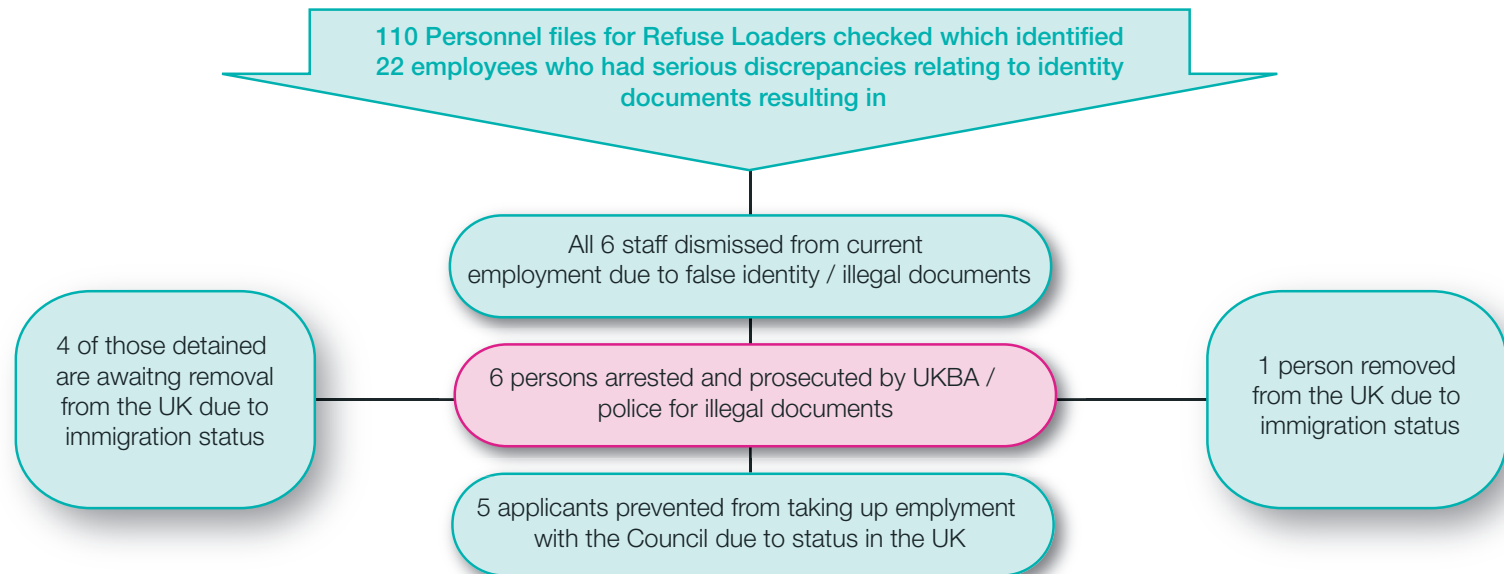
Some of these investigations are still ongoing into 2010/11. This year we have upgraded our Fraud Management database so that we will be able to define and categorise the outcomes of each investigation more clearly for reporting purposes and we will be also able to analyse the hours spent / cost of each investigation to ensure that resources within the team are appropriately deployed.

Operation Gremlin

This Operation relates to an investigation into the employment of staff within the Street Scene Department of Environment and Operations Directorate who did not have the right to work in the UK.

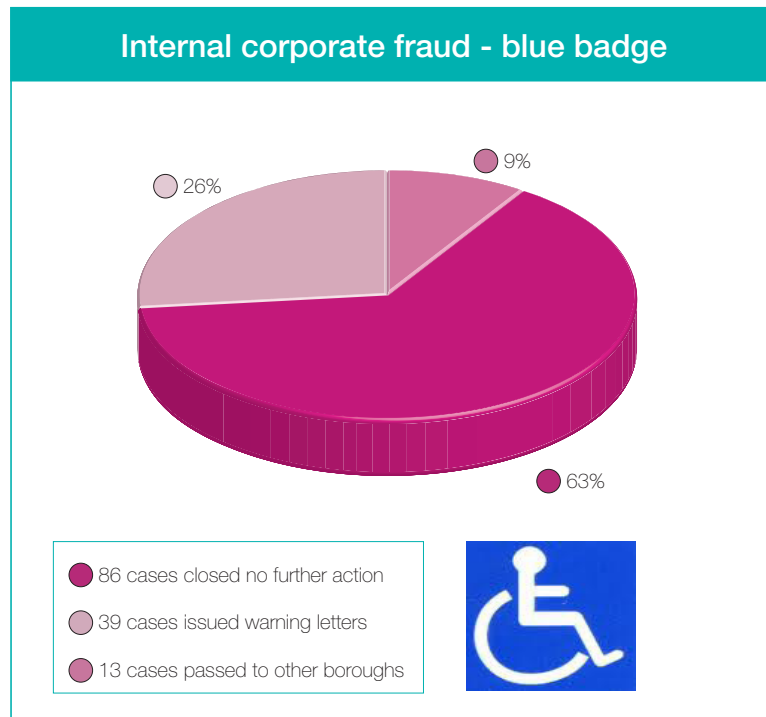
As a result of two previous investigations where illegal workers had been identified in the Street Scenes department, an joint exercise was conducted, lead by CAFT with assistance from HR and Environment and Operations. This exercise was specifically to check that the documentation held for employees who required permissions to work in the UK, was correct and genuine.

The results are listed below:



Internal Corporate Fraud –Blue Badge

The Blue Badge Scheme allows genuine disabled persons to park, in most places, free from normal parking restrictions and in many cases free of charge and without limit of time. The scheme is administered by Local Authorities on behalf of the Department for Transport and operates throughout the European Union. In Barnet the scheme is administered within Adult Social Service directorate; Assisted Travel Team. CAFT deal with the referrals of misuse and fraudulent applications.



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

CAFT have been involved in five Blue Badge Operations this year with the Metropolitan Police.

During these five operations there were 2 arrests, 14 Blue Badges were seized and 2 Fixed Penalty Notices (FPNs) were issued by the Police. There are 6 cases from these operations currently going through our legal team with a view to prosecuting them under the Road Traffic Regulations Act 1984.

During the last year the Corporate Investigation team has:-

- Received 138 referrals alleging misuse of Blue Badge.
- Of those, 86 cases have been closed as no evidence of misuse found.
- 39 offenders received a warning letter for the misuse.
- 13 cases referred to other Local Authorities as the misuse offence was committed within their borough.

For 2010/11 CAFT are currently have a project underway for the review of Blue Badge misuse and fraud practices.

Publicity

We continue to work closely with our Communications Team to assist us in the strengthening of our anti fraud culture by ensuring that the serious consequences of our fraud investigations and prosecutions are publicised.

We understand that this publicity plays an important part in deterring those who may commit or seek to commit fraud, and in some circumstances may also prevent them from doing so.

Publicity plays an important part in deterring those who may commit or seek to commit fraud.

Operation DIPLOMAT

A former temporary administrative assistant within the Student Awards Service input a false claim for a student loan which resulted in the employee obtaining a loan of £5,147 from the student loans company to her own bank account. Notification was received from the student loans company of the loan and after further checks the manager recognised the name as that of the employee, made some further checks and then referred the case to CAFT.

CAFT made checks via IT as to who had input the loan details onto the computer system. It transpired that the staff member whose log in had been used was off 'sick' on the day the loan application had been input. CAFT officers conducted a full investigation and subsequently obtained sufficient evidence to put criminal charges to the ex temporary employee.

She was Prosecuted and pleaded guilty in Court to 'Fraud by abuse of position' (Fraud Act 2006). She was sentenced to 4 months imprisonment (suspended for an 18 month period) and ordered serve 200 hours community service to repay the full amount back to the student loan company with costs paid to LBB.

Operation FUEGO

This relates to a joint National Fraud Initiative (NFI) investigation with the UK Border Agency (UKBA) regarding a London Borough of Barnet employee who was illegally working as a Town keeper at the Mill Hill Depot. In September 2009 information relating to this employee was extracted from the National Fraud Initiative Database. This information showed that there was a discrepancy with his visa and that he may be an illegal worker. Checks conducted with the UK Border Agency confirmed that the employee was not legally granted 'Indefinite Leave to Remain' in the UK and that he had in fact entered the UK by using a false document.

In October 2009 UKBA and CAFT officers attended the Mill Hill Depot for the purpose of interviewing the employee and to obtain details of his status. As a result of the information gained the employee was arrested for offences contravening the Immigration Act 1971. The UKBA confirmed that the employees continued detention was authorised by a Chief Immigration Officer so that more detailed enquiries could be initiated.

Barnet councils HR department sent a letter to the employees address advising that due to the events of that day and the evidence presented he was being dismissed from his post as a Refuse Loader.

It was later confirmed by the UKBA that the employee was deported back to Ghana on 18th December 2009

Mr Joseph Saifi

This investigation relates to a referral received from the Benefits Service querying whether the tenancy was contrived. Checks showed that dependant was actually also the daughter of the landlady of the property, an Olga Julio. Mr Saifi was interviewed under caution and when asked if his child was related to his landlady, he admitted when shown the birth certificate that he had a short relationship with the landlady and the child was as a result of this relationship.

Further checks discovered a second child and a business link between Mr Saifi and Olga Julio. Mr Saifi was interviewed under caution on two further occasions and admitted the second child was theirs and didn't inform the benefits section of business links as they did not ask.

Total overpayment of housing and council tax benefit was £52,000. Mr Saifi pleaded guilty at Wood Green Crown Court and was sentenced to 15 months imprisonment.

Ms Delphine Ighile

This investigation relates to a referral from the Benefits Service concerning discrepancies on the tenancy agreement. The tenancy agreement given to the Council Tax Section was different to that given on housing benefit claim.

Further checks showed another benefit claim by Ms Ighile with landlord of Charles Obidaru in Brent. A joint operation was undertaken involving Brent Council, DWP and CAFT. Total overpayment was in excess of £84,000, of which £34,000 was in respect of Barnet Council. Checks were undertaken that showed Mr Obidaru and Ms Ighile were a couple and owned 5 properties.

Ms Ighile was found guilty and sentenced to 24 months community rehabilitation order. Confiscation proceedings under the proceeds of crime act 2002 are still ongoing.

Mrs Michelle Rust

A review form was sent to Mrs Rust which was returned on 6th June 2008, this showed a number of changes in her circumstances including, she had got married, had another child, was currently on maternity leave and her husband's increase in salary.

Mrs Rust was in receipt of housing benefit with effect from 2005, she was a private tenant and benefit were paid directly to her landlord. Mrs Rust was

interviewed under caution, she stated she had made a claim for benefits as she was on a low income and needed help to pay her rent, she was fully aware of the need to inform the housing benefit department of changes in her circumstances, which she had previously done, however forgot to inform them of the changes stated above.

The case was re-assessed for the period 5th February 2007-8th June 2008, this created a housing benefit overpayment of £8,252.81. The matter was heard at Hendon Magistrates Court, Mrs Rust pleaded guilty and was sentenced to two years conditional discharge, with costs of £800.

Miss Rabiya Jinnah

This was a joint investigation with the DWP, allegation was that Miss Jinnah was working as a nanny. She was claiming housing and Council Tax benefit, in addition to income support and disability allowance.

Evidence was obtained from her employers showing she had been working as a nanny in their household for over 2 years and pictures were provided showing Miss Jinnah playing with the children. She was interviewed under caution and was adamant that she only worked one day per month for the family.

The total overpayment was in excess of £33,000, of which £17,162.67 was in respect of housing and council tax benefit. Miss Jinnah pleaded guilty at Wood Green Crown Court and was sentenced to 4 months imprisonment, suspended for 2 years, a 2 year supervision order and ordered to attend an ESOL course (English for speakers of other languages).

Identifying the risks – 2010/11

It has never been more important that councils fight fraud because every pound lost to cheats is a pound that can be used for people in real need.

(Steve Bundred, former Chief Executive of the Audit Commission)

Despite all the good publicity and communication we understand that the some individuals will still attempt to commit fraud within Barnet.

This is why the following exercise is ongoing into 2010/11. We are working to develop and implement an ongoing risk based pro-active fraud programme. To do this we will be undertaking a full assessment of the of the current working arrangements in Barnet 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'. We will also be using our knowledge on past CAFT investigations, along with meetings with all directorates, outcomes from the 'fraud risk' questions on internal control checklist and generally known fraud risks to local authorities.

Internal Audit undertook a review of the effectiveness of the team in 2009. We received a 'satisfactory' assurance level from Internal Audit, with some best practice recommendations; these recommendations have all now been implemented. In addition to this we have developed a much closer working relationship with Internal Audit ensuring improved liaison and a reporting framework.

For the first time in 2009/10 we worked with Risk Management Team to include questions on fraud risks and fraud awareness on the Internal Control Checklist. The results of this checklist have shown that there are a large number of staff who have not received Fraud Awareness Training and Service areas that have not identified Fraud risks on their risk register. In response to this we have implemented an action plan to assist services with the issues they highlighted and to provide effective fraud awareness training for their staff.

CAFT are also involved in a new Public Sector Fraud Partnership (PSFP) Fraud Prevention steering group. This group has previously produced good practice guidance and toolkits for the Partnership. In 2010/11 the group will be focussing on issues highlighted in the PSFP survey as high risk and increasing areas of fraud, we will be starting with Procurement as this was the highest new risk area identified for local authorities.

We feel confident that in the ever changing environment of fraud, with new fraud risks emerging constantly, that this new approach will enable us to develop robust pro active fraud plans. This will assist the diverse services within the Council strengthen their preventative fraud measures, followed with revised practices and procedures. We can then focus on the effectiveness of our investigations, whilst continuing to strengthen the Council's preventative fraud measures allowing us to effectively report and provide assurance on fraud risks and the effectiveness of our service to both the Audit Committee and the Council's Directors.

