

MEETING

AUDIT COMMITTEE

DATE AND TIME

TUESDAY 7 DECEMBER 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 Brodtkin

Sury Khatri

Andreas Tambourides

Geof Cooke

Graham Old

Substitutes for Councillor Members:

Dean Cohen

Alan Schneiderman

Agnes Slocombe

Jack Cohen

Mark Shooter

Susette Palmer

Independent Members:

Richard Harbord

Debra Lewis

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>

ORDER OF BUSINESS

Item No.	Title of Report	Pages
1.	MINUTES	-
2.	ABSENCE OF MEMBERS	-
3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-
4.	PUBLIC QUESTION TIME (If any)	-
5.	MEMBERS' ITEMS (If any)	-
6.	Presentation - Powers and Responsibilities of Audit Committee (approximately 15 minutes)	-
7.	Presentation - External Audit Progress Report (approximately 10 minutes)	-
8.	One Barnet Update	1 – 5
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13.	Use of Resources Report and Action Plan	133 – 179
14.	Accounting Policies under International Financial Reporting Standards (IFRS)	180 – 192
15.	Annual Audit Letter	193 – 211
16.	<p>ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT</p> <p>MOTION TO EXCLUDE THE PRESS AND PUBLIC:- That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act (as amended) shown in respect of each item.</p>	
X1.	ANY EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-

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AGENDA ITEM: 8

Page nos. 1 – 5 (separate Appendix A)

Meeting	Audit Committee
Date	7 December 2010
Subject	One Barnet Update
Report of	Director, Commercial Services
Summary	An update of the progress against the Grant Thornton review of governance arrangements for the One Barnet Programme

Officer Contributors	Craig Cooper, Director Commercial Services; Claire Johnston, One Barnet Programme Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – One Barnet Business Case Framework (separate circulation)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Claire Johnston, One Barnet Programme Manager, 020 8359 7022

1. RECOMMENDATIONS

- 1.1 That the Committee notes the actions and plans of the One Barnet Programme to address Grant Thornton recommendations on the governance of the programme.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee, 11 March 2010, Item 8 (AUDIT PLAN 2009/10 (Report of the Interim Assistant Director of Finance)).
- 2.2 Cabinet, 21 October 2009, Decision 8, Future Shape of the Council.
- 2.3 Audit Committee, 21 September 2010, Item 11.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:

- Better services with less money
- Sharing opportunities, sharing responsibilities
- A successful London suburb

The One Barnet Programme has an overarching aim:

- To become a citizen centred organisation

To be delivered through the adoption of three key principles:

- A new relationship with citizens
- A one public sector approach
- A relentless drive for efficiency

4. RISK MANAGEMENT ISSUES

- 4.1 All External 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.
- 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.
- 4.3 An ineffectively managed One Barnet Programme would be likely to result in failure to realise the overarching aim of the programme (see section 3) or the potential efficiencies and benefits identified in the Future Shape of the Council Cabinet paper (21 October 2009).

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle of the Council 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.
- 5.2 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, however, the Spending Review has announced reductions in government support to local authorities of 26% over the next four years. Grant distribution, which has yet to be announced, could result in greater reductions for individual councils. In response to this challenge, the Council is consulting on potential budget reductions of £46m over the next three years.
- 6.2 The budget reductions currently being considered reflect One Barnet projects which are now in progress. Estimated savings from the first phase of One Barnet total £13.4m by year three of our plans (2013/14). The success of the programme is therefore important to the delivery of the Council's financial strategy. In response to this and the Grant Thornton report the programme as produced a business case framework.
- 6.3 In response Resource implications will be reviewed as part of delivering the recommended outputs, for example, the business case and benefits realisation plan.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9 BACKGROUND INFORMATION

- 9.1 The review of the One Barnet Programme by Grant Thornton was to be undertaken as part of the 2009/10 Use of Resources (UoR) framework. By the conclusion of the review the requirement for a UoR assessment had been abolished, but emerging findings have been used to inform the indicative UoR score for the Council.
- 9.2 Key findings showed that the programme is strongly aligned to the council's

corporate objectives and that the governance is generally robust.

9.3 There were, however, a number of recommendations made by the external auditor. These were responded to and set out below is what has been done to date against the recommended actions.

9.3.1 The Council develop and agree a business case for the One Barnet programme.

The programme has developed a business case framework, which is to be considered by Cabinet on 29 December 2010. The business case framework is attached at Appendix A.

9.3.2 Additional programme documents are developed and approved to ensure that the Council has the capacity to deliver the programme, is clear about how stakeholders will be engaged, and how performance improvement and programme benefits will be managed.

An overarching communication strategy has been developed for the programme. This is supported by individual draft action plans per project. A communication officer for the programme has been recruited in order to ensure these plans are robust and to support the implementation of these plans alongside our Corporate Communications team.

9.3.3 Develops a Transition Plan to ensure business as usual is maintained during the delivery of the programme, and finalise and agrees a programme Communication Strategy.

Transition plans are to be developed at the project level across the programme, where relevant. A Transition Strategy for the programme is to be considered by the One Barnet Programme Board on 7 December 2010. For the Communication Strategy see 9.3.2.

9.3.4 The Council should consider developing and agreeing a Benefits Realisation Framework.

A benefits realisation framework is to be established, pending agreement of the business case framework at Cabinet on 29 December 2010.

9.3.5 The Project Management arrangements are enhanced by ensuring that:

- A high level programme plan is developed and maintained
- Project tolerances are set and agreed
- Project communication plans are developed and implemented.

A high level plan has been included within the business case framework to be considered by Cabinet on 29 November 2010

Project tolerances are set on a project by project basis and signed off by project boards

Project communication plans have been signed off, where appropriate. Action plans are being reviewed and implemented

- 9.3.6 The approach to Risk Management be enhanced by ensuring that the programme has established risk management and issues resolution standards for all projects. For example, so that all PIDs adopt the same, corporate standard content, when setting out risks, and the process for escalating risks is clearly understood.

Risk management standards have been reviewed across the programme, with a new, standard approach being taken on the completion of risk registers. The process for the escalation of risks is clearly understood within the programme but is to be reviewed and revised, if necessary, along with the revision of overall governance arrangements of the programme.

10. LIST OF BACKGROUND PAPERS

- 10.1 Review of the Governance Arrangements of the One Barnet Programme Value for Money Review 2009/10, September 2010.
- 10.2 Anyone wishing to inspect these papers should contact Claire Johnston (020 8359 7022).

Legal: MM
CFO: JH

Appendix A

AGENDA ITEM: 6 Page nos.

Meeting	Cabinet
Date	29 November 2010
Subject	One Barnet Framework
Report of	Cabinet Member for Customer Access and Partnerships
Summary	Cabinet resolved in October 2009 to establish the Future Shape transformation programme as a response to a challenging strategic agenda. Since that time, robust arrangements have been established to progress the programme and projects have commenced. It is now appropriate to consider a One Barnet Framework to provide a clear foundation for current and future activity.

Officer Contributors	Craig Cooper, Director, Commercial Services Claire Johnston, One Barnet Programme Manager, Commercial Services
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – One Barnet Framework Appendix B – Estimated Financial Benefits Per Phase 1 Project
For decision by	Cabinet
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

1. RECOMMENDATIONS

- 1.1 That the One Barnet Programme Framework is approved**
- 1.2. That the funding strategy for One Barnet implementation costs, as set out in paragraph 6, is approved.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet, 6 May 2008 (Decision item 5) approved the establishment of the Future Shape of the Organisation¹.
- 2.2 Cabinet, 3 December 2008 (Decision item 5) approved the 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 should be undertaken.
- 2.3 Cabinet, 6 July 2009 (Decision item 5) approved that three principles would be adopted as the strategic basis for making future decisions:
 - A new relationship with citizens;
 - A one public sector approach; and
 - A relentless drive for efficiency

It also approved a phased approach to delivering the Future Shape Programme and immediate consolidation of activity in the areas of property, support and transact.
- 2.4 Cabinet, 21 October 2009 (Decision item 8) approved plans to implement the Future Shape programme.
- 2.5 Cabinet, 21 June 2010 considered the medium-term strategic context for the Council and likely very substantial financial challenges. Cabinet endorsed the Future Shape programme as the response to the challenges set out. The report also noted that the full implementation costs of Future Shape were not budgeted at that time and would need to be factored into future financial planning and in reviewing earmarked reserves.
- 2.6 The financial statements for 2009/10, agreed by the Audit Committee on 21 September 2010, established a Transformation Reserve to meet the costs of the Future Shape programme.
- 2.7 The Audit Committee on 21 September 2010 received a report from Grant Thornton, the external auditors, on the One Barnet programme. The report included a recommendation that a single, overarching One Barnet Business Case should be prepared. The decision to accept this recommendation was endorsed by the Audit Committee.
- 2.8 Cabinet, 20 October 2010 noted the impact of the emergency budget, consultation on formula grant and revised medium term financial strategy. It also agreed proposals for consultation on budget options. The budget options contained proposals in respect of One Barnet projects.

¹ The Future Shape programme has been renamed One Barnet Programme. The relevant previous decisions shown refer to meetings held before this change.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:

- Better services with less money
- Sharing opportunities, sharing responsibilities
- A successful London suburb

The One Barnet Programme has an overarching aim:

- To become a citizen centred organisation

To be delivered through the adoption of three key principles:

- A new relationship with citizens
- A one public sector approach
- A relentless drive for efficiency

3.2 The Grant Thornton Review of Governance Arrangements of the One Barnet Programme reported that: *“it is clear there is a strong alignment between the One Barnet programme and Corporate Priorities”*.

4. RISK MANAGEMENT ISSUES

4.1 Risks associated with the delivery of specific projects are managed and reported through corporate risk and project management processes and will be reported through existing democratic processes.

4.2 The overarching risks of not implementing this programme are that:

- The Council fails to keep pace with the level of legislative change and adapt services accordingly
- The Council fails to foster opportunities for investment by the private sector
- The Council fails to keep pace with changes in society, for example with regard to use of technology
- The Council fails to halt the decline in customer satisfaction
- The council fails to ensure existing commercial arrangements with third parties are delivering value for money
- The Council does not undertake the effective strategic planning needed to deliver services in a way which continues to meet growing residents' need in a challenging financial climate. Instead, the Council continues a programme of year on year cuts, leading to a decline in the quality of service delivery and customer satisfaction.

4.3 The overarching risks associated with the delivery of the programme are:

- Funding is not available to support Programme delivery, leading to failure to complete key activities or diminishing the quality of Programme outcomes
- In a challenging climate, partners may not remain aligned with the Council's aims, reducing its ability to deliver and sustain One Barnet project and programme objectives

- Uncertainty that the market will respond as anticipated to the bundles of services under consideration
 - Contracts which are not robust and which do not achieve intended outcomes or protect the Council from risk
 - Loss of internal and external engagement due to poor communication
 - Reputational damage as a result of not delivering the benefits of the programme
 - Appropriate monitoring arrangements are not in place to ensure milestones are met at key stages of the implementation.
- 4.4 A programme risk register is managed by the Programme Management Office and reported to the One Barnet Programme Board.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The programme's approach to assessing equalities issues is that which has been set out in the Corporate Plan for the Council as a whole
- 5.2 As part of the Council's commitment to promoting equalities, projects will be subject to equalities impact assessments which will gather information about any differential impacts, or potential or perceived impacts on different groups, including all of those groups covered by the Equality Act 2010. Members will be able to use this information to support them in having due regard to their duties under the Act.
- 5.3 The Programme Management Office will keep an overview of equalities impacts to ensure consideration is given to undue impact on particular groups
- 5.4 Equalities Impact Assessments will be included in the business cases for each project. As projects progress and the organisation changes we will conduct further equalities impact assessments as part of any proposed changes in order to mitigate potential risk of inequality.
- 5.5 Templates have been developed to be used across services to assess the equalities impact upon service re-design, organisational resizing and financial forwarding planning. Training has been, and will continue to be, provided to support this activity.

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

- 6.1 The Spending Review has announced reductions in government support to local authorities of 26% over the next four years. Grant distribution, which has yet to be announced, could result in greater reductions for individual councils. In response to this challenge, the Council is consulting on potential budget reductions of £46m over the next three years.
- 6.2 Work on the One Barnet programme has been accelerated and is closely aligned with business and financial planning. As a result of this, the budget reductions currently being considered reflect One Barnet projects which are now in progress. Estimated savings from the first phase of One Barnet total £13.4m by year three of our plans (2013/14), rising to £14.0m in later years. These are figures for annual base budget savings, so the total value of

savings for a five and nine year period are £45m and £102m respectively. Appendix B shows the projected savings per project in phase 1.

- 6.3 It is essential that the Council has sufficient capacity to deliver the One Barnet programme with strong governance and programme and project management. This includes necessary financial, procurement, human resources and legal expertise to ensure robust service delivery arrangements are put in place which deliver desired outcomes and protect the Council's position.
- 6.4 The revised budget for 2010/11 contains provision for One Barnet programme costs of £1.5m to enable early progress to be made and savings delivered, including in the current financial year. An earmarked reserve (the Transformation Reserve) has been established to build provision for taking forward the bulk of the programme. The uncommitted balance of that provision at March 2010 is £1.5m. The 2010/11 budget contains provision for gross additions to earmarked reserves of £6m, and, in line with the funding strategy adopted, this should be added to the Transformation Reserve, giving a total provision for One Barnet implementation costs of £9m.
- 6.5 The estimated costs to deliver the projects currently identified within the programme are £9.2m over the period 2010/11 to 2012/13. This includes the additional costs in respect of the Programme Management Office. The cost can be analysed as follows:

	£m
To enable 'quick win' (2010/11 savings) projects (2010/11 cost budget)	0.4
To commence projects delivering future years benefits:	
• balance of 2010/11 cost budget	1.1
• accelerated progress in 2010/11 (Transformation Reserve)	1.0
Future years' costs (Transformation Reserve)	6.7
Total	9.2

- 6.6 One Barnet is a medium-term transformation programme providing the framework to enable future phases of projects to come forward. The financial strategy will be progressed to enable sufficient future funding to be identified within the Transformation Reserve to enable future phases to progress. The Business Case approach will ensure that benefits (including financial savings) will be commensurate with implementation costs to be incurred.

7. LEGAL ISSUES

- 7.1 Specialist legal advice will be required to support a transformation of this magnitude. In addition to advice on procurement and contracts, this will include advice on areas such as taxation, company law and corporate structures in the context of potentially new and untested areas
- 7.2 Where approval is given to initiate procurement, processes will comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination.

- 7.3 In the event that services are to be externalised as a result of the One Barnet Programme, the Council will comply with its legal obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) with respect to the transfer of staff. Where they apply, the Regulations impose information and consultation obligations upon the Council and the incoming contractor and operate to transfer the contracts of employment, of staff employed immediately before a transfer, to the new contractor at the point of transfer of the services.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution, Part 3, Responsibility for Functions, section 3 – Responsibilities of the Executive.

9 BACKGROUND INFORMATION

From Future Shape to One Barnet

- 9.1 The Cabinet initiated the Future Shape Programme in 2008 to help the Council meet a number of significant challenges that would not be addressed through business as usual. These were:
- Declining public satisfaction with the Council (in common with other councils) – public satisfaction with the Council declined from 60% in 2004 to 51% in 2009, despite service standards rising over that time;
 - Increased expectations from customers for more personalised services, and continued pressure to provide more services;
 - The ongoing existence of complex problems that policies and projects have consistently failed to resolve (such as high demand families);
 - The global recession which suggested a looming reduction in the public sector budget.
- 9.2 In July 2009 Cabinet adopted the Future Shape Phase 2 interim report setting out a new direction for the Council, agreeing to a programme of activity under three key principles: a one public sector approach, a relentless drive for efficiency and a new relationship with citizens. The July report was primarily focussed on the first two of these principles with the Council working closely with its public sector partners to share resources and work together to achieve economies of scope and scale.
- 9.3 In October 2009 Cabinet approved plans to implement the Future Shape of the Council programme. The first phase of the programme through the initiation of the first tranche of projects has been put in place. A programme management office has been established and programme governance arrangements put in place. Now is therefore an appropriate time to draw back together some of the key strands of the programme to ensure that projects already in place, and those that will be put in place, are properly aligned to the overall strategy, that the programme overall will deliver its key objectives, and to put in place a process to track on an ongoing basis the costs and benefits arising from the programme.
- 9.4 An audit of the programme governance arrangements was carried out in the

first quarter of 2010-11 by Grant Thornton, as part of the Use of Resources framework. The primary purpose of the audit was to identify any gaps between existing governance arrangements and best practice – using the OGC's Managing Successful Programmes as the comparison. The recommendations from this report were reviewed at the Audit Committee in September. Recommendations from the external auditor included that *'the council develop and agree a business case for the One Barnet Programme'*.

- 9.5 A Future Shape Overview and Scrutiny Panel (now to be called One Barnet Overview and Scrutiny Panel) was established, with its first meeting having taken place in February 2010. It's terms of reference are:

The Panel will operate concurrently with the One Barnet Programme Board, evaluating and challenging business cases, reviewing options appraisals, examining linkages between the strands of the Future Shape programme, overseeing implementation and referring issues to the One Barnet Programme Board and/or Cabinet.

- 9.6 The Panel has a pre-scrutiny role, reviewing key documentation for projects before they are presented at the One Barnet Programme Board. It has reviewed and made recommendations on a number of the large and complex projects. Feedback has included recommendations on what should be included in full business cases for a number of the projects. These projects have not yet completed full business cases, but have taken the Panel's recommendations into consideration.
- 9.7 The Panel has also input into the programme's work on employee equalities impact assessments, as well as reviewing and making recommendations on activity to improve our engagement with citizens via the web.

One Barnet Framework

- 9.8 The framework aims to:
- Consider whether the drivers for change are still relevant, two years on;
 - To clearly set out the overarching strategy
 - To identify the outcomes we aim to deliver to achieve the necessary change
 - To identify steps already being taken to achieve the stated outcomes
 - To set out the estimated level of investment required to achieve the outcomes
 - To outline the benefits financial and non financial, that the Council will achieve as a result of One Barnet

The overarching aim of the programme is to create a citizen centred organisation. The aim will be achieved by ensuring that projects and programme activity are aligned to the three principles stated in 3.1 (and below):

- A new relationship with citizens
- A one public sector approach
- A relentless drive for efficiency

- 9.9 It is recognised that all activity required to deliver the benefits of the programme cannot be anticipated at this stage. For this reason, the

- Activities we know are required to deliver transformation across Barnet Council and public sector partner services. An example is work to improve the sharing of customer insight data
 - Projects which have been set up to deliver benefits set out in the business case
 - An indication of areas of work which are already on the Council and partner agendas but which have not yet been developed into projects
- 9.10 The benefits which we know can be delivered as a result of the first phase of One Barnet projects include:
- Increased customer satisfaction
 - Save residents time when interacting with the Council
 - More enquiries resolved at first point of contact
 - Greater choice and control for residents and customers
 - Residents enabled to lead independent and successful lives
 - Increased quality of services
 - Organisational efficiencies
 - Increased value for money
 - Financial savings
- 9.11 This is an ongoing programme and the nature, content and structure of the Framework has been developed to reflect this. The number and the complexity of projects will evolve as benefits are realised and the scope of further work needed to deliver the programme objectives becomes clearer. The Framework will therefore be updated on an ongoing basis as projects progress to a point where costs and benefits are more clearly identified.
- 9.12 Progress on project activity will be reported to Cabinet Resources committee, with regular updates to Cabinet

10. LIST OF BACKGROUND PAPERS

- 10.1 Review of One Barnet Governance Arrangements of the One Barnet Programme, Value for Money Review 2009/10, Grant Thornton September 2010
- 10.2 One Barnet Overview and Scrutiny Panel Terms of Reference, November 2010
- 10.3 Anyone wishing to inspect these papers should contact Claire Johnston (020 8359 7022)

Legal: MM
Finance: JH / AT

Appendix A: One Barnet Framework

One Barnet Framework

From Future Shape to One Barnet

The Future Shape Programme was set up in 2008 to identify how the Council and its partners should deliver services in future.

That work identified that radical changes were needed and earlier this year we set up the One Barnet Programme to deliver the strategy set out by Future Shape.

This document is intended to:

- Clearly set out the overarching strategy and business case
- Consider whether the drivers for change are still relevant, two years on;
- Identify the outcomes we aim to deliver to achieve the necessary change
- Identify steps already being taken to achieve the stated outcomes
- Set out the estimated level of investment required to achieve the outcomes
- Outline the financial and non financial benefits the Council will achieve as a result of One Barnet

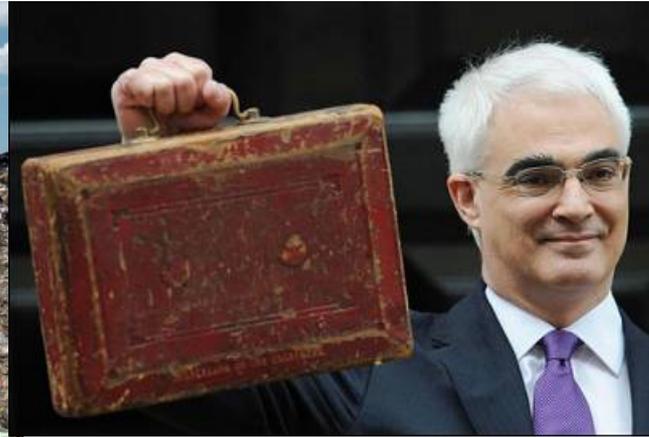
The business case is set out in four sections:

- Drivers for change and strategic objectives
- Our approach
- Outcomes and benefits
- The financial costs and benefits

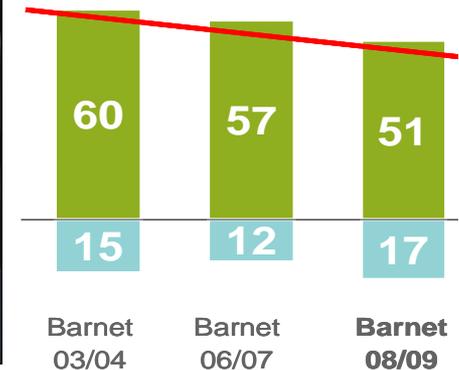
This is not a static document. Although published on 19 November it will be revised as projects close, others start and as more information is available on costs and benefits.

I: Drivers for change and strategic objectives

Drivers for change – 2008



Customer Satisfaction



We originally identified three key drivers for change:

1. The need to find new ways to tackle challenging problems

- For instance our refuse services as currently constituted cannot tackle the most challenging waste problem we face – how to significantly reduce the amount of waste going into landfill.

2. The financial context

- We anticipated that financial pressures resulting from the global recession would bring the era of consistently increasing public sector budgets to an end.

3. Resident satisfaction

- Despite consistent improvements in service delivery, satisfaction with Barnet Council, as with other local authorities, has been on a downward trend.

Drivers for change – 2010



We were right in 2008

- We still need to find new ways to tackle challenging problems.
- We now have greater certainty about the scale of the financial challenge. Within the Council there is a funding gap of £42m over the next three years, and our public sector partners face challenges of a similar scale. There are other predicted pressures which would require us to make savings of £48m.
- Digital technology continues to change and develop, as do the ways that people use it to change and grow. Residents will continue to expect us to deliver against those standards of instant information and access to services.

In addition:

- Our identification of the need to develop a new partnership with our residents to deliver services in future is echoed by the Coalition Government's focus on a Big Society;
- The Government's focus on localism and devolution sets a national context for our aim to provide local leadership and joined up services across the public sector.

Our overarching aim

A citizen-centred council

A new relationship
with citizens

A one public sector
approach

A relentless drive
for efficiency

Our response to the drivers identified on the previous pages has been, and remains, **to create a citizen-centred council** to ensure that citizens get the services they need to lead successful lives, and to ensure that Barnet is a successful place. We continue to believe that this is best delivered through the adoption of the three key principles of the programme.

A new relationship with citizens

Enabling residents to access information and support and to do more for themselves

A one public sector approach

Working together in a more joined up way with our public sector partners to deliver better services

A relentless drive for efficiency

Delivering more choice for better value

A new relationship with citizens

The Deal

What we will do for residents

What residents will do with us



A new relationship with citizens means that we will work together in a different way. We will provide a better service, putting citizens at the heart of what we do. In return we expect that they will do what they can for themselves, their families and their community.

We will provide information and services in ways that are convenient and which provide choice. Citizens will be responsible for taking the opportunities that are offered and we will give them the information they need to hold us to account.

A new relationship with citizens

What we will do for residents

What residents will do with us



Enable choice and control

Make best use of opportunities



Provide clear information

Do all they can to support themselves, families, community



Tailor services for residents

Hold us accountable



The relentless drive for efficiency

A relentless drive for efficiency means that we will make sure every pound is spent as effectively as possible, which may mean providing services in different ways and certainly means organising the Council in a different way.

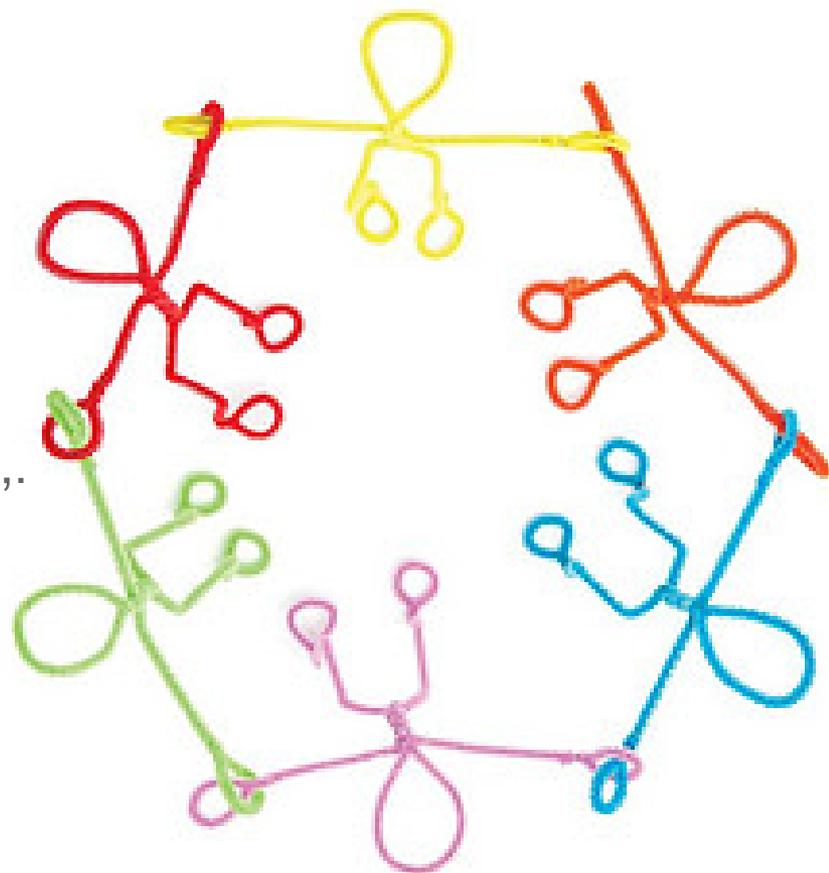


It also means recognising that our residents' time is valuable and that we should make sure that when they want to do something, the process is clear, simple and efficient.



Our focus will be on which delivery models can best achieve this efficiency

A one public sector approach

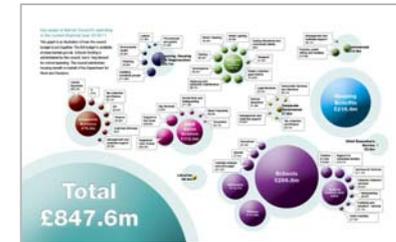
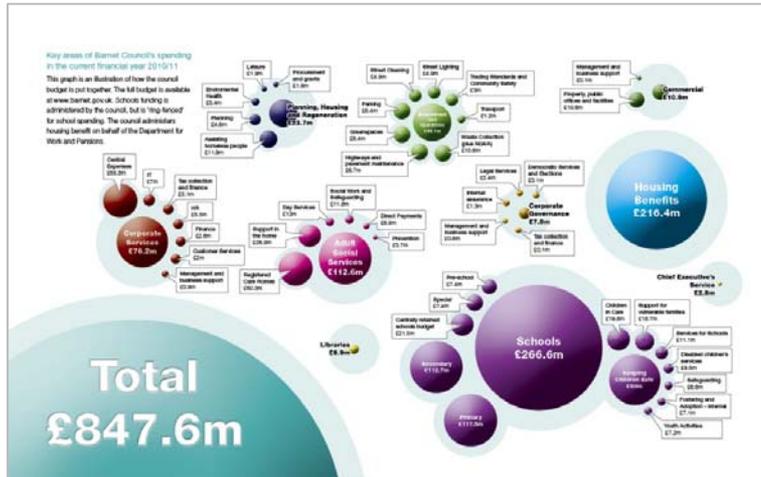


Democratic accountability remains at the heart of serving residents successfully.

We will work with partners to create truly joined up services, with the citizens at their heart.

Residents want good, efficient services, no matter who provides them.

All within a smaller budget



One Barnet is not fundamentally about budget cuts. Even without the budget pressures we currently face, we would still need a radical transformation programme to deliver the services which citizens expect.

However, the fact remains that Government funding to the Council will reduce by over a quarter over the next four years.

The programme therefore needs to ensure that we are able to better serve our residents in the long term within a much smaller financial envelope.

II: Our approach

One Barnet Programme

In order to deliver the large scale change which is required, the One Barnet transformation programme has been initiated. The aim of the programme is to deliver seamless services, wrapped around the customer.

The scope of the programme is broad and will look at every aspect of the services we provide, the way we work with citizens, partners and the way we organise ourselves.

Each of the projects already underway in the programme adhere to one or more of the three key principles set out earlier. The programme will evolve and new projects will be initiated, designed to align our organisation and our partners to the One Barnet principles to ensure we achieve our aim of becoming a more citizen centred organisation

Key questions we are asking of all our services

Are they still necessary?



Are they giving the customer what they need?

FixMyStreet

Photos of recent reports

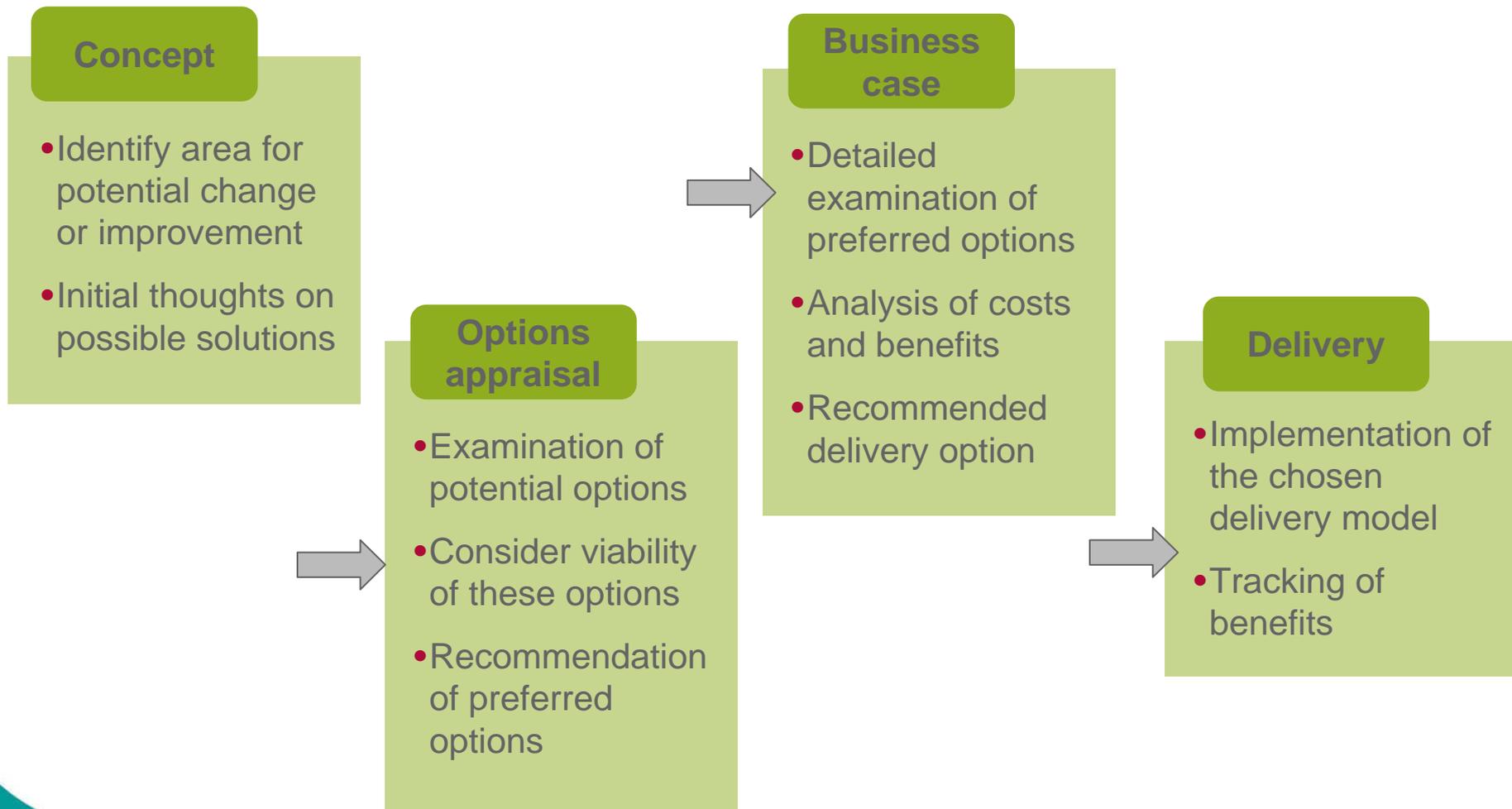


Who is best placed to manage and run them?



Project approach

Fundamental to One Barnet is a staged approach to each project:



III: Outcomes, enablers and benefits

Enablers

There are a number of key components and capabilities that we are currently developing and putting in place to support the projects and our approach to delivering the outcomes for the One Barnet Programme.

A new approach to citizen empowerment – developing ways to engage and collaborate with residents to empower them to have a greater role in designing and delivering community services.

Building the capacity of residents & communities – building on the skills and capabilities of our residents to help deliver the outcomes they tell us are important.

Developing tools to enable residents to do more for themselves – making it simple, clear and easy to do.

Customer insight – enhancing and sharing our intelligence across the public sector to inform decision making and service design based on residents' needs.

Culture – developing a culture with shared values that put the customer at the heart of everything we do.

Governance – establishing governance frameworks that give clear accountability and remove barriers to integrated, customer focused services.

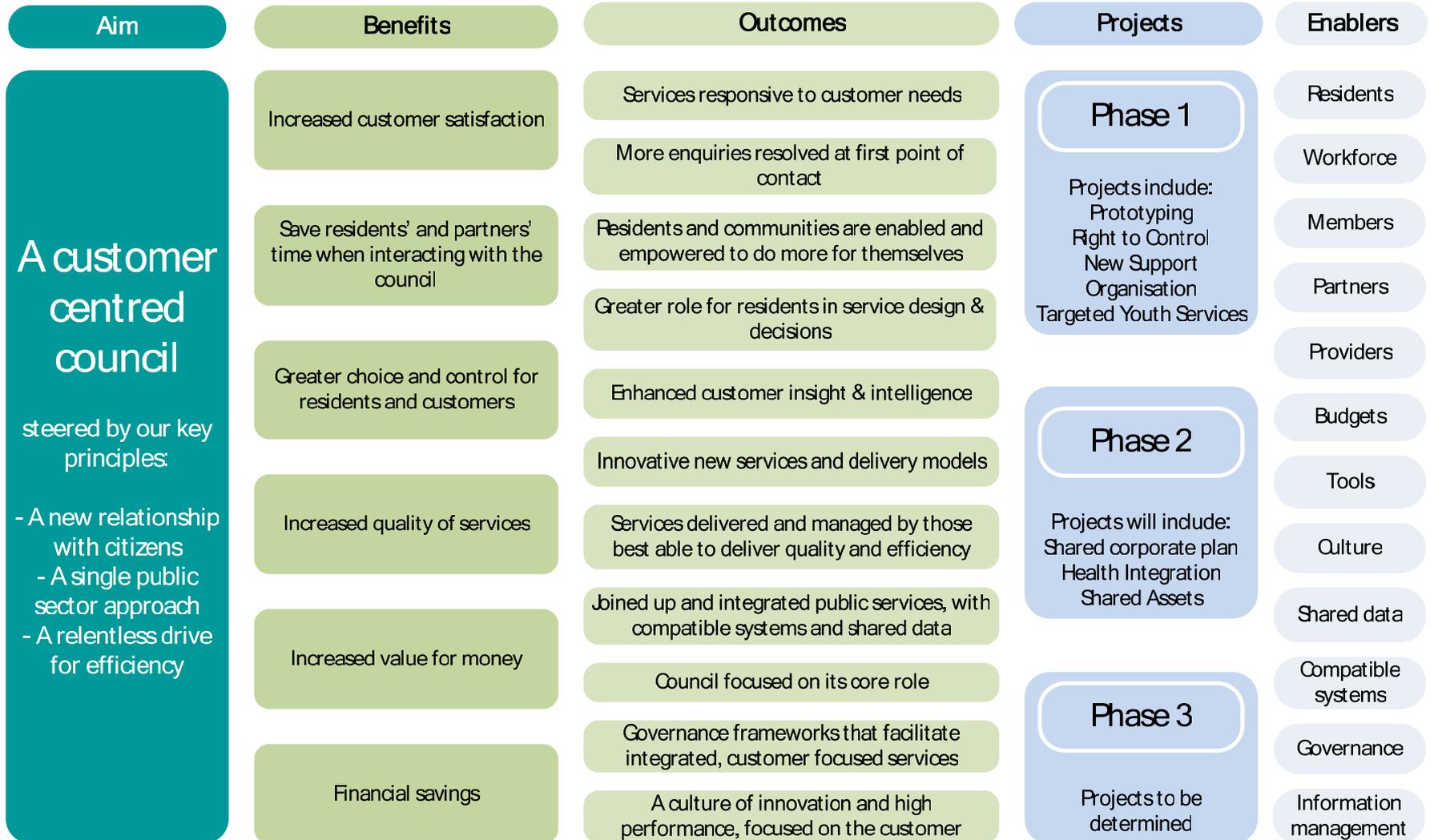
Workforce strategy – ensuring the workforce has the skills and competencies required for the future role of public services.

Information management – looking after data and ensuring it is used effectively to ultimately deliver better services.

Compatible systems – streamlining systems and linking them to improve efficiency and facilitate the delivery of seamless customer services.

Data sharing – establishing mechanisms for sharing data where it will provide a more seamless customer experience and deliver efficiencies, whilst protecting personal data.

Outcomes and benefits



Project phasing

The One Barnet Programme has a mixed portfolio of projects:

- Reviewing our service offer and relationship with customers
- Testing innovative ways of working with partners and community groups
- Improving the way we work, including streamlining of processes and maximising the potential of our current systems
- Large scale reviews of our service models and providers.

Phase 1 projects are already in progress and have defined benefits. The following slide provides an indicative timescale for these projects during the first phase of the programme (2010–12) and some potential projects we have identified for the next phase.

We will continue to review our position and define and scope projects in future phases as the programme progresses.

Indicative project phasing

Phase 1:
2010/11 – 2011/12

Phase 2:
2012/13 – 2013/14

Phase 3:
2014/15 onwards

Customer service organisation

Right to Control

New relationship with schools

Early intervention and prevention - CYP

AdSS in house service review

Role of social care services

Targeted youth services

Customer insight

Parking review

Community based budget pilot

Passenger transport review

Environmental services review

Libraries review

Development & regulatory services

New support organisation (back office)

Shared vision with partners

SAP / Procurement

Health Integration

Income Optimisation

Shared corporate plan

Prototyping

LSP governance

Shared assets

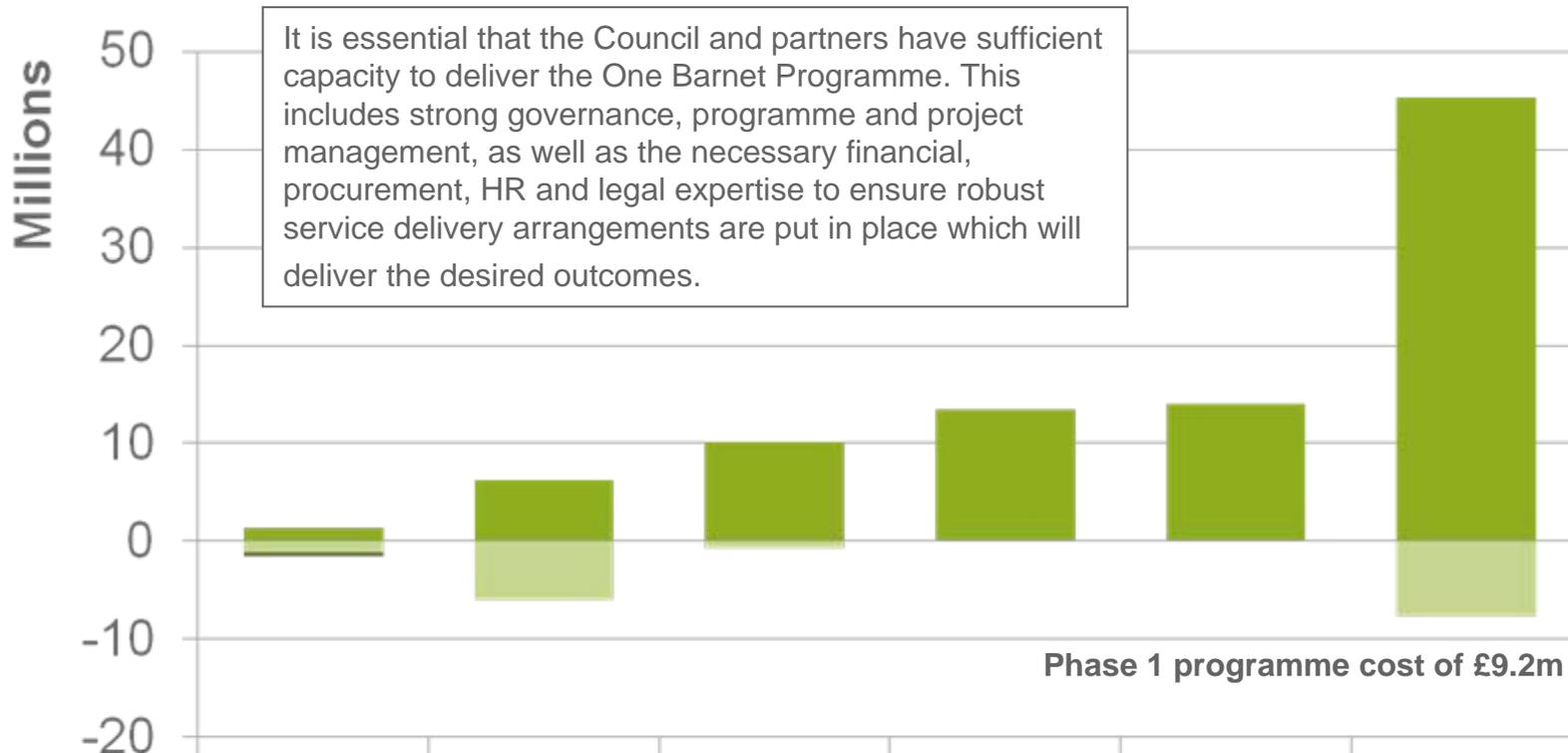
E-recruitment

Web transformation

Shared financial strategy

Further projects will be defined and scoped as the programme progresses to ensure we can adapt to our internal and external drivers and context as we strive to deliver the One Barnet outcomes

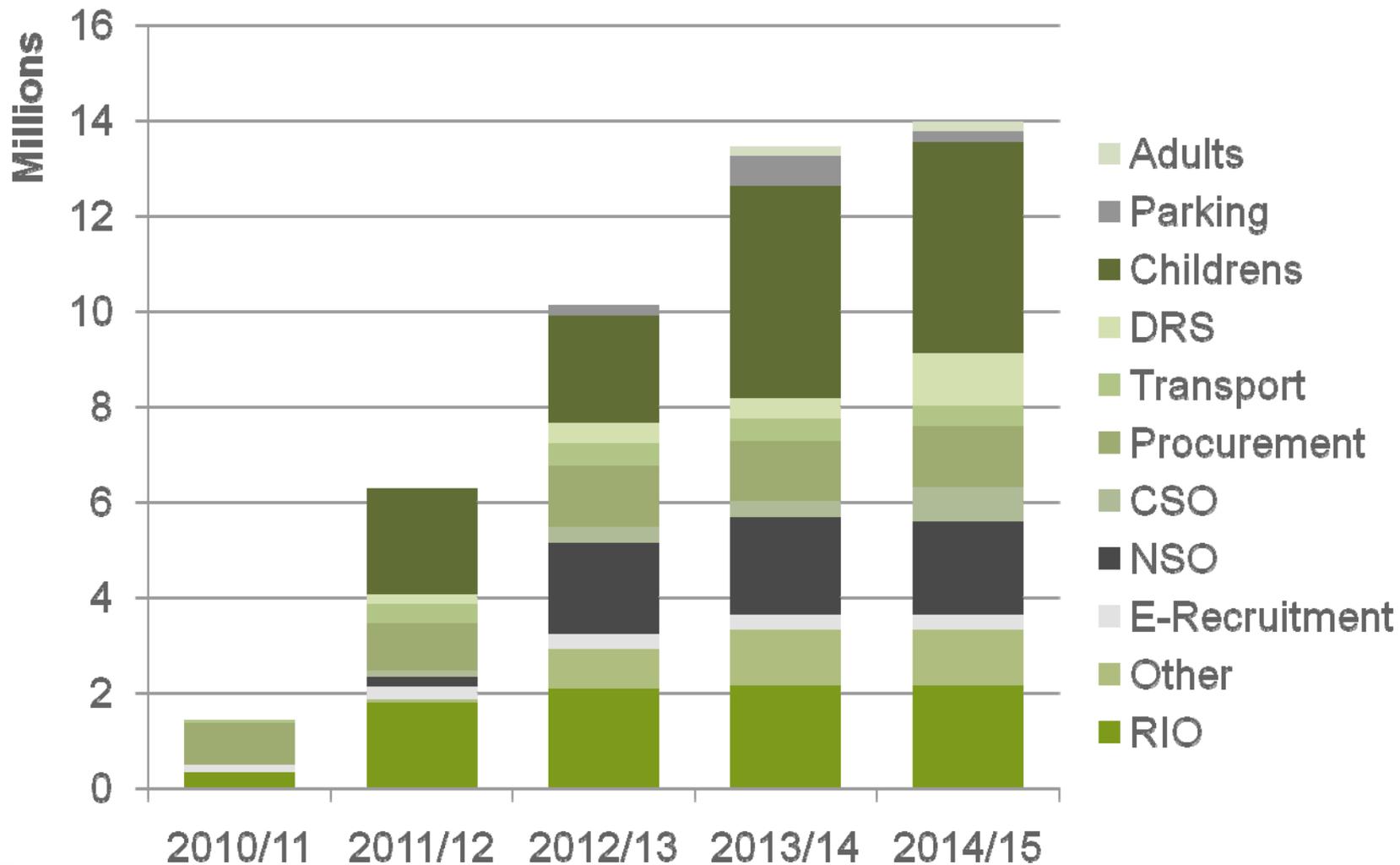
Financial benefits from phase 1 projects



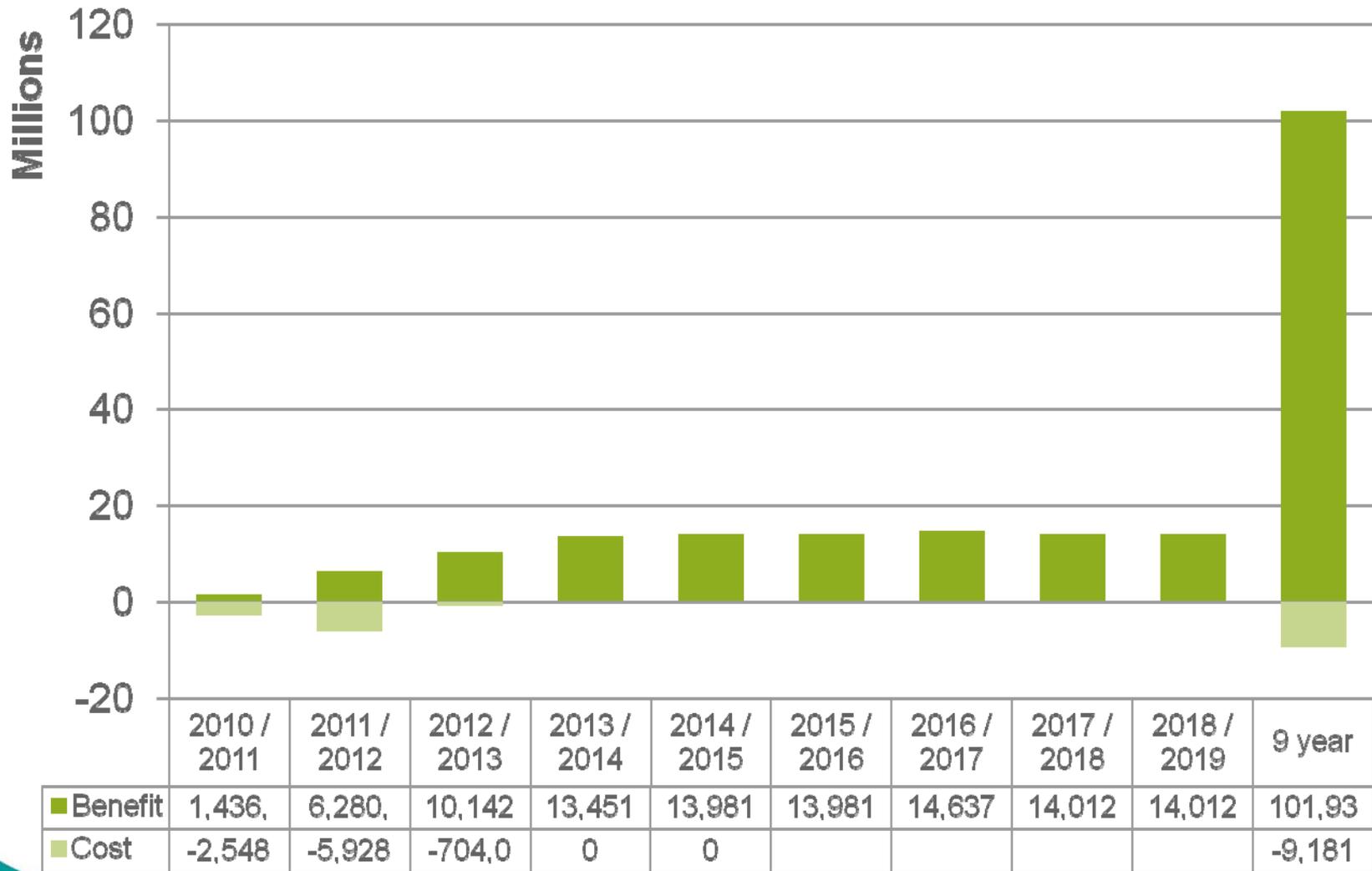
Phase 1 programme cost of £9.2m

	2010/11	2011/12	2012/13	2013/14	2014/15	5 year
■ Benefit	1,436,900	6,280,900	10,142,400	13,451,400	13,981,570	45,293,170
■ 2010/11 cost budget	-1,500,000	0	0	0	0	-1,500,000
■ Transformation reserves	-1,048,269	-5,928,989	-704,000	0	0	-7,681,258

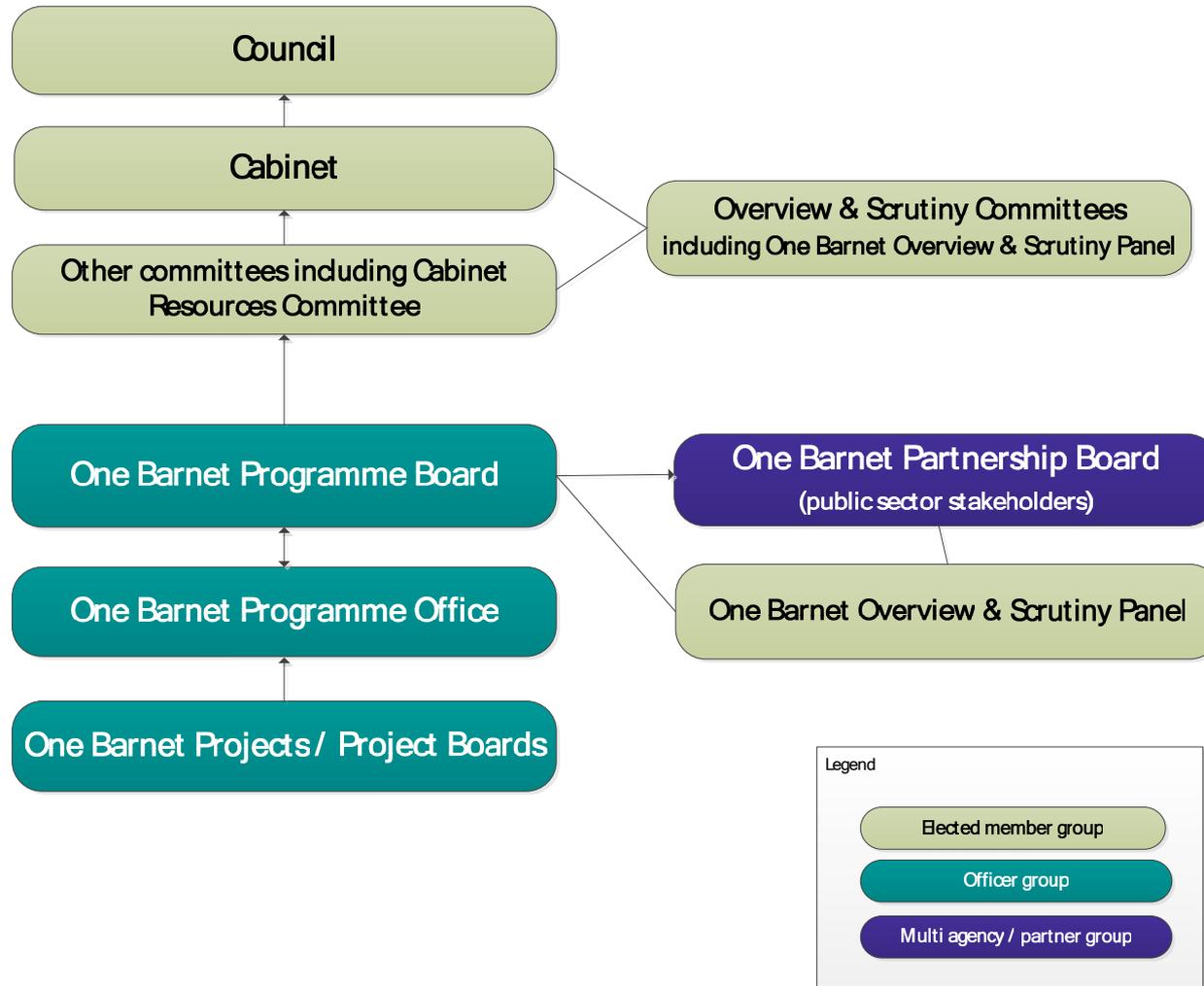
Financial benefits from phase 1 projects



One Barnet Programme nine year outlook



Programme Governance



Equalities statement

The council has a strong commitment to making equalities and diversity integral to everything it does. We have adopted a model that recognises that people are often disabled by their environment and other people's attitudes.

- The Council's approach to assessing equalities is set out in the Corporate Plan 2010-13.
- As part of the Council's commitment to promoting equalities, projects will be subject to equalities impact assessments which will gather information about any differential impacts, or potential or perceived impacts on different groups, including all of those groups covered by the Equality Act 2010. Members will be able to use this information to support them in having due regard to their duties under the Act
- These considerations will provide fact-specific information as well as assessing the impact of those facts on different groups of people including disabled people in Barnet.
- The programme has been explicit in how it will support the Council in meeting its statutory obligations under the Equality Act 2010 by using equality assessments to demonstrate that 'due regard' has been taken to support members in making informed decision
- Templates have been developed and cascaded across services to assess the equalities impact upon service re-design, organisational resizing and financial forwarding planning.
- Training has been and will continue to be provided to support this activity

Appendix B: Estimated Financial Benefits Per Phase 1 Project

Project	2010/11*	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
RIO	340,000	1,792,000	2,084,000	2,154,000	2,154,000	2,154,000	2,154,000	2,154,000	2,154,000
E-Recruitment	161,000	275,000	314,500	314,500	314,500	314,500	314,500	314,500	314,500
Procurement	864,900	974,900	1,274,900	1,274,900	1,274,900	1,274,900	1,274,900	1,274,900	1,274,900
Transport	71,000	417,000	471,000	471,000	429,000	429,000	429,000	363,000	363,000
NSO	-	196,000	1,916,000	2,036,000	1,960,920	1,960,920	2,451,150	2,074,050	2,074,050
CSO	-	145,000	335,000	335,000	715,000	715,000	715,000	695,000	695,000
DRS	-	200,000	430,000	430,000	1,093,000	1,093,000	1,258,750	1,131,250	1,131,250
Children's Service	-	2,211,000	2,248,000	4,441,000	4,441,000	4,441,000	4,441,000	4,441,000	4,441,000
Other	-	70,000	830,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000
Parking	-	-	239,000	620,000	208,000	208,000	208,000	176,000	176,000
Adults	-	-	-	200,000	216,250	216,250	216,250	213,750	213,750
Savings	1,436,900	6,280,900	10,142,400	13,451,400	13,981,570	13,981,570	14,637,550	14,012,450	14,012,450
Cumulative savings	1,436,900	7,717,800	17,860,200	31,311,600	45,293,170	59,274,740	73,912,290	87,924,740	101,937,190

* - figures presented for 2010/11 are not estimates

AGENDA ITEM: 9

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Meeting	Audit Committee
Date	7 December 2010
Subject	Internal Audit Progress Report
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendices.

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A - Internal Audit Progress Report
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Maryellen Salter, Assistant Director of Finance - Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Report and the actions being taken to address the deficiencies.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the Audit Committee meeting on 11 March 2010 members accepted that there would be progress reports to all future meetings of the Committee and, that for all “limited” or “no assurance” audits, there should be a brief explanation of the issues identified. It was also resolved at the meeting of the 21st September 2010 that where an audit had limited assurance that greater detail be provided than previously.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit planned activity is aligned with the Council's objectives, particularly the “Better Services with Less Money” priority, 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.

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 and agreeing actions to address the weaknesses.
- 4.2 Internal Audit work contributes 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. Individual audits assess as appropriate the differential aspects on different groups of individuals.

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

- 6.1 As the Internal Audit plan is risk based this provides more appropriate assurance on those high priority areas within the Council. When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.

7. LEGAL ISSUES

- 7.1 No legal issues in the context of this report. Legal advice and assistance is readily available to Directorates to ensure the Council properly complies with public procurement requirements.

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 effectively.

9 BACKGROUND INFORMATION

- 9.1 This report provides details of the audits carried out during July to October 2010 and also gives the assurance level for each audit. These will ultimately lead to the overall assurance opinion for the year included within the Annual Governance Statement.

10. LIST OF BACKGROUND PAPERS

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

Legal: MM

Finance: MC/JH

London Borough of Barnet
Internal Audit & Risk Management
Progress Report 2010-11– Quarter 2

Maryellen Salter, Assistant Director of Finance, Audit and Risk Management

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Appendices:

- A: 2010/11 Work during quarter including assurance levels
- B: High level recommendations (priority 1)
- C: Work in progress
- D: Internal Audit Effectiveness Indicators
- E: Risk Management Improvement Plan

1. Introduction

The Internal Audit Plan was agreed by the Audit Committee on the 11th March 2010. This report follows the principles previously accepted by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

In addition, we have provided information for the Audit Committee to consider in relation to risk management.

2. Final Reports Issued

This report covers the period from 31 July 2010 to the 31 October 2010. The Internal Audit service has over this period issued 8 reports in accordance with the 2010-11 Internal Audit Plan. The full list of completed audits during this period is included within Appendix A. Of the 8, all but 2 were graded at satisfactory assurance.

Of the 8 completed 2 audits were carried forward from the 2009-10 Internal Audit Plan. In future all audits for the year will be completed for the June Audit Committee in line with when the Overall Internal Audit Opinion is given. Targets for individuals within the in-house team and the outsourced contract have been set to ensure that this occurs (these targets feed into those reported in Appendix D).

The approach to follow-up audits will be that audits will be dependent on the overall assurance given and the priority of the recommendations. Those with limited or no assurance will be followed up by the service. The majority of the follow-up audits are planned for quarters 3 and 4.

3. Key Findings from Internal Audit Work

Title	Risk Management (2009-10 Internal Audit Plan) – Finance Directorate			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel (Follow-up in 2008/09)				
Date final report issued	25 th October 2010			
Background	<p>The purpose of the audit was to determine whether the Council has a Risk Management Strategy (RMS) that meets the Council's needs, complies with best practice and results in effective risk management across the Authority.</p> <p>The Council's Risk Management Strategy (May 2008) explains that "An effective Risk Management process will allow management to have assurance that all corporate and system objectives will be met efficiently and effectively. If operating effectively, it is expected that the results will include increased efficiency, reduced costs and added protection to the Council's reputation".</p>			

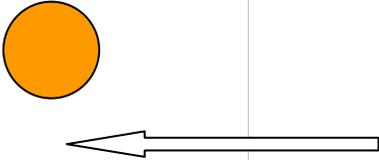
Summary of Findings	<p>The following key findings were reported:</p> <ul style="list-style-type: none">• there is not an integrated corporate approach to risk management arrangements across the Council – this was evidenced by the CRMT not being engaged in the following corporate business processes in relation to risk management:<ul style="list-style-type: none">• reporting of financial risks• reporting of partnership risks• project and programme risks• health and safety risks• it was not possible to establish how risks set in the context of corporate priorities in the 2009-10 Corporate Plan had been risk assessed – there is no clear reference to show the corporate risks link to the corporate priorities - it was confirmed by the Head of Risk & Insurance and Corporate Risk Officer that there is no clear “management trail” to demonstrate this.• the current risk management arrangements and practice are not in accordance with the adopted risk management strategy
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<p>Priority 1 recommendations</p>	<p>There were three priority 1 recommendations that are summarised as follows:</p> <p>(1) As part of the continuous migration of the risk information, Corporate Risk Management Team (CRMT) should remind all Service Performance Leads that:</p> <ul style="list-style-type: none"> - risks are transferred onto the RM System within an agreed timeframe; - recording of risks in the excel spreadsheet format stops; and - progress reported back to the Risk Management forums. <p>CRMT should ensure that the corporate risks are also recorded onto the system.</p> <p>(2) CRMT should:</p> <p>a) develop formal reporting arrangements with the Council's Officer responsible for LSPs and Service Performance Leads to seek assurance that there are effective arrangements;</p> <ul style="list-style-type: none"> - for managing partnership risks in the delivery of Council services and there is evidence to provide assurance about the management of risk; - within the Business Continuity arrangements, which is a specific risk management process designed to manage the risk that may interrupt or stop effective service delivery. <p>b) increase awareness through training that services need to develop their understanding of the common risks they share and work together to manage them. The complex interconnection between services e.g. children's service, NHS and adult services socials, means that services need to share and understand key cross cutting risks.</p> <p>(3) CRMT should ensure that data within the Web Based RM System should be used for all reporting purposes</p>
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Management Responses and agreed action dates

Management has agreed the following responses in relation to above recommendations:

- (1) All risks are now recorded within the Council's live risk management system, JCAD. All system generated reports showing the top three risks in each directorate are taken to the Risk Forum for scrutiny and challenge amongst risk champions. Recommendation has been implemented.
- (2) Partnership risks are managed as part of Directorates risk registers. Due to the LAA being announced as ended and Barnet being announced as a pilot for Community based budgets (formerly known as place based budgets) there will be some major changes to the LSP. More will be led by the One Barnet Programme and risk managed within that context. Business Continuity appears on every directorate risk register and indeed is part of the annual Internal Control Checklist (ICC). The Risk Forum has been used to share and challenge new and emerging risks and these meetings occur on a quarterly basis. Some of these have been implemented and the remainder will be implemented by March 2011.
- (3) The reporting cycle for risks has been joined up with performance reporting on a quarterly basis. This feeds into the Corporate Directors Group, Statutory Officers Group and Cabinet Resources Committee (CRC). It is also a part of the risk Forum to receive these reports quarterly and challenge the content. Reporting will continue to evolve through this process. All reports are run from the Council's 'live' risk management system JCAD. All actions have been implemented.

Title	Independent Provider Performance – Building Resilience and Supporting Independence (BRSI) (2010-11 Internal Audit Plan) – Children’s Service			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Last review : Children in Care Feb 2010				
Date final report issued	9 th September 2010			
Background	<p>The review focused on independent provider performance in BRSI (Building Resilience and Supporting Independence). The allocation at the 1st April 2010 for 2010-11, Sure Start funding amounts to £11,372,740 and base budget amounts to £1,906,060.</p> <p>The audit reviewed compliance with contract procedures, contract monitoring, including safety arrangements and delivery issues, payment procedures and how the Council achieves value for money from independent providers. This covered strategic, operational and financial areas within these projects. Specifically we reviewed arrangements for the following agreements relating to applications and approval for funding for projects/initiatives set up to deliver outcomes for children and young people:</p> <ul style="list-style-type: none"> a) LBB Raising Standards Team (internal) b) Childminding Team (internal) c) Coram (external) d) Royal Free Hampstead NHS Trust (external) 			

<p>Summary of Findings</p>	<p>Following on from the scope outlined the findings were as follows:</p> <p>(1) Strategy – limited assurance that the objectives would be met. The strategy involved the formal approval of contractors following satisfactory demonstration of how their delivery would support key objectives. Mechanisms to select contractors able to maximise VfM outcomes based on the capturing, analysis and use of related intelligence are planned through the introduction of tender/quotation processes. The strategy involved the routine monitoring of contractor delivery based on evaluation submissions. There is scope for improving contract monitoring processes for confirming and monitoring arrangements for data security at and CRB checking by external contractors as part of the strategy.</p> <p>(2) Operational - provide limited assurance that the objective will be achieved. There was evidence of effective processes for linking contractor activity to key objectives and performance measures and the monitoring or planned monitoring of delivery of the numerous contractors. There is scope for improving arrangements for linking contractor delivery to performance measures and targets related to desired outcomes for children (i.e. impact on children not merely activity) and for validating the information, submitted by contractors as part of the contract monitoring process, as proof of their performance.</p> <p>(3) Financial - satisfactory assurance that the amounts are correctly paid for services authorised and delivered for BRSI contracts monitored by the BRSI Divisional Manager.</p>
<p>Priority 1 recommendations</p> <p>Management Responses and agreed action dates</p>	<p>There were no priority 1 recommendations however a series of priority 2 recommendations that the relevant Manager has agreed to implement.</p> <p>N/A as above.</p>

4. Work in progress and effectiveness review

Appendix C includes a list of all of those audits at the planning, fieldwork, or draft reporting stages.

Appendix D shows how effective Internal Audit at delivery of the three aspects of value for money – efficiency and effectiveness. Economy is reported within quarterly performance reports to Directorates and CRC, as at the end of October we are £15k over budget.

The exceptions that are showing within these indicators relate to the following:

Effectiveness – the percentage of recommendations implemented, this is currently at 89% with a target of 90%. This is due to one school that was followed up in 2010-11 that has yet to evidence that they have implemented the recommendations. We have obtained verbal feedback that these recommendations have been implemented however we are awaiting evidence before we can give assurance to the Audit Committee.

School	No. of Recommendations	No. of recommendations implemented
Oakleigh	4	0

Efficiency – the percentage of plan completed to date should be in line with the allocation of audits between quarters. According to the schedule, and allowing for an overall 95% target, the service should be 60% through their work however the outcome for quarter 2 is 33% achieved against this target. Action has been taken to improve this target with individuals being set personal targets for delivery of audits. There is also an escalation policy in place if auditors are waiting on replies from managers or assistant directors. There are a number of protocols and practices that are being revised to ensure that the programme of work is delivered within the 95% target for quarter 4.

In addition, processes are being streamlined including the reporting and feedback. This will create efficiencies but also add more value to managers/directors.

5. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be relied upon as part of the financial accounts audit. At our quarterly meeting on 10th November 2010 where we discussed our 2011-12 Audit Planning procedures and key risks facing the Council, and current issues of 2010-11.

Regular meetings occur between key officers and the Assistant Director of Audit and Risk Management.

6. Changes to our plan

Since the Internal Audit Plan was approved the following audits have been cancelled, deferred or are additional to that approved and the Audit Committee is requested to note these:

Type	Audit Title	Reasons
Cancelled	Brunswick Park Community Hub	Both audits were cancelled due to the government funding relating to the projects being cancelled.
	Building Schools for the Future	
Deferred	One Barnet – PHR department	Deferred from quarter 2 to quarter 3 due to the project being transferred from the Planning Directorate to the Commercial Directorate.
	Business Continuity	Deferred from quarter 1 to quarter 4 at the request of the Director of Corporate Governance due to an internal review of controls taking place within the directorate.
	Electronic Document Record Management (EDRM)	Deferred from quarter 2 to quarter 3. The procurement of the project was approved in August which is due to end in late October. The scope of the review is to assess the project governance, hence cannot begin until the process has began.
	Highways restructure	The highways restructure audit was due to take place in quarter 1 however as the restructure is currently taking place and will not be complete until 2011-12 the audit has been deferred into the 2011-12 Audit Plan.
Additions	Stroke Grant	Request from the s 151 officer to provide independent review to grant monies.
	NI179	Initially required as part of the Use of Resources work required by the Audit Commissions guidance. Not included within the initial plan due to the timing of the guidance and issuance of the plan.
	CRB check end to end process	Due to the high risk of safeguarding issues for the Council, and some preliminary findings of a draft audit being completed, it was agreed that an end to end process for CRB checks was required for the Annual Governance Statement and additional assurance to the Audit Committee.

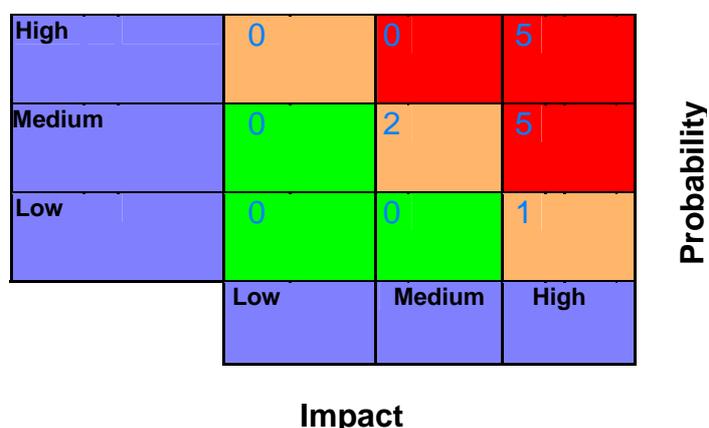
7. Risk Management

Following on from the internal audit, external audit and CIPFA benchmarking exercise a corporate risk management improvement plan has been developed. The summarised version of this is at Appendix E.

The Audit Committee's role is to provide independent assurance of the adequacy of the risk management framework and associated control environment.

The current risk management strategy requires revising and will be reviewed at the March Audit Committee.

It is good practice for the Audit Committee to have an understanding of the objectives, priorities and risks of the organisation. The following heat map shows the risk rating of the Council's current corporate risks.



This currently shows the 5 risks within the high probability and high impact ranges, these risks are as follows:

Risk No.	Risk Details
1	Development and infrastructure – Development within the Borough through the medium-term is planned to deliver 8,800 new homes and an increase in population of 20,000 by 2015. Risk – public service infrastructure within the borough is not able to expand to accommodate the increased requirements.
2	Primary school places – Demand for primary school places will increase through the medium-term and investment requirements totalling c£40m are currently unfunded. Risk – insufficient primary school places are available to meet statutory requirements.
3	Demographic Funding Pressures. Risk of needing an additional funding requirement of £6.3m by 2015 caused by increasing demand and contractual pressures on Adult Social Services from an increasing ageing population (13.8% growth in population aged over 65 by 2015 – ONC population projections) and increased numbers of young people with complex disabilities surviving into adulthood.

Risk No.	Risk Details
4	<p>Risk: new revenues and benefits systems will not be in place with effect April 2011 to collect taxes and administer benefits.</p> <p>Cause: Current supplier of Revs & Bens IT taken over by third party. Third party are de-supporting the existing system with effect from January 2011 forcing all current users to source new systems.</p> <p>Consequence: Go-live has been delayed on 2 occasions due to IT hosting and the required quality criteria for data conversions. Current go-live mid January 2011. Level of debt and benefit administered within the affected databases totals c£600m per annum.</p>
5	<p>Risk to be closed and transferred to directorate due to the risk impacting on the Council:</p> <p>An arbitration award has now been made in respect of the Catalyst claim. The total cost of the award to March 2010 was included in the 2009/10 accounts, funded from the risk reserve. The value of the award is not yet finalised, but a range of £5m to £6m is anticipated. The Council is seeking to enter into a re-negotiation of this contract led by the Deputy Chief Executive and Acting Director of Adult Social Services, to manage on-going financial and service delivery risks.</p>

The Council's 'live' risk management system, JCAD, logs all risks at a corporate, directorate and team level and monitored action against these risks. In addition, the risks are now included within the quarterly performance reports which are reported to the Cabinet Resources Committee (CRC).

Appendix A: 2010/11 work completed during quarter 2 including assurance levels

Audit Opinions on Completed Audits from 31 July to 31 October 2010

Systems Audits	Assurance
1 2009-10 VAT	Satisfactory
2 2009-10 Risk Management	Limited
3 Independent Provider Performance – BRSI	Limited
4 Data Quality – Children's Services	Satisfactory
5 Stoke Grant	Satisfactory
6 NI 179	Satisfactory

School Audits	Assurance
1 St Agnes	Satisfactory
2 Courtland	Satisfactory
3 Tudor	Satisfactory
4 Moss Hall	Satisfactory
5 Brooklyn Junior	Satisfactory

Appendix B: High level recommendations (priority 1)

This is a list of all priority 1 recommendations issued during 2010-11, management comments and agreed action dates, those not actioned within the agreed timescales are highlighted for the Committee.

Audit Name	Recommendation	Management Response	Responsibility	Implementation date
Open Revenues Implementation Project	<p><u>Data conversion</u></p> <p>Concerns and issues with the overall quality of conversion outputs should be resolved (e.g. through confirming Civica's contractual responsibility for this activity and improved matching of OpenRevenues data requirements to Pericles data).</p> <p>The data and the level of detail of data that needs to be reconciled between Pericles and OpenRevenues and the required percentage matching that needs to be achieved as part of conversion acceptance testing needs to be agreed.</p> <p>Conversion reconciliation exercises between agreed key OpenRevenues and Pericles data should be formally undertaken and signed off in line with above agreed criteria.</p>	<p><u>Agreed</u></p> <p>To mitigate conversion risks additional conversion extracts are planned for review.</p> <p>The Project Manager indicated that there was an expectation that the quality of the converted data would improve with subsequent conversions.</p> <p>Formal reconciliations between agreed Pericles and OpenRevenues data should be undertaken and signed off in line with the agreed tolerances for data matching.</p> <p><u>Additional information for Audit Committee</u> – following the high risk of this issue a separate review is being carried out by External Audit for management action which follows on from this review.</p>	<p>Project Manager: B. Cox</p> <p>Project Sponsor: D. Sharpe</p>	<p>1 August 2010 and ongoing until go-live</p>
Risk Management (2009/10)	<p>As part of the continuous migration of the risk information, Corporate Risk Management Team (CRMT) should remind all Service Performance Leads that:</p> <ul style="list-style-type: none"> - risks are transferred onto the RM System within an agreed timeframe; - recording of risks in the excel 	<p>All risks are now recorded within the Council's live risk management system, JCAD. All system generated reports showing the top three risks in each directorate are taken to the Risk Forum for scrutiny and challenge amongst risk champions. Recommendation has been implemented.</p>	<p>AD Finance, Audit & Risk Management</p>	<p>Implemented</p>

Audit Name	Recommendation	Management Response	Responsibility	Implementation date
	<p>spreadsheet format stops; and</p> <ul style="list-style-type: none"> - progress reported back to the Risk Management forums. <p>CRMT should ensure that the corporate risks are also recorded onto the system.</p>			
	<p>CRMT should:</p> <p>a) develop formal reporting arrangements with the Council's Officer responsible for LSPs and Service Performance Leads to seek assurance that there are effective arrangements;</p> <ul style="list-style-type: none"> - for managing partnership risks in the delivery of Council services and there is evidence to provide assurance about the management of risk; - within the Business Continuity arrangements, which is a specific risk management process designed to manage the risk that may interrupt or stop effective service delivery. <p>b) increase awareness through training that services need to develop their understanding of the common risks they share and work together to manage them. The complex interconnection between services e.g. children's service, NHS and adult services socials, means that services need to share and understand key cross</p>	<p>Partnership risks are managed as part of Directorates risk registers. Due to the LAA being announced as ended and Barnet being announced as a pilot for Community based budgets (formerly known as place based budgets) there will be some major changes to the LSP. More will be led by the One Barnet Programme and risk managed within that context. Business Continuity appears on every directorate risk register and indeed is part of the annual Internal Control Checklist (ICC).</p> <p>The Risk Forum has been used to share and challenge new and emerging risks and these meetings occur on a quarterly basis. Some of these have been implemented and the remainder will be implemented by March 2011.</p>	<p>AD Finance, Audit & Risk Management</p>	<p>March 2011</p>

Audit Name	Recommendation	Management Response	Responsibility	Implementation date
	cutting risks. CRMT should ensure that data within the Web Based RM System should be used for all reporting purposes	The reporting cycle for risks has been joined up with performance reporting on a quarterly basis. This feeds into the Corporate Directors Group, Statutory Officers Group and Cabinet Resources Committee (CRC). It is also a part of the risk Forum to receive these reports quarterly and challenge the content. Reporting will continue to evolve through this process. All reports are run from the Council's 'live' risk management system JCAD. All actions have been implemented.	AD Finance, Audit & Risk Management	Implemented
NI 179	Officers responsible for calculating NI 179 should use actual income/expenditure data, where available i.e. cost centre reports.	The calculation of NI179 currently uses actual data.	AD Finance, Strategic	Implemented
Adults Social Services – Internal Control and Risk Management (2009/10)	Further work is required to ensure that the Internal Control Checklist completed by the directorate is a complete and accurate reflection of the risks and weaknesses identified during the year.	Further work to tighten up the current ICC to ensure that the consolidation reflects a true and comprehensive view of Adult Social Services. Each Department's return for the March 2010 report to CDG on ICC was scrutinised / interrogated with questions being asked of managers; further all returns were reviewed to ensure that they were fully complete and no blank fields remained (unless they were not applicable). The Department has started a process whereby ICC risks and associated actions are reviewed quarterly at Divisional Management Meetings (with the Head of Performance in attendance), as well as at the Departmental Senior Management Team meeting.	Business Improvement and Performance Officer and Business Continuity and Risk Officer	Implemented
Rosh Pinah School	Income The School should ensure that responsibilities for	Agreed	Acting	Implemented

Audit Name	Recommendation	Management Response	Responsibility	Implementation date
	the collection, recording and banking of all income received are adequately separated. Independent checks should be carried out to ensure that amounts banked agree to control records and this is adequately evidenced, in order to comply with the requirements.	The School will ensure that procedures over the income system are tightened. Independent check will be carried out to confirm amounts banked agree with relevant accounting records and there will be visible evidence of these checks.	Headteacher	
Claremont School	Income The School should ensure that: a) Source documentation is retained for all income received, in order for a clear audit trail to exist; b) Procedures are put in place to recover all outstanding payments due.	Agreed The School will ensure that audit trails are maintained for all income received and parents will be contacted in order to recover all outstanding dinner money due.	Headteacher	Implemented
St Mary's and St John's	Purchasing The School should ensure that: a) The officer(s) responsible for checking receipt of goods, sign and date the delivery note to indicate that the delivery was received complete etc. in accordance with section 4.1.1 of the LBB Financial Guide for Schools and standard D13 of the 'Keeping Your Balance' document; b) All purchase order forms are signed in accordance with the School's Authorised Signatories mandate; The purchase order control sheet should be monitored in order to identify and account for any unreturned orders.	Agreed Tighter procedures and controls will be introduced to ensure: a) Adequate visible evidence of checks being carried out over receipt of all goods and services. The officer(s) responsible will sign and date all delivery notes to show the delivery has been received complete or otherwise; b) Purchase order forms will only be signed by authorised members of staff; c) The purchase order control sheet will be monitored and any unreturned order forms will be chased.	Headteacher	Implemented
	Income The School should ensure that responsibilities for the collection, recording and banking of all	Agreed The School will ensure that procedures over the income system are tightened. Independent check	Headteacher	Implemented

Audit Name	Recommendation	Management Response	Responsibility	Implementation date
	income received are adequately separated. Independent checks should be carried out to ensure that amounts banked agree to control records and this is adequately evidenced, in order to comply with the requirements.	will be carried out to confirm amounts banked agree with relevant accounting records and there will be visible evidence of these checks.		
Menorah Primary School	The School should ensure that independent checks are carried out to ensure that amounts banked agree to control records and this is adequately evidenced.	Agreed The School will ensure that independent checks are carried out to confirm amounts banked agree with relevant accounting records. There will be visible evidence of these checks.	Headteacher	Implemented
Parkfield	Tighter procedures and controls will be introduced to ensure: a) Source documentation is retained for all income received, in order for a clear audit trail to exist; b) Responsibilities for the collection, recording and banking of all income received are adequately separated. Independent checks should be carried out to ensure that amounts banked agree to control records and this is adequately evidenced.	Agreed The School will ensure that audit trails are maintained for all income received and independent check will be carried out to confirm amounts banked agree with relevant accounting records. There will be visible evidence of these checks	Headteacher	Implemented
Holy Trinity	The School should ensure that: a) Source documentation is retained for all income received, in order for a clear audit trail to exist; b) Independent checks should be carried out to ensure that amounts banked agree to control records and this is adequately evidenced; c) Formal agreements for the independently run after-school clubs are drawn up, approved by the Governing Body and signed	Agreed The School will ensure that audit trails are maintained for all income received and independent check will be carried out to confirm amounts banked agree with relevant accounting records. There will be visible evidence of these checks. Furthermore, arrangements for the running of the after-school clubs will be formalised, ensuring that the organisers agree to abide by the terms and conditions set by the Governing Body for use of the premises etc. and confirmation of adequate insurance cover requested.	Head teacher	Implemented

Audit Name	Recommendation	Management Response	Responsibility	Implementation date
	<p>by both parties; d) A copy of the organisers current insurance liability cover is requested and held by the School, as visible evidence of adequate insurance cover.</p>			
Courtland	<p>The School should ensure that independent checks are carried out to confirm that amounts banked agree with control records and this is adequately evidenced.</p>	<p>Agreed The School will ensure that independent checks are carried out to confirm amounts banked agree with relevant accounting records. There will be visible evidence of these checks.</p>	Head teacher	Implemented

Appendix C: Work in progress

The following work is in progress that was due to begin during quarter 1 & 2

Work in progress quarters 1 & 2

Systems Audits	Status
1 Debit/Credit cards	Draft report
2 Environmental Health	Draft report
3 Independent Provider Performance – Special Educational Needs	Draft report
4 Project Governance	Draft report
5 Reviewing	Planning complete
6 Safer recruitment	Draft report Interim report issued
7 Special Educational Needs placements	Planning complete
8 Cash book control and reconciliation	Fieldwork complete
9 Equalities	Draft report
10 Fire Safety	Fieldwork
11 Grants Audits	Draft report
12 LG Pension Administration	Fieldwork complete
13 Residential Nursing Care	

School Audits	Status
1 Northside	Draft report
2 Holickwood	Draft report Fieldwork complete
3 All Saints N20	

Appendix D: Internal Audit Effectiveness Indicators as at 31 October 2010

Performance Indicator	Target Q2	Actual Oct 10
Effectiveness		
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	89%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessed
Average client satisfaction score	90%	100%*
Efficiency		
% of Plan delivered	60%**	33%
% of available time spent on direct audit work	80%	Quarter 3
% of draft reports completed within 10 days of finishing fieldwork	90%	90%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By March	Quarter 4
Preparation of Annual Report	Prior to A.G.S.	Quarter 4
Staff Management		
Staff with professional qualifications	70%	80%
Staff development days	5 days	Quarter 4

* Only one survey had been returned from those surveyed

** Target amended to show 95% of quarterly spread of audits. Schools are to be delivered by Quarter 3 hence why the target is front loaded for delivery.

Appendix E: Risk Management Improvement Plan

2010 – Position NOW	2010 -11 Deliverables	2011-12 Deliverables	2012 Deliverables
<p>RM Strategy but no member lead</p> <p>Little integration of RM related activity – directorate risks, corporate risks, Internal Audit, External Audit, Business Continuity, projects, programmes, partnerships, IT, Information Governance, H&S, ICC,AGS etc</p> <p>Reporting of risk at executive and member level in detail rather than exceptions</p> <p>Corporate Risk Register developed and signed off by CDG</p> <p>Risk Forum established for exchange of ideas on all matters risk</p> <p>Risk software tool (JCAD) implemented across authority (with minimal functionality)</p> <p>Embedding of RM inconsistent across the authority</p> <p>Risks feature in quarterly performance reporting</p> <p>RM training carried out as required</p>	<p>Update RM Strategy and associated roles and responsibilities in line with ISO standard and current best practice</p> <p>Embed RM Reporting Cycle</p> <p>Develop approach to RM for projects, programmes and partnerships and provide support as required</p> <p>Role of Risk Champions and Risk Forum revised to provide more focused challenge on corporate risk register and embedding of RM</p> <p>Risks reported on an exception basis at CRC, Cabinet and Audit Committee</p> <p>Carry out health checks/Internal Control checklists in each of the directorates as a focal point for actions required to further embed RM</p> <p>Enhanced use of JCAD rolled out across the authority</p> <p>Update and deliver risk training and awareness sessions and issue periodic newsletters</p> <p>Update Intranet site on RM</p> <p>Develop Managers RM Briefing pack</p>	<p>Continue to improve annual reports presented to Audit Committee on RM</p> <p>Quarterly compliance reviews on RM</p> <p>Review use of risk tools that establish risk maturity of directorates and Council</p> <p>RM fully embedded within each directorate and the corporate decision making process</p> <p>All risk registers linked to strategic objectives and priorities</p> <p>All projects, programmes and partnerships fully embed corporate RM strategy into their processes</p> <p>Development and use of Key Risk Indicators</p> <p>Ongoing integration of RM disciplines into a cohesive and joined up corporate governance framework</p>	<p>Risk appetite considered at planning stages of all new initiatives, projects, programmes and partnerships – and used to drive the associated decision making</p> <p>Risk management seen as an enabler by staff, management and members</p> <p>Risk appetite drives all risk and audit activity</p> <p>Corporate Risk Register informs Business Continuity Plan, audit strategies and plans</p> <p>Complete integration of RM disciplines into a cohesive and joined up corporate governance framework</p>

*Basic Risk Management
– mainly reactive*



*Leading Best Practice
in the Public Sector
– fully proactive*

AGENDA ITEM: 9 Page nos. 32 - 83

Meeting	Audit Committee
Date	7 December 2010
Subject	Data Protection Audit
Report of	Director of Corporate Governance
Summary	This report seeks approval of the Data Protection External Audit Report and Action Plan

Officer Contributors	Sian Hughes – Governance and Service Development
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – ICO Report Appendix – Action Plan
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 approve the Information Commissioner's Office (ICO) Data Protection Audit Report and the Council's Action Plan.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's objectives include the priority 'Better Services with Less Money'. Good governance arrangements are central to the delivery of that priority objective, and meeting our statutory obligations under the Data Protection Act is a key element of good governance.

4. RISK MANAGEMENT ISSUES

- 4.1 Referred to in the body of the report.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective Data Protection 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 Addressing the Council's Data protection responsibilities and putting in place mitigating actions to reduce the risk of non compliance is central to the effective use of resources.

7. LEGAL ISSUES

- 7.1 Referred to in the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 None.

9. BACKGROUND INFORMATION

9.1 Background to the DP Audit Report

- 9.1.1 From April 2010 new powers were given to the Information Commissioner's Office (ICO) to impose substantial fines (of up to £500,000) on organisations that breach the Data Protection Act (DPA). This came about largely as a result of a series of high profile 'personal data loss' cases across the country and the need to put greater pressure on organisations to meet their statutory obligations.

- 9.1.2 In response to this, it was important for the Council to assess how effective its DP policies and practices were, and to what extent it was meeting the statutory requirements of the DPA. To assist in this process, the ICO were asked to carry out an independent Data Protection Audit. This was a voluntary

audit (for which there was no charge), but one that we were keen to undertake in order to have an expert opinion on where we needed to focus our efforts in order to ensure we were fully compliant.

9.1.3 The draft Audit Report was completed in July 2010, along with the recommendations to address the areas of concern (appendix A).

9.1.4 The ICO recommended a follow up audit in six months time to assess to what extent the Council has put in place measures to mitigate the risks identified.

9.2 Key Improvements

9.2.1 The Audit highlights a number of key areas where the Council needs to concentrate its efforts:

- Risk Management – to ensure all directorates have sufficient support and guidance to identify and respond to DP risks
- Roles and Responsibilities – to identify and formalise corporate (Governance Team), directorate (Link Officers) and individual roles/responsibilities for DP
- Policies and Procedures – to ensure all the DP and data security policies are up to date, version controlled and accessible via the Councils' intranet pages
- Potential Breaches – to ensure the Council has an Incident Reporting Procedure and that staff know how to report a potential breach of the Act
- Awareness and Training - to ensure all staff across the Council understand their responsibilities are equipped with the essential knowledge to process data in accordance with the principles of the Act
- Responding to Requests for Personal Data – to ensure all staff receiving Subject Access Requests (SARs) understand the statutory process and timescales for responding to these, and the consequences of not doing so

9.3. Action Plan

9.3.1 The Action Plan (appendix B) sets out the key actions and progress that has already begun in addressing these areas.

9.3.2 To address one of the critical areas of concern, a communications and awareness raising campaign was launched in October, part of which was a number of briefing sessions (31 in total) – aimed at all staff across the Council.

9.3.3 The sessions were led for us by PDP, who are one of the leading external providers of DP training. They have the most comprehensive range of professional compliance training and all their courses are accredited by the Law Society. Their brief was to deliver the key DP messages as clearly and succinctly as possible and to ensure that staff were clear on what practical measures they needed to take process personal data in accordance with the Act.

9.3.4 The response to these sessions has been very positive in that they have clearly raised a great deal of interest (and concern) about DP issues and

about some the more recent challenges that go with the territory of partnership working, contracted-out services and other third party arrangements.

- 9.3.5 There is still a great deal to do over the next few months to ensure we are able to demonstrate real progress in putting in place some of the revised and new policies, procedures and practices. The Governance Team will be prioritising this work in preparation for the follow up Audit, which is expected to take place in January/February 2011.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: JEL

London Borough of Barnet Council

Data Protection Audit Report

v1.0

Auditors: Kai Winterbottom, Audit Team Manager
Christine Eckersley, Compliance Auditor
Claire Chadwick, Compliance Auditor
Paul Hamnett, Compliance Auditor

Distribution:

Final Report: Nick Walkley Chief Executive,
Jeff Lustig Director of Corporate Governance,
Sian Hughes Performance and OD Manager.

Report Issued: 29 June 2010

Protect – External report

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1. Background

- 1.1 During October 2009 the Information Commissioner concluded its review of a complaint relating to a Freedom of Information (FOI) request made to London Borough of Barnet. The review and a subsequent internal investigation conducted by the council, identified failings in the way the council had responded to and handled the request. An interest was expressed in further support from the Information Commissioner in respect of its handling of personal data.
- 1.2 The Director of Corporate Governance provided a full response to the Information Commissioner, detailing implemented changes and initiatives targeted at improving the councils handling of FOI responses.
- 1.3 The Information Commissioner may with the consent of the data controller assess any processing of personal data for the following of good practice and shall inform the data controller of the results of the assessment DPA s51(7).
- 1.4 Input was sought from the Council's Governance Team on the 15 January 2010 to inform a suitable scope for the audit which is intended will provide both the council and the ICO with an assurance as to the effectiveness of Data Protection Governance and internal controls and processes within the council.
- 1.5 The selected focus for the audit was the Human Resources and Children's Services directorates. In addition a review was conducted of the councils archiving unit at Mill Hill.
- 1.6 Subsequent to the completion of the audit fieldwork and outside the scope of the audit the ICO was informed by the Director of Corporate Governance of a significant security breach involving personal data. A USB data stick and CD containing unencrypted personal data regarding children and ex pupils of schools has been stolen from the home of a Children's Service employee. At the time of submitting this report the member of staff has been suspended pending internal investigation and the theft is the subject of an independent investigation. The breach will be independently addressed by the ICO's enforcement department.

In addition the council has implemented a number of retrospective controls to mitigate the risk of any further breaches. These include restrictions on removing laptops from council premises, removal of the ability to use USB sticks and the ability to write to CD. A detailed response has been provided to the ICO on the 29 April and will be updated on the 14 May 2010.

2. Audit Opinion

- 2.1. The purpose of the audit is to provide Barnet Council and the Information Commissioner with an assessment of how the Borough Council is meeting its data protection obligations
- 2.2. The recommendations made are primarily around enhancing processes and procedures although some proposed actions, such as those related to the handling of subject access requests, are necessary to achieve compliance.

Overall Conclusion



Very Limited Assurance

On the basis of the work that we have performed we consider that the arrangements in place at Barnet Council at the time of the audit, with regard to data protection governance and controls, provide very limited assurance that processes and procedures are in place and being adhered to. There is therefore a substantial risk that the objective of data protection compliance will not be achieved. Immediate action is required to improve the control environment.

It should be recognized that in certain key areas the council has already identified opportunities which should improve its compliance with data protection regulations and good practice. The ICO also recognizes that some of the opportunities identified have not yet been approved/implemented and in other cases changes to policy procedure and structures are not yet embedded.

We have made 2 No assurance and 2 Limited assurance assessments where controls could be enhanced to address the issues which are summarised below and presented fully in the 'detailed findings and action plan' section 7 of this report along with management responses.

3. Summary of Audit Findings

3.1 Areas of Good Practice.

- 3.1.1 The council has approved and adopted a Corporate Code of Governance in line with the CIPFA/SOLACE standards.
- 3.1.2 The Corporate Governance function has a documented Risk Management system which informs and populates the Corporate Risk Register and mandates the production of a risk register for each directorate which includes data protection concerns.
- 3.1.3 The Corporate Governance Director has clearly identified data protection governance and risks as an area requiring development and actively encouraged the involvement of the ICO to inform this process. Corporate Governance staff are attuned to data protection risks and are already addressing many of the key findings identified within this report.
- 3.1.4 It is reported that the Director of Corporate Governance will be further supported by the creation of an 'Assistant Director' role with responsibility for risk management and audit.
- 3.1.5 The process for dealing with recruitment and selection demonstrated a level of adherence to the recommended measures in the ICO's Employment Practices Code.

3.2 Areas for Improvement.

- 3.2.1 The Governance and Service Development Team in its current structure is embryonic. There is considerable pressure on the single Corporate Governance staffing resource available, to provide adequate support for Subject Access Requests and FOI requests. This is impacting the council's ability to respond to requests in a timely manner.
- 3.2.2 The Council currently has no formal reporting and measurement of compliance with its data protection responsibilities. Although internal audits have been completed for data protection and information security.
- 3.2.3 The Governance and Service Development Team were unclear as to what data protection training if any, is

provided to new starters. Personnel responsible for responding to subject access requests had not received appropriate training to support them in their role. (For example awareness of subject access procedures by those questioned was 30%, just 39% of staff questioned were aware of the statutory time limit of 40 days for the provision of a response to a SAR). The ICO would expect that personnel responsible for responding to subject access requests receive basic data protection training and receive appropriate guidance specific to their departments in how to handle, document and respond to requests.

- 3.2.4 Just 36% of Council staff questioned reported that they would report subject access requests to Link Officers, just 14% of staff would inform the link officer when the response to a SAR was sent out. As a consequence such requests will not have been updated on the database resulting in inaccurate management information.
- 3.2.5 The current FOI/SAR data base does not provide the Corporate Governance team with adequate and accurate management information, to provide an assurance of the council's compliance with its subject access responsibilities.
- 3.2.6 The council is not complying with its responsibility to respond to subject access requests within 40 days. Several subject access requests reviewed were significantly overdue with no action plan to resolve them. Several factors are contributing towards this; there is no effective monitoring of subjects access requests received, procedures for issuing subject access packs in some cases create unnecessary delays, personnel are not prioritising response to requests to enable them to respond within 40 days and the follow up procedures to prevent responses exceeding 40 days are ineffective.

4. Audit Approach

- 4.1. The audit was conducted following the Information Commissioner's Data Protection Audit Methodology and comprised an Adequacy Audit which reviewed documented policies and procedures and the Compliance Audit which involved an on-site visit and interviews with Barnet Council personnel.
- 4.2. An introductory meeting was held on the 15 January 2010 with the Corporate Governance team to establish an appropriate scope for the audit. It was agreed that the audit would be conducted within the Human Resources and Children's Services Directorate's.
- 4.3. Barnet Borough Council provided the Information Commissioner's Audit Group with access to policies, procedures, governance reports and internal audit reports relevant to the scope of the audit in preparation for the on site audit visits.
- 4.4. All interviews took place with staff on the main council premises at North London Business Park on the 22, 23 February and the 2, 3 March 2010. In addition a review was conducted of the council's archiving unit at Mill Hill.

5. Audit Scope

- 5.1 Following pre audit discussions with the Director of Corporate Governance and other members of the Governance Team, Information Assurance and I.T, it was agreed that the review would focus on the following areas:
- a. Data protection governance within London Borough of Barnet with reference to its statements on internal controls, risk management strategy and risk registers.
 - b. Processes and procedures to manage the collection, access, content and movement of personal data, both manual and electronic, within the Human Resources; Recruitment and Selection, Disciplinary and Leavers functions and Children's Service. Including a review of the weeding and retention of records.
 - c. The effectiveness of the methods used to develop and maintain the awareness by staff within the identified directorates, of their responsibilities and accountabilities for data protection in their daily duties and behaviours.
 - d. The processes and systems in place to ensure subject access requests are dealt with in line with legislation and London Borough of Barnet procedures, with specific reference to both public and staff requests.

6. Audit Report Grading

6.1 Audit reports are graded with an overall assurance opinion, and any issues and associated recommendations are classified individually to denote their relative importance, in accordance with the definitions in the table below.

Colour Code	Internal Audit Opinion	Recommendation Priority	Definitions
	High assurance	Minor points only are likely to be raised	The arrangements for data protection compliance with regard to governance and controls provide a high level of assurance that processes and procedures are in place and being adhered to and that the objective of data protection compliance will be achieved. No significant improvements are required.
	Reasonable assurance	Low priority	The arrangements for data protection compliance with regard to governance and controls provide a reasonable assurance that processes and procedures are in place and being adhered to. The audit has identified some scope for improvement in existing arrangements and appropriate action has been agreed to enhance the likelihood that objective of data protection compliance will be achieved.
	Limited assurance	Medium priority	The arrangements for data protection compliance with regard to governance and controls provide only limited assurance that processes and procedures are in place and are being adhered to. The achievement of the objective of data protection compliance is therefore threatened.
	Very Limited assurance	High priority	The arrangements for data protection compliance with regard to governance and controls provide very limited assurance that processes and procedures are in place and being adhered to. There is therefore a substantial risk that the objective of data protection compliance will not be achieved. Immediate action is required to improve the control environment.

7. Detailed Findings & Action Plan

7.1 Findings and recommendations flowing from the audit will be risk categorised using the criteria defined in Section 6. The rating will take into account the impact of the risk and the probability that the risk will occur.

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
7.1	Data protection governance within London Borough of Barnet with reference to its statements on internal controls, risk management strategy and risk registers.			
a.	The lack of a robust and consistent process for evaluating the effectiveness of the application of policies and procedures for managing data protection raises the risk that personal data may not be processed and managed in compliance with the DPA 1998, causing adverse impacts on individual's privacy with the potential for causing damage and distress to individuals.	<ul style="list-style-type: none"> • The Council have an Internal Control Checklist which is assessed annually. This process is co-ordinated by the Risk Manager and can inform the annual internal audit planning and is also available to external audit. • The ICO audit team did not review the internal control checklist during the audit and so are unable to comment on whether this checklist adequately covers data protection issues. • Based on the work completed 2008/09 the Head of Internal Audit identified Data Protection compliance as one of the key areas for improvement. 		

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • In January 2009 the General Functions committee (responsible for approval of the constitution, structure and policies) approved the implementation of new or updated policies for Acceptable Usage, Data Protection, Information Security, Email and Internet and Passwords. • These policies have been provided to audit for review and appear to be fit for purpose however the majority are neither dated nor version controlled. • The council has a documented Risk Management framework which informs and populates the Corporate Risk Register and mandates the production of a risk register for each directorate. 	<p>1.1 When any policy is created or updated it should be allocated an appropriate owner, version controlled and dated and allocated an appropriate review date.</p>	<p>Appendix A, 1.1 Owner Corporate Governance Implementation date, October 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • The corporate risk register demonstrates that DP issues are recognised within the Risk Management System by highlighting six risks involving data protection; for example, risk numbers <p>6. The failure to discharge CRB checks.</p> <p>22. The implementation of the WISDOM EDRM system</p> <p>23. Implementation of the ICS system.</p> <p>30. Poor data quality through failure to effectively use the ICS system.</p> <p>31. Out of hours access to electronically held data</p> <p>32. Significant increase in number of referrals.</p>		

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • However, it was reported that the detail in risk registers varied between directorates and that it was unclear whether all directors clearly understood the relationship between issues, risks and residual risks. • By way of example risk 22 on the corporate register was reviewed. This revealed that the residual risk had been classified as 'risk removed' when the underlying activity continues. • The Director of Corporate Governance reports directly to the Chief Executive and has Data Protection oversight. It was stated that data protection governance will be further supported with the appointment of an Assistant Director responsible for Risk Management and Audit. 	<p>1.2 Barnet should ensure that all directorates receive sufficient guidance and support for the effective operation of the risk register</p> <p>1.3 The Council should ensure that guidance and support is sufficient to equip those responsible with the necessary skills to;</p> <ul style="list-style-type: none"> • Identify data protection issues • Identify data protection risks • Consider appropriate mitigating actions • Understand when to close risks 	<p>Appendix A, 1.2 Owner, Corporate Services/Audit/Risk to address Implementation date,</p> <p>Appendix A, 1.3 Owner, Corporate Services/Audit/Risk to address Implementation date,</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • The intention is that this appointment will assist in improving communication between Audit and Risk Management. • Internal Audit conducted an audit into the arrangements for complying with data protection and submitted a report on the 16 February 2009, where they provided a no assurance rating. • A follow up review was conducted in March 2009 where agreed actions were reviewed to confirm the Councils progress against the six recommendations. • Of the six recommendations only one action has been fully implemented (Data Protection policy redraft). • Given the time elapsed since the audit report, the ICO would have expected further progress. 		

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • Further recommendations around defining roles and responsibilities for Link and Data Protection Officer and data collection and processing have been partially implemented. • Whereas the risks around monitoring DPA compliance, management information and SARs have yet to be fully addressed pending further discussion. Further findings in these areas can be found under their relevant risks. • A paper was submitted to the Council Directors on 4 August 2009 (although year is not stated on document) entitled 'A review of Information Governance and Complaints'. This identified Data Protection as an area of concern due to the lack of visibility, ownership and consistency of policies. 	<p>1.4 The council should ensure that in regard to data protection issues recommendations made by Internal Audit or Corporate Governance receive timely consideration and implementation of mitigating actions.</p> <p>1.5 Ensure the recommendations from the DP internal audit report are fully addressed with appropriate mitigating actions in a timely manner.</p>	<p>Appendix A, 1.4 Owner, Directors/Link Officers/SIRO's Implementation date, From September 2010</p> <p>Appendix A, 1.5 Owner, Gov Team/Directors Implementation date, August 2010.</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • Directors agreed on the 4 August 2009 to set up a small team within Corporate Governance with responsibility for FOI, EIR, DP, SARs and Complaints. • The roles and structure of the Governance and Service Development Team have been approved but have yet to be formalised although a paper has been submitted which documents the structure and reporting lines. • The Director of Corporate Governance presented a 'Review of Data Protection Arrangements' paper to Directors on the 5 January 2010. This highlighted the loss or theft of mobile devices, ease of reference of policies and procedures, data protection related roles and responsibilities and staff awareness as key issues. 	<p>1.6 Sign off and implement the Governance and Service Development Team roles, structure and reporting lines as documented.</p> <p>1.7 Identify and publicise clear DP contact(s) in Corporate Governance.</p>	<p>Appendix A, 1.6 Owner, Director of Corporate Governance Implementation date, September 2010</p> <p>Appendix A, 1.7 Owner, Governance team Implementation date, September 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • In February 2010, a draft internal audit report was submitted to Corporate Governance on Information Security. A 'no-assurance' rating was provided. • A network of Link Officers coordinated by Corporate Governance has been established and each directorate has a nominated officer. • The Link Officer role is to provide support for SAR requests and data protection guidance. The small team within Corporate Governance holds quarterly Link Officer meetings. • The role and identity of link officers were not always recognised within their own departments. 	<p>1.8 Corporate Governance should review the Link Officer role and incumbents to identify whether they possess sufficient seniority, authority and visibility within their departments.</p>	<p>Appendix A, 1.8 Owner, Governance team/Directors Implementation date, June 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • The Governance and Service Development team has created a quarterly email/intranet bulletin publication (evidenced) which is issued to all staff to reinforce the key messages of the Link Officer meetings. • The council's intranet is currently being rebuilt. However, Information Governance intranet pages have been restructured to make them more accessible to staff and are now available via the home page of the intranet (evidenced by audit). • The council currently has no formal incident reporting procedure that may adequately encompass data protection and information security risks. 	<p>1.9 Ensure all DP related policies including (Acceptable Use, Information Security, Password policy) are clearly accessible through the new intranet site when it is fully operational.</p> <p>1.10 Implement an incident reporting system to provide the Governance and service Development Team with management information to measure data protection compliance and direct future data protection related initiatives.</p>	<p>Appendix A, 1.9 Owner, Corporate Governance/Corporate Services Implementation date, October 2010</p> <p>Appendix A, 1.10 Owner, Governance Team Implementation date, November 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> The council does have a whistle blowing process but it was reported that this was unlikely to adequately address data protection issues, though it was unclear why. The ICO audit team requested a meeting with the Caldicott Guardian. It was reported that there was some confusion within the council in identifying the person who held this responsibility. However, prior to the audit visit it was identified that the Information Manager (ICS) held this post. Whilst his role is responsible for some Caldicott principles, the role appears to lack the required seniority, breadth of responsibility and professional social care experience advocated by the Caldicott Guardian Manual 2006. 	<p>1.11 Review Councils with Social Services Responsibilities (CSSR) guidance and the Caldicott Guardian Manual to decide if a Guardian is required. In the event that a Guardian is required the appropriate seniority and visibility should be attached to the role.</p>	<p>Appendix A, 1.11 Owner, Children's Service Implementation date,</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
a.		<ul style="list-style-type: none"> • There was no evidence that the council currently make use of the Information Governance Toolkit. Toolkit is not mandated but has been developed for voluntary use in CSSR's. • It was reported that the Governance and Service Development Team are liaising with colleagues from the Insight team and legal services to provide comments on a draft protocol for data sharing with the NHS trust . • The council appeared to have no mechanisms through which compliance with its data protection responsibilities could be assessed on a regular basis. 	<p>1.12 It should consider the implementation of the Information Governance Toolkit for CSSRs.</p> <p>1.13 The council should ensure that it develops, implements and communicates a clear policy regarding data sharing (including guidance on developing protocols), which appropriately addresses data protection compliance and 'ICO Framework Code of Practice for sharing personal information'.</p> <p>1.14 The council should have a system through which it can monitor its performance against its data protection responsibilities.</p>	<p>Appendix A, 1.12 Owner, Children's Service Implementation date,</p> <p>Appendix A, 1.13 Owner, Corporate Governance/Corporate Services Implementation date, October 2010</p> <p>Appendix A, 1.14 Owner, Governance team Implementation date, from now ongoing</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
7. 2	Processes and procedures to manage the collection, access, content and movement of personal data, both manual and electronic, within the Human Resources: Recruitment and Selection, Disciplinary and leavers functions and Children's Socials Services directorate. Including a review of the weeding and retention of records.			
b.	A failure to provide and implement proper procedures for the processing of personal records raises the risk of inaccurate, excessive and out of date data causing damage and distress to individuals.	<p>Children's Service</p> <ul style="list-style-type: none"> • Children's Service case work documents are scanned onto WISDOM. The paper originals are then shredded, with the exception of certain legal documents which have to be retained (birth certificates, passports and court papers). • WISDOM is a system used to deliver electronic data records management (EDRM). • A risk has been highlighted on the corporate register, relating to problems with records identified as missing on WISDOM. This occurred during the back scanning exercise. All documents but 3 have been identified and correctly indexed. 	2.1 The council should ensure that appropriate scanning procedures have now been implemented and that these ensure that personal information is held securely.	<p>London Borough of Barnet have decided that recommendations 2.1-2.11 will be owned by the HR Director; an action plan will be presented to the Directors Group and subsequently reported to the ICO after agreement.</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Although the council has a 'Records Retention and Disposal guidelines' document. It was unclear what operational procedures the service has introduced to weed electronically held records on WISDOM. • WISDOM has the functionality to support automatic records archiving and deletion however this function is not currently 'switched on'. It was reported that discussion is ongoing as to how to address records retention within EDRM. • Full case records were being retained on the shared 'H drive' in addition to WISDOM. It was established that this was due to a distrust of WISDOM and perceived difficulties in accessing WISDOM on line. 	<p>2.2 Individual departments should clearly identify and communicate</p> <ul style="list-style-type: none"> • Who is responsible for archiving and deleting records; • That procedures apply to both electronic and manual records. • When this should be done; and • Any audit trail or log that should be maintained to support this activity. <p>2.3 The council should closely monitor the duplication of client records to shared drives. It should further ensure that staff understand the consequences for non compliance with documented procedures when handling personal data.</p>	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Social workers view and update cases on the Service ICS system. All Children's Service staff can search the ICS system for any open or closed case. • It was reported however that the ICS system does have audit trails, though it was reported that no one currently monitors this. • Any absence of monitoring of ICS system usage raises the risk that browsing and inappropriate disclosure or download of confidential records will not be identified. • Warning markers are used on ICS to alert social workers of key information relating to a client. The warning markers may identify various situations (such as violent clients or relatives, dangerous dogs on the premises). 	<p>2.4 The council should investigate whether all children's service personnel require access to all open and closed records.</p> <p>2.5 The council should implement a proportionate system of monitoring or audit of access to ICS records, based on risk analysis.</p> <p>2.6 The council should ensure:</p> <ul style="list-style-type: none"> • That the decision to apply a marker about an individual is based on a specific incident or set of circumstances or expression of clearly identifiable concerns by a professional. 	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • The ICS system currently flags warning markers for review every 6 months. It was reported however that markers are not being reviewed in accordance with this schedule. • The admin team hold a copy of the manual 'legal file' which contains the original documents such as passports, birth certificates, and court papers. • These files are securely stored, while the case is active, under the control of the Admin Manager. 	<ul style="list-style-type: none"> • The decision should be based on objective and clearly defined criteria in line with a clear and established policy and review procedure. • Senior nominated personnel in the service are responsible for making these decisions. Decisions should be reviewed regularly. (<i>ref ICO Good Practice Note –Use of Violent Warning Markers</i>) 	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Once closed, fostering and adoption files are currently stored at Barnet House prior to the scanning and archiving process. • It was reported that the closed files stored at Barnet House are not locked away which raises the risk of inappropriate disclosure, loss or damage to records. • The archivist at the Mill Hill depot has a documented archiving process which is followed in Children's Service. • When historic records (such as previously closed cases) are required, they can normally be extracted within 24hrs. 	2.7 The council should implement appropriate access controls for the files in storage at Barnet House to ensure their security	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • An archive request form is used to extract records however there did not appear to be any validation or authorisation of requests within Children’s service. • Although the council has a ‘Records Retention and Disposal Guidelines’ document. The Archivist reported difficulties in obtaining approval to destroy records once the destruction date had been reached. • Delays are also caused through the need for Children’s Service to review the content of files to ensure that records were not destroyed that may be required in connection with more recently opened cases concerning the same individuals. 	<p>2.8 Requests for extraction of records from archive should be approved by line management.</p> <p>2.9 The archivist should be suitably empowered and supervised to destroy records in line with documented and agreed retention schedules.</p> <p>2.10 Directorates should document procedures for linking files (to update historic information where appropriate) to ensure that records for recently opened cases are complete.</p>	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Day to day procedures for departmental shredding of documents requiring disposal, were not appropriate for the size and the length of time it takes to shred certain documents • During the audit it was noted that blue sacks were also in use for the disposal of confidential waste. Sacks which have to be requested sit on the floor and are not secured whilst awaiting collection. <p>Human Resources</p> <ul style="list-style-type: none"> • HR provides services to Barnet Council and to the schools in the surrounding area. • The recruitment application process demonstrated good adherence to best practice documented within the ICO's Employment Practices Code. 	2.11 The council should implement an effective and appropriately secure method of handling confidential waste.	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> Retention schedules are documented by the council's draft 'Records Retention and Disposal guidelines v0.001' and apply to categories of information. Personnel interviewed however were not aware of any applicable retention policy relating to personal data they processed and held on local or shared drives. There were no requirements to record collections of records held within teams. Ownership and management of these records was therefore unclear. Some roles that the Resources team deal with require psychometric testing to be completed. The raw data (not just the summary) is kept on the HR file. 	<p>2.12 The council should formalise the guidelines and ensure that key managers and personnel understand how the data they handle is covered by the categories in the retention guidelines and schedules, (As identified by the Governance Director in his 'Review of Data Protection Arrangements' paper, 5 January 2010).</p>	<p>London Borough of Barnet have decided that recommendations 2.12-2.17 will be owned by the Children's Service Director, an action plan will be presented to the Directors Group and subsequently reported to the ICO after agreement.</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Access to psychometric records did not appear to be restricted and no additional security was applied to them. • Checks (references, CRB checks, etc) are only completed when the information is required after a job offer has been accepted. • There was a suggestion that records may be reviewed for obsolete information when personnel request access to their records. The ICO does not consider this activity to be good practice and could also be a breach of the 5th DPA principle. 	<p>2.13 Due to the potential for answers to be taken out of context, the ICO recommends that the access to raw data for psychometric testing should be restricted to an appropriately qualified member of staff.</p> <p>2.14 HR should further ensure that psychometric records are reviewed after a suitable time to ensure they are still relevant.</p>	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Information available by right to an individual is to information that the council holds at the time of the request, rather than the information that it is supposed to hold. • In removing information on the receipt of a request there is a risk that they are failing to adequately comply with the right of individuals. • There is a further risk that such activity could be regarded as deliberate in an attempt to avoid disclosure, thereby risking possible criminal prosecution. • HR holds all manual staff records centrally. Managers have to supply a valid business reason if they want to view any of the information held on staff records and such requests are considered on a case by case basis. 	2.15 In addition to complying with documented retention policies and procedures, HR should ensure that all key personnel are aware that records should not be removed or deleted in response to a subject access request.	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • Where disciplinary action (warnings, written, or final) are recorded on personnel records, there are clear policies in place for the weeding of the information. HR staff thought that there was no clear policy for what should be retained on the file when investigations do not result in action. • The Employee Lifecycle team handles work that deals with any form of change in relation to an active HR file. Work is dealt with using three systems depending on what needs to be amended; <ul style="list-style-type: none"> 'HR Connect' through which work is received 'WISDOM' which holds the central HR record of copies of documents; and 'SAP', which mainly deals with the Payroll 	2.16 (See above recommendation 2.3)	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
b.		<ul style="list-style-type: none"> • There was a duplication of employment related letters on the WISDOM system (which has only recently gone live) and the team drive. • Duplication of personal data presents a risk that information will not be managed effectively. (For example will all sets of information be appropriately updated)? 	2.17 (see recommendation 2.3)	

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
7.3	The effectiveness of the methods used to develop and maintain the awareness by staff within the identified directorates, of their responsibilities and accountabilities for data protection in their daily duties and behaviours.			
C.	A failure to ensure an appropriate awareness by staff of their individual responsibilities for handling personal data raises the risk that privacy considerations are overlooked resulting in non compliant behaviour.	<ul style="list-style-type: none"> • The council are currently constructing a new Council intranet; there is a link to the old intranet where Corporate Governance pages are still located. • There is also a link to online induction training, although the content could not be reviewed by the ICO Audit team without a login. • The council has an induction programme and 18 week assessment procedure, which has 'Information Technology Security Issues and Data Protection' as a checklist item. • It was believed however that this training was left to the individual managers to cover with new starters. 	3.2 Individual departments should be asked to review data protection content of induction training, with line managers. The council should have a corporate induction process which appropriately covers data protection matters, supplemented where required by local requirements.	Appendix A, 3.2 Owner, Human Resources/Governance Team Implementation date, August 2010

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
C.		<ul style="list-style-type: none"> • Link officers received training provided by Amberhawk during March 2009. However Corporate Governance do not have an attendance list and due to staff turnover are unclear how many of the current group of link officers attended this. • Further dates have been scheduled in May and November 2010 (in addition to FOI training in March) to repeat this training for new and existing Link Officers as a refresher exercise. • The most recent versions of the Data Protection Policy, SAR procedure, SAR staff guidance and SAR Pack are located on the Corporate Governance intranet pages and reasonably easy to locate. 		

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
C.		<ul style="list-style-type: none"> • No decision has yet been made on how to deliver training to all personnel. It was reported that an e learning package may be the preferred option however concerns exist as to its effectiveness. • Other than its publication on the intranet, no further activity has been undertaken to promote the new Data Protection Staff Guide and Policy within the council. • Staff interviewed advised that they had received some data protection training. Only 50% of staff questioned felt that they had received enough data protection training to support them in their role. 	<p>3.3 It is likely that training and awareness may be best achieved through a combination of approaches.</p> <p>The council should ensure that it implements a strategic cohesive approach to data protection and information security training from new starter through to refresher and role specific training.</p> <p>3.4 The Governance Team should promote the guide within the intranet and through its quarterly communications.</p>	<p>Appendix A, 3.3 Owner, Governance Team/Communications/External input Implementation date, December 2010</p> <p>Appendix A, 3.4 Owner, Governance team Implementation date, from now ongoing</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
C.		<ul style="list-style-type: none"> • Review of ICO complaints has revealed that the absence of a Data Protection Officer has caused the public some confusion. • Staff did provide examples of DP related guidance; communications provided quarterly by Corporate Governance, (for example, security of referrals to the police an update covering internal FOI reviews, security of personal data and logging of SAR requests). • Although there was a lack of data protection training across the directorates visited, there was a strong awareness of confidentiality of information. 	<p>3.5 In the absence of a clearly identifiable Data Protection Officer the Council should ensure that all staff are aware of whom their Link Officer is and how they can be contacted.</p> <p>In addition to this the website and policies should be updated to provide a clearly identifiable data protection contact for members of the public.</p>	<p>Appendix A, 3.5 Owner, Governance Team/Directors Implementation date, September 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
7.4	The processes and systems in place to ensure Subject Access requests are dealt with in line with legislation and London Borough of Barnet procedures, with specific reference to both public and staff requests.			
d.	A failure to ensure Subject Access Requests are dealt with appropriately raises the risk that individuals rights to information may be compromised resulting in non compliance with the requirements of the Data Protection Act.	<ul style="list-style-type: none"> • The council's website states that the Information Governance Officer should be contacted in the event of a personal information request; no mention is made of what is required and the SAR pack is not available online. • Some directorates routinely respond in the first instance by sending a SAR pack out, even if they already have enough information for a valid SAR. • There was an inconsistency in approach to SARs between directorates. For example, a directorate may use their own pack and charge a fee while another may use the standard SAR pack and charge no fee. 	<p>4.1 Full guidance as to how to make a valid SAR should be readily available to the public i.e. on website.</p> <p>4.2 Link Officers should be made aware that the provision and completion of a pack should not delay the provision of requested information response to compliance with a request within 40 days.</p>	<p>Appendix A, 4.1 Owner, Governance team/Directors Implementation date, December 2010</p> <p>Appendix A, 4.2 Owner, Governance team/Directors Implementation date, December 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
d.		<ul style="list-style-type: none"> • Link officers typically, will not be responsible for collating the information and responding to the request. This usually lies with the individual (e.g. social worker in Children's Services) receiving the request. • Requests should be logged on the central 'FOI Logging' database. The council has recognised that the current database is not fit for purpose as it does not reliably provide adequate management information. • There is no effective monitoring of the SAR log to ensure that requests are dealt with on time. • Where requests are 'cross cutting' (require data from more than one directorate) or complex they will be dealt with within the Corporate Governance team 	<p>4.3 Implement as a matter of urgency a means of reliably tracking and recording SARs (and FOI requests). The database should clearly identify</p> <ul style="list-style-type: none"> • When request was received, pack sent and response provided; • Provide reminders prior to statutory due dates; • Indicate who is responsible; • Evidence senior manager or Corporate Governance review (where appropriate); • Document exemptions relied upon; • Document summary of information redacted 	<p>Appendix A, 4.3 Owner, Governance team/Directors Implementation date, December 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
d.		<ul style="list-style-type: none"> • During the audit the SAR log provided by the Children's Service was reviewed. For the period 15/07/09 – 26/01/10, 5/25 cases responded to had exceeded the statutory 40 day time limit. A further 7/25 cases remained open outside the 40 day period; this demonstrates non compliance with the sixth principle of the DPA 98. • Not all requests are reported to the Link Officer. The ICO can therefore have no assurance that the council can demonstrate that it is complying with its subject access responsibilities under the DPA. • In Children's Service 8 individual SAR cases were reviewed with the social worker responsible for responding to the request. 	<p>4.4 The council must ensure that it complies with all requests within the statutory time frame of 40 days.</p> <p>4.5 The council should document a clear universal process that applies to all directorates and clearly describes individual responsibilities.</p> <p>4.6 They should further ensure that all directorates adopt the process.</p>	<p>Appendix A, 4.4-4.6 Owner, Governance Team/Directors Implementation date, December 2010</p> <p>Appendix A, 4.4-4.6 Owner, Governance Team/Directors Implementation date, December 2010</p> <p>Appendix A, 4.4-4.6 Owner, Governance Team/Directors Implementation date, December 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
d.		<ul style="list-style-type: none"> • In 1 case the response had been provided outside the 40 day period and the remaining cases were unresolved outside the 40 day period; demonstrating non compliance with the sixth principle. • It was reported that the Link Officer responsible for subject access requests in HR had not received any requests. • Staff responsible for responding to requests reported that they had received little if any DPA training and that no training had been provided in handling and responding to subject access requests. • It was also noted that the corporate SAR report for the period did not reconcile with the Children’s Services own log. 	<p>4.7 Clear guidance and support should be delivered to Link Officers and individuals who respond to SARs within departments. Training should provide practical examples and discuss how to apply relevant exemptions.</p> <p>4.8 The SAR database should provide adequate Management information for directorates and the Governance Team at a corporate level to effectively manage performance.</p>	<p>Appendix A, 3.3 Owner, Governance Team/Communications/ External input Implementation date, December 2010</p> <p>Appendix A, 4.3 Owner, Governance team/Directors Implementation date, December 2010</p>

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
d.		<ul style="list-style-type: none"> • During the time spent within HR it was noted that although requests have not been logged as SARs, HR do process and respond to subject access requests. • In HR just 2 cases had been reported for the period reviewed. In both cases a complaint had been made to the ICO and upheld as compliance unlikely. Both cases had: Exceeded the 40 day time limit and in 1 case were still open (112 days). Involved an inappropriate application of an exemption under the DPA 1998. • The ICO guidance on handling SAR states that in many cases the best way of responding to requests may be through treating them as business as usual. 		

Ref	Compliance Risk	Issues / Findings	Recommended Solution	Management Comments, Responsibility for Action and Due Date
d.		<ul style="list-style-type: none"> • It was evident that HR employees did not recognise requests received in the normal course of business as subject access requests. Due to their own SLAs such requests were being handled within the 40 day time limit. • Although directorate personnel reported that they receive follow up calls from Link Officers to remind them of deadlines, this activity is clearly ineffective. • There was evidence that a lack of clearly prescribed processes for handling and responding to requests were contributing to the delays in providing the information requested. 	<p>See recommendations (4.5/4.6)</p> <p>4.9 It is imperative that Link Officers have the appropriate seniority and competence to perform the role.</p>	<p>Appendix A, 4.9 Owner, Governance Team/Directors Implementation date, June 2010</p>

The agreed actions may be subject to a follow up audit to establish whether they have been implemented.

7.6 Any queries regarding this report should be directed to Kai Winterbottom, ICO Audit Group.

7.7 During our audit, all the employees that we interviewed were helpful and co-operative. This assisted the audit team in developing an understanding of Barnet Council, their policies and procedures. The following staff members were particularly involved in organising the audit:

- Sian Hughes, Performance and OD Manager
- Jeff Lustig, Director of Corporate Governance

DATA PROTECTION ACTION PLAN

Actions arising out of the ICO Audit

FINDINGS	Report Recommendation:	Owner:	Timescales:	Completion By:	Progress	Comments
In January 2009 the General Functions committee (responsible for approval of the constitution, structure and policies) approved the implementation of new or updated policies for Acceptable Usage, Data Protection, Information Security, Email and Internet and Passwords. These policies have been provided to audit for review and appear to be fit for purpose however the majority are neither dated nor version controlled.	1.1: When a policy is created or updated, it should be allocated an appropriate owner, version controlled, dated and given an appropriate review date	Information Gov Council	From now	End Oct 10	In Progress In Progress	Work is on-going on a programme of Information Management projects. A review/update of DP and data security policies is underway to create a more streamlined policy framework with overall ownership/version control being with the Governance Team
However, it was reported that the detail in risk registers varied between directorates and that it was unclear whether all directors clearly understood the relationship between issues, risks and residual risks.	1.2: Barnet should ensure that all directorates receive sufficient guidance and support for the effective operation of the risk register	Corporate Services/Risk to address			In Progress In Progress	Training and new system rolled out, with ongoing support - each directorate having a named 'risk officer' Risk Management Strategy to be published within 'Key Documents' on the intranet
By way of example risk 22 on the corporate register was reviewed. This revealed that the residual risk had been classified as 'risk removed' when the underlying activity continues.	1.3: The Council should ensure that guidance and support is sufficient to equip those responsible with the necessary skills to identify DP issues, identify DP risks, consider appropriate mitigating actions and understand when to close risks	Corporate Services/Audit/Risk to address			In Progress In Progress	Further guidance will be provided Link Officers in the InfoGov newsletters
Whereas the risks around monitoring DPA compliance, management information and SARs have yet to be fully addressed pending further discussion. Further findings in these areas can be found under their relevant risks.	1.4: The Council should ensure that in regard to DP issues recommendations made by Internal Audit or Corporate Governance receive timely consideration and implementation of mitigating actions	Directors/Link Officers/SIRO's	From September '10	On-going	In Progress In Progress	These will be actioned as part of this plan
A paper was submitted to the Council Directors on 4 August 2009 (although year is not stated on document) entitled 'A review of Information Governance and Complaints'. This identified Data Protection as an area of concern due to the lack of visibility, ownership and consistency of policies.	1.5 Ensure the recommendations from the DP Internal Audit report are fully addressed with appropriate mitigating actions in a timely manner	Gov Team/Directors	From now	End Dec 2010	In Progress In Progress	These will be actioned as part of this plan
The roles and structure of the Governance and Service Development Team have been approved but have yet to be formalised although a paper has been submitted which documents the structure and reporting lines.	1.6: Sign off and implement the Governance and Service Development Team roles, structures and reporting lines as documented (this is a reference to the CDG reports of August and October 09)	Director of Corporate Governance	ASAP	01-Dec-10	In Progress In Progress	The restructure is now progressing as part of a wider Corporate Governance restructure
	1.7: Identify and publicise clear DP contacts in Corporate Governance	Governance Team	ASAP	30-Sep-10	In Progress In Progress	Intranet and Internet to be updated. Also to be communicated as part of the awareness campaign and via the InfoGov Newsletter
The role and identity of link officers were not always recognised within their own departments.	1.8: Corporate Governance should review the Link Officer role and incumbents to identify whether they possess sufficient seniority, authority and visibility within their departments (4.9: it is imperative that Link Officers have the appropriate seniority and competence to perform the role)	Gov Team/Directors	From now	End June 2010	Completed Completed	Directors have reviewed and confirmed their Link Officers. This will be regularly reviewed
The council's intranet is currently being rebuilt. However, Information Governance intranet pages have been restructured to make them more accessible to staff and are now available via the home page of the intranet (evidenced by audit).	1.9: Ensure all DP related policies including Acceptable Use, Information Security and Password are clearly accessible through the new intranet site when it is fully operational	Governance Team / Corporate Services	From now	End Oct 2010	In Progress In Progress	Now published within 'Key Documents'. IS and the Governance Team have agreed an urgent review/update of all 'IS' policies relating to DP including data security and transfer. This review will be led by the Governance Team
The council currently has no formal incident reporting procedure that may adequately encompass data protection and information security risks.	1.10: Implement an incident reporting system to provide the Governance and Service Development Team with management information to measure DP compliance and direct future DP related initiatives	Governance Team	From Aug 2010	End Nov 2010	In Progress In Progress	Risks are captured through the new risk management process/system. Work has begun on an Incident Reporting procedure

FINDINGS	Report Recommendation:	Owner:	Timescales:	Completion By:	Progress	Comments
The ICO audit team requested a meeting with the Caldecott Guardian. It was reported that there was some confusion within the council in identifying the person who held this responsibility.	1.11: Review 'Council's with Social Services Responsibilities (CSSR) guidance and the Caldecott Guardian manual to decide if a guardian is required. In the event that a Guardian is required the appropriate seniority and visibility should be attached to the role (1.12: consideration should also be given to the implementation of the Information Governance Toolkit for CSSRs)	Children's	From June 2010	01-Aug-10	Completed Completed	The service has set up a Data Governance Group that has the Caldecott Guardian and Risk Officer as members. Clear guidelines have been written regarding the different roles. The group will cover all aspects of data protection and data security.
There was no evidence that the council currently make use of the Information Governance Toolkit. Toolkit is not mandated but has been developed for voluntary use in CSSR's.	1.12 It should consider the implementation of the Information Governance Toolkit for CSSRs.	Children's	From June 2010	The work of the DGG will be ongoing	Completed Completed	See comments above - The Information Governance Toolkit has been used to inform the work of the Data Governance Group
It was reported that the Governance and Service Development Team are liaising with colleagues from the Insight team and legal services to provide comments on a draft protocol for data sharing with the NHS trust .	1.13: The Council should ensure that it develops, implements and communicates a clear policy regarding Data Sharing (including guidance on developing protocols), which appropriately addresses data protection compliance and 'ICO Framework Code of Practice for sharing personal information'	Governance Team	From now	End Dec 2010	In Progress In Progress	Work has begun of Sharing Protocols and guidance for services on data sharing arrangements and the drafting of those arrangements
The council appeared to have no mechanisms through which compliance with its data protection responsibilities could be assessed on a regular basis.	1.14: The Council should have a system through which it can monitor its performance against its data protection responsibilities	Governance Team	From now	ongoing	Not Started Not Started	Work is on-going on a programme of Information Management projects. A review/update of DP and data security policies is underway to create a more streamlined policy framework with overall ownership/version control being with the Governance Team
A risk has been highlighted on the corporate register, relating to problems with records identified as missing on WISDOM. This occurred during the back scanning exercise. All documents but 3 have been identified and correctly indexed.	2.1 The council should ensure that appropriate scanning procedures have now been implemented and that these ensure that personal information is held securely	Children's	From June 2010	01-Dec-10	Completed Completed	Information Systems working practices are continuously under review. The specific point regarding Wisdom is being addressed
Although the council has a 'Records Retention and Disposal guidelines' document. It was unclear what operational procedures the service has introduced to weed electronically held records on WISDOM.	2.2 Individual departments should clearly identify and communicate <ul style="list-style-type: none"> • Who is responsible for archiving and deleting records; • That procedures apply to both electronic and manual records. • When this should be done; and • Any audit trail or log that should be maintained to support this activity. 	Children's	From June 2010	01-Dec-10	In Progress In Progress	This is link with item 2.9. Procedures are being reviewed and will then be communicated to all staff
Full case records were being retained on the shared 'H drive' in addition to WISDOM. It was established that this was due to a distrust of WISDOM and perceived difficulties in accessing WISDOM on line.	2.3 The council should closely monitor the duplication of client records to shared drives. It should further ensure that staff understand the consequences for non compliance with documented procedures when handling personal data.	Children's	From June 2010	01-Mar-11	In Progress In Progress	A review of the shared areas and the use of the 'H' drive is taking place across the whole Children's Service. The outcome will be to rationalise the use of shared areas to ensure data protection and security best practice is followed
Social workers view and update cases on the Service ICS system. All Children's Service staff can search the ICS system for any open or closed case.	2.4 The council should investigate whether all children's service personnel require access to all open and closed records.	Children's	From June 2010	01-Dec-10	Completed Completed	Information Systems working practices are continuously under review. The specific points in the ICO audit are being addressed. Not all Children's Service staff have access - only those staff with a username and password. A review of user accounts requested
It was reported however that the ICS system does have audit trails, though it was reported that no one currently monitors this.	2.5 The council should implement a proportionate system of monitoring or audit of access to ICS records, based on risk analysis.	Children's	From June 2010	01-Dec-10	Completed Completed	The Data Governance Group will be monitoring access on a monthly basis
Warning markers are used on ICS to alert social workers of key information relating to a client. The warning markers may identify various situations (such as violent clients or relatives, dangerous dogs on the premises).	The council should ensure: <ul style="list-style-type: none"> • That the decision to apply a marker about an individual is based on a specific incident or set of circumstances or expression of clearly identifiable concerns by a professional. 	Children's	From June 2010	01-Dec-10	In Progress In Progress	Information Systems working practices are continuously under review. The specific points in the ICO audit are being addressed

FINDINGS	Report Recommendation:	Owner:	Timescales:	Completion By:	Progress	Comments
The ICS system currently flags warning markers for review every 6 months. It was reported however that markers are not being reviewed in accordance with this schedule.	<p>The council should ensure:</p> <ul style="list-style-type: none"> The decision should be based on objective and clearly defined criteria in line with a clear and established policy and review procedure. Senior nominated personnel in the service are responsible for making these decisions. Decisions should be reviewed regularly. (ref ICO Good Practice Note –Use of Violent Warning Markers) 	Children's	From June 2010	01-Dec-10	In Progress In Progress	Information Systems working practices are continuously under review. The specific points in the ICO audit are being addressed
It was reported that the closed files stored at Barnet House are not locked away which raises the risk of inappropriate disclosure, loss or damage to records.	2.7 The council should implement appropriate access controls for the files in storage at Barnet House to ensure their security	Children's	From June 2010	01-Dec-10	Completed Completed	All case files have now been moved to secure storage at NLBP. The duty staff at Barnet House will be provide with lockable storage for their duty case work
An archive request form is used to extract records however there did not appear to be any validation or authorisation of requests within Children's service.	2.8 Requests for extraction of records from archive should be approved by line management.	Children's	From June 2010	31-Mar-11	In Progress In Progress	A review of the current archiving process is being undertaken. This will include updated procedures which will be communicated to all staff. This particular action will also be linked to 2.8
Although the council has a 'Records Retention and Disposal Guidelines' document. The Archivist reported difficulties in obtaining approval to destroy records once the destruction date had been reached.	2.9 The archivist should be suitably empowered and supervised to destroy records in line with documented and agreed retention schedules.	Children's	From June 2010	31-Mar-11	In Progress In Progress	A review of the current archiving process is being undertaken. This will include updated procedures which will be communicated to all staff. This particular action will also be linked to 2.8
Delays are also caused through the need for Children's Service to review the content of files to ensure that records were not destroyed that may be required in connection with more recently opened cases concerning the same individuals.	2.10 Directorates should document procedures for linking files (to update historic information where appropriate) to ensure that records for recently opened cases are complete.	Children's	From June 2010	31-Mar-11	In Progress In Progress	Action on this is linked to 2.8 and 2.9
During the audit it was noted that blue sacks were also in use for the disposal of confidential waste. Sacks which have to be requested sit on the floor and are not secured whilst awaiting collection.	2.11 The council should implement an effective and appropriately secure method of handling confidential waste.	Children's	From June 2010	01-Aug-10	Completed Completed	The large number of sacks during the visit were due to the pending move of the Children's Service to the ground floor. The amount of confidential waste that normally needs to be destroyed is dealt with using free standing shredders
Personnel interviewed however were not aware of any applicable retention policy relating to personal data they processed and held on local or shared drives.	2.12 The council should formalise the guidelines and ensure that key managers and personnel understand how the data they handle is covered by the categories in the retention guidelines and schedules, (As identified by the Governance Director in his 'Review of Data Protection Arrangements' paper, 5 January 2010).	HR	From 1 Aug 2010	End Dec 10	In Progress In Progress	HR have redrafted a Managers Induction Pack. The Governance Team have inputted to the DP aspects of the pack The Records Retention & Disposal Guidelines are under review and work is underway with departments to update. HR have already completed this work
Access to psychometric records did not appear to be restricted and no additional security was applied to them.	2.13 Due to the potential for answers to be taken out of context, the ICO recommends that the access to raw data for psychometric testing should be restricted to an appropriately qualified member of staff.	HR	From 1 Aug 2010	End Aug 2010	Completed Completed	This report finding was inaccurate Psychometric testing is always carried out by an agency and only for certain staff groups
	2.14 HR should further ensure that psychometric records are reviewed after a suitable time to ensure they are still relevant.	HR	From 1 Aug 2010	End Aug 2010	Completed Completed	Psychometric tests are used purely for the purpose of appointment and are not referred to or use after appointment has taken place. Therefore reviewing of this information is not required.

FINDINGS	Report Recommendation:	Owner:	Timescales:	Completion By:	Progress	Comments
Information available by right to an individual is to information that the council holds at the time of the request, rather than the information that it is supposed to hold.	2.15 In addition to complying with documented retention policies and procedures, HR should ensure that all key personnel are aware that records should not be removed or deleted in response to a subject access request.	HR	From 1 Aug 2010	End Jan 2011	In Progress In Progress	All HR staff have been reminded of the basics of Subject Access and Data Protection responsibilities (completed) Purging of employee files is being undertaken as part of transferring records from paper to electronic media (via WISDOM Project) (scanning on-going, scheduled to complete in January 2011)
Where disciplinary action (warnings, written, or final) are recorded on personnel records, there are clear policies in place for the weeding of the information. HR staff thought that there was no clear policy for what should be retained on the file when investigations do not result in action.	2.16 (See above recommendation 2.3) The council should closely monitor the duplication of client records to shared drives. It should further ensure that staff understand the consequences for non compliance with documented procedures when handling personal data.	HR	From 1 Aug 2010	End Nov 2010	Completed Completed	All HR Staff have been reminded of Data Protection Policy and their own responsibilities under the Policy & Act The HR Management Team have been requested to review all records held on Shared Drives including ensuring all those that have access are identified and those who should not have access are removed
Duplication of personal data presents a risk that information will not be managed effectively. (For example will all sets of information be appropriately updated)?	2.17 (see recommendation 2.3) The council should closely monitor the duplication of client records to shared drives. It should further ensure that staff understand the consequences for non compliance with documented procedures when handling personal data.	HR	From 1 Aug 2010	End Nov 2010	Completed Completed	All HR Staff have been reminded of the Data Protection Policy and their own responsibilities under the Policy & Act The HR Management Team have been requested to review all records held on Shared Drives including ensuring all those that have access are identified and those who should not have access are removed
The council has an induction programme and 18 week assessment procedure, which has 'Information Technology Security Issues and Data Protection' as a checklist item. It was believed however that this training was left to the individual managers to cover with new starters.	3.2: Individual departments should be asked to reviews DP content of induction training with line managers. The Council should have a corporate induction process which appropriately covers DP matters, supplemented where required by local requirements	HR / Governance	From 1 June '10	End Dec 2010	In Progress In Progress	HR have renewed the license for the e-learning induction, which covers DP quite comprehensively. Thought to be given to the process for ensuring new starters are sent a link and log in details. HR/Governance Team are working on the contract template for new starters to make sure the references to DP responsibilities is made more explicit
No decision has yet been made on how to deliver training to all personnel. It was reported that an e learning package may be the preferred option however concerns exist as to its effectiveness.	3.3: The Council should ensure that it implements a strategic cohesive approach to DP and information security training from new starter through to refresher and role specific training	Gov Team/Communications/external input		End Nov 2010	In Progress In Progress	Awareness campaign due to be completed at the end of December. Posters (inc giant posters), screen savers, plasma screen presentation, intranet articles and DP training sessions for all staff have been underway during October/November. A further plan of action will address emerging issues
Other than its publication on the intranet, no further activity has been undertaken to promote the new Data Protection Staff Guide and Policy within the council.	3.4: The Governance And Service Development Team should promote the DP staff guide within the intranet and through its quarterly communications			Ongoing	In Progress In Progress	The DP Policy and Guidance now accessible through 'Key Documents'. First team will promote through the communications campaign. This will also be the subject of more detailed articles in the InfoGov newsletter
Review of ICO complaints has revealed that the absence of a Data Protection Officer has caused the public some confusion.	3.5: in the absence of a clearly identifiable DP Officer the Council should ensure that staff are aware of whom their Link Officer is and how they can be contacted. In addition to this the website and policies should be updated to provide a clearly identifiable DP contact for the public	Gov Team/Directors	ASAP	1 Sept '10	In Progress In Progress	Link Officers have been confirmed by Directors and work to publicise the Governance Team has started in earnest through the 31 DP sessions
The council's website states that the Information Governance Officer should be contacted in the event of a personal information request; no mention is made of what is required and the SAR pack is not available online.	4.1: Full guidance as to how to make a valid SAR should be readily available to the public i.e. on the website (4.4: The Council should document a clear universal process that applies to all directorates and clearly describes individual responsibilities and that 4.6: they should ensure all directorates adopt the process)	Gov Team/Directors	From now	End December '10	In Progress In Progress	A new Subject Access Request pack for members of the public and revised, updated and enhanced guidance for Link Officers is underway - with a view to publishing by the end of December. InfoGov newsletter to also pick up the key points

FINDINGS	Report Recommendation:	Owner:	Timescales:	Completion By:	Progress	Comments
Some directorates routinely respond in the first instance by sending a SAR pack out, even if they already have enough information for a valid SAR.	4.2: Link Officers should be made aware that the provision and completion of a pack should not delay the provision of requested information response to compliance with a request within 40 days (4.4: The Council must ensure it complies with all requests within the statutory timeframe of 40 days)	Gov Team/Directors	From now	End December '10	In Progress In Progress	Reminders to Link Office via the InfoGov newsletter, and guidance pack and through the performance monitoring framework
Requests should be logged on the central 'FOI Logging' database. The council has recognised that the current database is not fit for purpose as it does not reliably provide adequate management information.	4.3: Implement as a matter of urgency a means of reliable tracking and recording of SARs. The database should satisfy a number of key criteria as listed in the report	Gov Team/Directors	Underway	End December '10	In Progress In Progress	After extensive work the internal Customer Relations Management system is not a viable system and too costly to develop to meet the requirements of DP An alternative system has been identified. Directors have agreed in principle - a development bid to be submitted for its implementation (from January) and its ongoing maintenance
During the audit the SAR log provided by the Children's Service was reviewed. For the period 15/07/09 – 26/01/10, 5/25 cases responded to had exceeded the statutory 40 day time limit. A further 7/25 cases remained open outside the 40 day period; this demonstrates non compliance with the sixth principle of the DPA 98.	4.4 The council must ensure that it complies with all requests within the statutory time frame of 40 days.	Governance Team		Nov-10	In Progress In Progress	Reminders to Link Officers via the InfoGov newsletter, and guidance pack and through the performance monitoring framework
Not all requests are reported to the Link Officer. The ICO can therefore have no assurance that the council can demonstrate that it is complying with its subject access responsibilities under the DPA.	4.5 The council should document a clear universal process that applies to all directorates and clearly describes individual responsibilities. 4.6 They should further ensure that all directorates adopt the process.	Governance Team		End Nov 2010	In Progress In Progress	A new Subject Access Request pack for members of the public and revised, updated and enhanced guidance for Link Officers is underway with a view to publishing by the end of December. InfoGov newsletter to also pick up the key points
Staff responsible for responding to requests reported that they had received little if any DPA training and that no training had been provided in handling and responding to subject access requests.	4.7: Clear guidance and support should be delivered to Link Officers and individuals who respond to SARs within departments. Training should provide practical examples and discuss how to apply relevant exemptions	Governance Team		End Nov 2010	Not Started Not Started	Subject Access Requests covered briefly in the DP session but more detailed training is planned for Link Officers in early 2011 to focus more specifically on those requests for personal data
It was also noted that the corporate SAR report for the period did not reconcile with the Children's Services own log.	4.8: The SAR database should provide adequate management information for directorates and the Governance and Service Development Team at a corporate level to effectively manage performance	Governance Team		End Nov 2010	Not Started Not Started	After extensive work the internal Customer Relations Management system is not a viable system and too costly to develop to meet the requirements of DP An alternative system has been identified. Directors have agreed in principle - a development bid to be submitted for
It was evident that HR employees did not recognise requests received in the normal course of business as subject access requests. Due to their own SLAs such requests were being handled within the 40 day time limit.	See recommendations (4.5/4.6)			End Nov 2010	Not Started Not Started	A new Subject Access Request pack for members of the public and revised, updated and enhanced guidance for Link Officers is underway with a view to publishing by the end of December. InfoGov newsletter to also pick up the key points
Although directorate personnel reported that they receive follow up calls from Link Officers to remind them of deadlines, this activity is clearly ineffective.	4.9 It is imperative that Link Officers have the appropriate seniority and competence to perform the role.			End Nov 2010	Completed Completed	This has been addressed with Directors and the list has been reviewed

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Meeting	Audit Committee
Date	7 December 2010
Subject	Interim Report of the Corporate Anti Fraud Team (CAFT) 2010
Report of	Acting Corporate Anti Fraud Team Manager and Director of Corporate Governance
Summary	To note the Interim Report of the Corporate Anti Fraud Team 2010

Officer Contributors	Clair Green, Acting Corporate Anti Fraud Team Manager Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix 1: Summary of the first 6 months performance in relation to CAFT Benefit Compliance Team Appendix 2: Summary of the first 6 months performance in relation to CAFT Benefit Fraud Investigations Appendix 3: Summary of the first 6 months performance in relation to the CAFT Corporate Fraud Investigations
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 Interim Report for 2010/11.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Delegated Powers Report, ref: BT/2004-05 -2 March 2004) - The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004
- 2.2 Audit Committee 11 March 2010 (Decision item 10) - included in the work programme for 2010/11, that that an interim report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 Audit Committee the 11 March 2010 (Decision item 12) - approved the CAFT Team's Annual Work Plan 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.
- 2.4 Audit Committee 21 June 2010 (Decision item 13) - approved the CAFT Annual Report 2009/10 which detailed the work of the team and planned future work.

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.
- 3.2 The 'Future Shape' programme comprises of three principles; A new relationship with citizens, A one-public sector approach and A relentless drive for efficiency.
- 3.3 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 I have considered whether the issues involved are likely to raise significant levels of public concern or give rise to policy considerations. The proposals do not give rise to significant levels of public concern or give rise to policy

considerations as they are about improving our current ability to address existing priorities.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through annual report and our service delivery.
- 5.2 This report will have no adverse impact or diversity issues. CAFT have worked closely with the Benefits Service and Communications Team 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 receives 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.
- 6.2 In 2010/11 CAFT received £660,140 (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.

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 6 months.
- 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 For the first time in 2009/10 CAFT worked with the Risk Management Team to include questions on fraud risks and fraud awareness on the Internal Control Checklist (ICC) The results of the ICC identified a high number of staff that

had not received fraud awareness training within a 2 year period. It also identified service areas that had not considered or identified fraud risks on their risks registers. In response to this CAFT devised an action plan to assist services with the issues and to provide effective fraud awareness training to their staff.

The action plan had two main objectives;

- Devise and deliver a new bespoke fraud awareness training package to all directorates; In order to make best use of available resources this package was aimed at managers and senior staff. The roll out of the training is now almost complete with only 2 directorates still awaiting their training (both scheduled for early December 2010).
- Meet with all Directors to discuss and identify potential 'fraud risks' in their directorates and to encourage them to discuss these issues at their management teams and review their risk register for fraud risks. This was achieved with productive meetings held with all Directors by the end of Q1. *(The ICC is now a half yearly function and CAFT are in discussion with the Assistant Director for Audit and Risk Management in order to set up a mechanism on the best way to approach this issue more effectively in future. We hope achieve a suitable method of ensuring that the risk of fraud is discussed and included within risk registers. We will report back to the Committee on how we aim to achieve this in March 2011 within our Annual Work plan 2011/12.)*

- 9.4 CAFT conducted market research into 'E learning' fraud awareness packages. The preferred package is currently being tested within the CAFT and we aim to implement 'E learning' for Fraud Awareness Council wide in 2011/12. This will be an all staff package that can be accessed via the internet with a small test at the end. The package is split into 2 different levels; (1) all staff and (2) managers. The package will also provided CAFT with a detailed report on who has completed the E learning and the pass/fail rates of the test. This will help us achieve a comprehensive, modern and value for money anti fraud awareness function for the Council.
- 9.5 We have also considered current working arrangements in Barnet against the good practice guidance as set out in the Audit Commission 'Protecting the Public Purse and CIPFA's red book 'Managing the risk of Fraud' publications. Our objective is to develop a proactive fraud plan to include all issues identified in our consideration along with outcomes from the derived from the ICC.
- 9.6 There are also generally known fraud risks to local authorities that can be included within the plan to provide an anti fraud assurance on particular high risk functions. CAFT plans to work jointly with Audit and Risk Management in order to produce a plan that eradicates any duplication of work between the two services. By working together we hope to better identify those services who have high risk of fraud, whilst approaching the matter in a cohesive and best value approach. This will also be reported back to the Committee in March 2011.

- 9.7 Appendix 1 is a summary of the first 6 months performance in relation to Benefit Compliance Team.
- 9.8 Appendix 2 is a summary of the first 6 months performance in relation to Benefit Fraud Investigations.
- 9.9 Appendix 3 is a summary of the first 6 months performance in relation to the Corporate Fraud Investigations.
- 9.10 We continue to focus on the National Fraud Initiative (NFI) referrals from the Audit Commission. All requested Council data has now been provided to them for their data matching exercise. The matches are expected to be released to Barnet in January 2011.
- 9.11 Our partnerships with the UKBA and Police continue to yield results for both the Council and the Home Office and Police. The UKBA embedded immigration officer within the CAFT provides a valuable point of reference and resource to the Council and continues to be a success. There are a number of joint operations with these partners planned for the coming year, which will be reported back to the Committee in our Annual Report.
- 9.12 This year we have upgraded our corporate fraud management database so that we are now able to clearly define and categorise the 'fraud type' and 'outcome' of each investigation for reporting purposes, as previously have only been able to report on referral numbers and source. We will also be able to analyse the cost and time of each completed investigation to ensure that resources within the team have been appropriately deployed.
- 9.13 In addition to this we now hold full comprehensive records of any actual or attempted frauds in order to make best use of our intelligence and information and use this to further develop new working relationships with Audit and Risk Management in order to strengthen the anti fraud / risk assurance we provide to the council.
- 9.14 The scope of our work is wide and varied. The report is aimed to reinforce that not only are we reacting to the referrals made to the team but working proactively with colleagues within the council and partner agencies to uncover areas of risk, assisting services in increasing their preventative fraud measures and achieving a successful and a value for money anti fraud service by providing an effective barrier to fraudsters in Barnet.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
CFO: MC

Corporate Anti Fraud Team
Performance Summary
2010/11 Q1 & Q2

Appendix 1

CAFT Benefit Compliance Team deals with identifying and correcting error in our benefits system through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS). The team conduct assessments of benefit which may result in an overpayment which is then passed to our Benefit Investigation team to further investigate and identify fraudulent claims.

	Q1 2010/11	Q2 2010/11	Total Q1 & Q2	Total 2009/10
Number of HBDMS matches received	400	795	1195	1841
Total Number of Compliance benefits assessments	169	287	456	
Number of assessments which resulted in no change or increased benefit	23	129	152	
Total Amount of Fraud overpayments identified	£96,013.24	£153,433.58	£249,446.82	
Number of assessments were o/p under £500	0	0	0	
Number of assessments were o/p is £500 - £2000	6	13	19	
Number of assessments were o/p is £2001 -£4000	5	15	20	
Number of assessments were o/p is £4001 and above	5	12	17	
Total amount of Error overpayments Identified	£149,555.07	£246,945.02	£396,500.09	
Number of assessments were o/p under £500	70	38	108	
Number of assessments were o/p is £500 - £2000	39	58	97	
Number of assessments were o/p is £2001 -£4000	15	17	32	
Number of assessments were o/p is £4001 and above	6	5	11	
Total amount of Fraud and error overpayments identified	£245,568.31	£400,378.60	£645,946.91	£1,131,632.35
Total amount recovered by Benefits Service – Overpayment Recovery Team	£72,747.77	£55,550.81	£128,298.58	

The table identifies that there have been 17 separate assessments that have resulted in a fraudulent overpayment of benefit higher than £4001; All of these 17 have been investigated by Benefits Investigations team and to date 8 of the cases have been passed to our legal team for prosecution, 6 cases have been offered an administrative penalty, 1 investigation is still ongoing and 2 have been closed with no further prosecution action.

The largest of the fraudulent overpayment figures identified above relates to a single overpayment of £30,065.71. This case has been investigated by CAFT and is now with our legal department for prosecution and is at present ongoing through the judicial system. Therefore details of the investigation cannot be published - however it should be noted that in this particular case CAFT have for the first time successfully applied in the crown court for a restraint order under the Proceeds of Crime Act, the restraint was granted on the defendants assets in order to secure full compensation of the benefit overpayment for Barnet on conclusion of the ongoing criminal prosecution proceedings.

There have been a further 11 assessments which identified claimant error benefit overpayments of over £4001 of which 7 have been referred for Investigation and 4 have been closed as claimant error and overpayment recovery only.

The table clearly shows that the number of HBDMS has increased significantly in the first 6 months of 2010/11. This has in turn increased the Benefit Compliance Team's number of benefit assessment and subsequent fraud/error overpayments identified. If the current level of HBDMS matches continues in the next 6 months (as anticipated) then the overall CAFT identified benefit fraud and error overpayment figure for 2010/11 may be significantly higher than last year.

During Q1 and Q2 the Benefit Compliance Team has responded to approx 300 requests for information from other Local Authorities, Police and the DWP.

Appendix 2

Corporate Anti Fraud Team
Performance Summary
2010/11 Q1 & Q2

CAFT Benefit Investigation Team deals with the identification, investigation and prosecution of those persons that commit benefit fraud in Barnet in accordance with DWP guidelines and Barnet's Counter Fraud Framework.

		Q1 2010/11	Q2 2010/11	Total Q1 & Q2	CAFT Projection 2010/11	Total 2009/10
Housing and Council Tax Benefit Fraud Sanctions	Successful Prosecutions (Guilty Verdicts)	9	8	17		18
	Administrative Penalties (Offered & Accepted)	12	12	24		109
	Formal Cautions	0	0	0		11
	Total Sanctions Figure	21	20	41	154	138

The sanction projection figure set for 2010/11 is an internal CAFT projection which is based on 2009/10 benchmarking with other London local authority fraud teams and the current investigation staffing numbers in CAFT. In 2009/10 Barnet were placed in the top quartile for overall achievement of sanction numbers and top for achievement of number of sanctions per investigation officer.

It should be noted that in addition to the table above going into Q3 we have 232 ongoing investigation and 61 of these have been agreed for sanction action. Approx 80% of our current sanction figures have been as a result of a HBDMS referral. Taking these figures into account we are likely to achieve our projected sanction figure.

It is clear from the table above that there has been a significant increase in cases where persons have been prosecuted for benefit fraud. This has been as a result of larger fraud overpayments being identified, which has resulted in more prosecution and increased joint working with the DWP. CAFT are continuing successfully in their aim to prosecute even more offenders for benefit fraud than in 2009/10 reinforcing the Councils policy of zero tolerance to those that commit fraud against Barnet.

An example of a successful joint prosecution between CAFT and the DWP's Counter Fraud Investigation Service (CFIS) is the case of Ms SEGAL:

CAFT received an HBDMS match indicating that Ms Segal held a bank account and that she received interest on savings within the in the account and that this had not been declared on her benefit claim forms. CAFT Investigation confirmed that she indeed held an undeclared account and that the balance of this account had above or around £16,000 from 2003. Ms SEGAL had been in receipt of Housing and Council Tax Benefit and Income Support since 2003 and as this money would effect her entitlement to all of those claims the DWP were invited to join our investigation. She was interviewed under caution and admitted to not declaring the bank account or the monies within it when she applied for her benefits. The claim was reassessed taking into account the undeclared money in her account and resulted in a housing and council tax benefit overpayment of £27,300.66. There was also a DWP overpayment of £13,648.80 in respect of her income support benefit.

Ms SEGAL was prosecuted and pleaded guilty to three charges of dishonestly obtaining benefit at Wood Green Crown Court contrary to section 111(1A) of the Social Security Administration Act 1992 and was sentenced to three months for each offence to run concurrently, which was suspended for 3 months. Ms Segal made arrangements with the Benefits Service Overpayment Team to repay this amount and has repaid to date approx over £5,000 of this overpayment.

Corporate Anti Fraud Team
Performance Summary
2010/11 Q1 & Q2

CAFT Corporate Fraud Team deal with the investigation to all fraud matters (except benefit fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. The team operate in accordance with Barnet's Counter Fraud Framework and relevant investigate legislation. CAFT continue to work in partnership with the UKBA and Police to ensure that all the public purse is adequately protected.

Directorate	Total number of cases referred for investigation in 2009/10	Number of cases carried over from 2009/10	Number of new cases referred for investigation combined Total Q1 & Q2	Number of cases carried forward for investigation into Q3	Total number of cases closed in Q1 & Q2	Insufficient evidence to proceed with Investigation	Closed insufficient Funds for a financial Investigation	Passed to Police / Serious Organised Crime Agency (Money Laundering) to investigate	Closed Advice given to service area	Closed No Fraud	Dismissed as a result of CAFT investigation	Closed Fraud Proven
E & O		5	15	9	10	2	0	1	3	2	3	0
Corporate Services		4	14	9	9	0	1	1	3	3	0	1
Commercial services			2	1	1	0	0		1	0	0	0
Adult Social Services		0	3	0	3	1	0	1	1	0	0	0
Children's Services		1	3	3	1	0	0	0	1	0	0	0
Planning, Housing & Regeneration		4	4	4	4	1	0	0	1	2	0	0
Chief Executive Services			0	0	0	0	0	0	0	0	0	0
Corporate Governance			3	1	2	0	0	0	0	2	0	0
Barnet Homes			2	0	2	0	0	0	0	2	0	0
Total	57	14	46									
Overall Total for Q1 & Q2			60	27	32	4	1	3	10	11	3	1

The table show that 46 new referrals for investigation were made to CAFT from either the directorates themselves or another source than in the first 6 months of the year compared to an overall total of 57 in 2009/10. This is a significant increase and believed to be as a result the successful fraud awareness training and the subsequent increased awareness of CAFT across the council. It should be noted that going into Q3 there are 29 ongoing investigations of which some have already progressed to prosecution. A number of these investigations are also financial investigations and CAFT will be applying for confiscation under Proceeds of Crime Act once the criminal prosecution action is complete.

An example of our successful partnership with UKBA is the 3 cases categorised above as 'dismissed as a result of CAFT investigation'. *CAFT conducted a pro active investigation with UKBA which identified 3 Barnet employees that had submitted false identity documents in order to gain employment with the Council. A joint CAFT / UKBA operation was conducted which resulted in the arrest of 2 of the employees. During interviews the employee's true identities were confirmed along with the 'illegal' status to be in the UK, they were subsequently dismissed and the UKBA have made arrangements to return them to their home countries. The 3rd employee evaded arrest during the operation, has subsequently been dismissed from the Council based on our evidence and their whereabouts is currently unknown to UKBA.* As a result of this operation and our joint working partnership with the UKBA, CAFT were able to save the Council from being issued with fines totalling £30,000 (3 fines of £10,000 for each illegal worker) from the UKBA in accordance immigration and employment legislation.

A further example of CAFT successful joint working with Barnet Homes, UKBA and the Police from the 'fraud proven' column above is the case of SENKORA:

Following the receipt of a National Fraud Initiative data match which indicated that Ms SENKORO was in receipt of housing benefit however her status in the UK indicated that she was not entitled to claim public funds. The CAFT investigation revealed that SENKORO had produced a forged identity document to obtain a council property as well as claiming housing benefit. She was arrested and pleaded guilty to offences contrary to the Identity Card Act and was sentenced to 6 months imprisonment. CAFT in conjunction with Barnet Homes regained possession of the property that was fraudulently obtained. Whilst there is currently no definitive guidance on the cost of Housing Tenancy Fraud, according to the Audit Commission the recovery of such a property should be identified as a saving to the Borough of £150,000

AGENDA ITEM: 12

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Meeting	Audit Committee
Date	7 December 2010
Subject	Personal Budgets - External Audit report
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the action plan resulting from the review of personal budgets carried out by the external auditors

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A - Personal Budgets report
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Maryellen Salter, Assistant Director of Finance - Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Personal Budgets Report and the actions being taken to address the deficiencies.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 21 June 2010 (Decision Item 11) it was noted that the external auditors were undertaking a piece of work to inform their 2009/10 value for money audit opinion.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 This review was planned and aligned to the Council's objective of 'sharing opportunities and sharing responsibilities' and in particular the One Barnet workstream of 'new relationship with citizens'.

4. RISK MANAGEMENT ISSUES

- 4.1 External audit work is carried out to give high level assurance of the corporate risks of the Council. The work is planned and undertaken in consideration of local and national risks facing the Council, and also in conjunction with reviewing the Council's own risk management arrangements. Where deficiencies are found within the current control environment external audit will make recommendations which managers will need to ensure feed into ongoing action plans.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Personal budgets are intended to improve the choice and enhance the quality of life of a number of specific groups, (Older people (65+); adults with physical and sensory disabilities; adults with learning disabilities; and adults with mental health needs. The VFM study makes recommendations which if implemented should enhance the delivery of this programme and therefore make a contribution towards better outcomes for all these groups.

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

- 6.1 As the External Audit plan is risk based this provides more appropriate assurance on those high priority areas within the Council. When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.

7. LEGAL ISSUES

- 7.1 No legal issues in the context of this report.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution Part 3, section 2 details the functions of the including to comment on the 'scope and depth of External Audit work and to ensure that it gives value for money'.

9 BACKGROUND INFORMATION

- 9.1 The report is attached to this report at Appendix A. The highlight messages that the Audit Committee should consider are as follows:

9.2 Financial planning

Overall there are adequate financial planning arrangements in place to support personal budgets, with significant investment in the tools being used to create indicative personal budgets.

9.3 Commissioning and procurement

Overall the directorate is performing well in developing a strong capacity to shape the social care market within the Borough.

9.4 Risk management and internal control

Although the Council's overall approach to risk management is adequate, improvements are required to ensure corporate risk management is fully embedded across the Council.

9.5 Workforce

Overall there are good initiatives and training in place to promote a focus on outcomes. However there is an overall lack of strategic direction for these training programmes without a workforce development strategy.

10. LIST OF BACKGROUND PAPERS

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

Legal:

Finance:



London Borough of Barnet

External Audit - value for money study 2009/10

Personalisation of budgets

16 November 2010

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3	Financial planning	9
4	Commissioning and procurement	13
5	Risk management and internal control	20
6	Workforce	26

Appendices

- A** Interviews with key staff
- B** Documentation reviewed
- C** Action plan

1 Executive Summary

1.1 Context

A personal budget is an allocation of money for an individual to spend on a support plan. The individual develops the support plan, with social care professionals, to meet a jointly agreed set of needs. Personal budgets give users transparent and agreed allocation of funding and the power to choose how to spend that money in the way they think most suitable to meet their needs.

In 2007 the government, through the concordat Putting People First, made personal budgets one of the cornerstones of personalising social care. The Department of Health (DoH) expects that by April 2010 all Councils would have introduced personal budgets and that by April 2011 30% of all eligible social care users or carers should have a personal budget.

The LB Barnet vision for adult social services 'Choice and Independence' had been agreed by Cabinet in January 2007 and the directorate started a major change programme which involved supporting people to exercise choice and control over the way they wanted their needs to be met. More recently the personalisation agenda has featured strongly within the One Barnet workstream of 'new relationship with citizens'. This workstream will involve giving residents more involvement in public sector service delivery and delivering a more personalised response.

1.2 Scope of work

The purpose of our review is to assess the action taken by the Council, in particular Adult Social Services (ASS), to deliver personalisation in adult social care.

We have reviewed the Council's progress in carrying out its change agenda. As the agenda is far reaching and complex our review has focused on personal budgets and support plans.

In undertaking this review, we were seeking to:

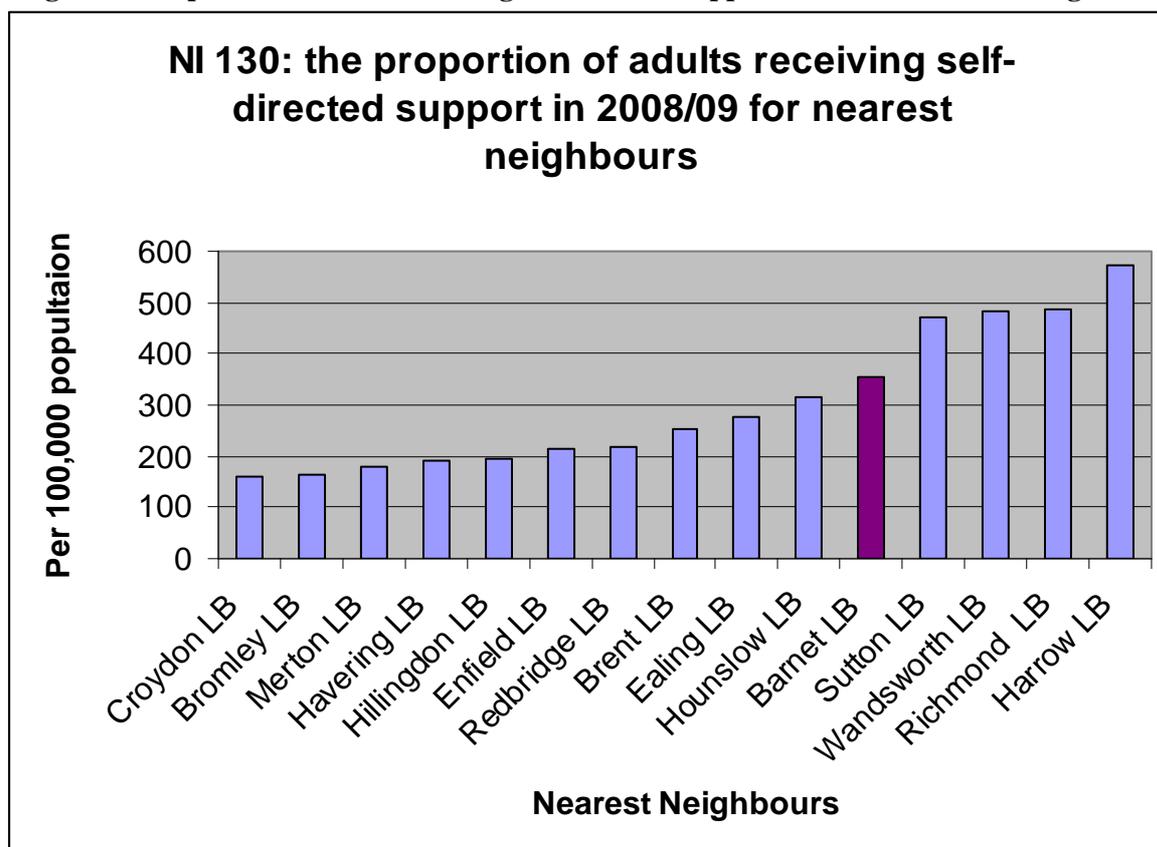
- assess the adequacy of the financial planning arrangements to support personal budgets;
- ensure that Commissioning and Procurement practices within ASS are aligned with personalisation;
- ensure there are the right risk management arrangements and an internal control environment to support personal budgets and safeguard vulnerable people; and
- ensure the workforce is provided with the resources to deliver change.

This has been a high level review performed through interviews and analysis of documentation supporting the key areas. There has been no compliance testing carried out on those systems used to support personal budgets.

1.3 Key messages

The Council's direction of travel for the take up of personal budgets is positive. However as at 31 March 2010 the percentage of people with a personal budget was 15.23%. The following diagram shows the 2008/09 position of the number of service users receiving self directed support and indicates that the Council was comparable to its nearest neighbours for the take up of personal budgets. The 2009/10 outturn figures for the indicator suggests that 1,029 service users now receive self directed support which is a shortfall compared with the target of 1,208. Due to a lack of published data the Council took part in the PwC benchmarking for this indicator, which included 38 local authorities and showed it is in the top quartile. This suggests that nationally there is still some progress required to achieve the 30% target by April 2011.

Diagram 1: Proportion of adults receiving self directed support in 2008/09, nearest neighbours set



Financial planning

Overall there are adequate financial planning arrangements in place to support personal budgets, with significant investment in the tools being used to create indicative personal budgets. However, there are still opportunities to streamline the process for the service user. Consideration should also be given to personalising budget management and IT systems to allow for the identification of efficiencies and better long term planning.

Once early intervention and support costs are identified on an individual basis this information can be fed into further developing the Resource Allocation System (RAS) and reducing the 25% contingency as a cost control measure.

Solutions are being explored by the directorate with respect to the best platform for the RAS as currently spreadsheets are used which are not considered robust.

The directorate should consider how its financial models and documentation for personalisation fully align with One Barnet and achievement of value for money through a focus on outcomes. A focus on outcomes by social care workers should help ensure that financial risks are mitigated.

Commissioning and procurement

Overall the directorate is performing well in developing a strong capacity to shape the social care market within the Borough. It has run successful market shaping initiatives that have promoted innovation and personalisation. The partnership approach is clear within the overall vision for Adults Social Services however there are risks around the level of engagement from its NHS partners due to financial and operational uncertainty.

There has been some successful use of non financial measures to influence demand in the future, achieved by enablement work and the prevention framework. These should be considered long term initiatives in determining the efficiencies and savings achieved.

The directorate will need to consider performance management systems that best balance flexibility and adherence to deliverables to ensure innovation is not stifled. In addition, the directorate should provide support to providers in developing solutions to infrastructure problems as a result of individual purchasing.

There are success stories within the Directorate with its work to develop a User Led Organisation which has resulted in the Council receiving trailblazer status from the Right to Control. There are clear learning opportunities which can be cascaded to personal budget work. Other learning can be achieved through the testing of the directorate Personalisation Impact Assessment (PIA) tool which will assess providers on their achievement of outcomes.

The directorate will need to consider the risks of loss of knowledge, choice reduction and quality performances within its Contract Model. The mitigating actions for these risks should be clearly documented within its risk register.

Risk management and internal control

Although the Council's overall approach to risk management is adequate, improvements are required to ensure corporate risk management is fully embedded across the Council. Risk management arrangements that are suitable and proportionate, while not stifling innovation, are needed. The current risk registers are not suitable to allow senior management to make decisions about which risks to tolerate and which to treat, and the risk management strategy is in need of revision.

There are opportunities to engage better with internal audit and the directorate should look to foster a culture of effective risk management which proactively engages with internal audit to provide assurance that overall strategic aims will be met and key risks effectively managed.

The current form and content of the risk register should be adapted to the requirements of ISO 31000 'Risk Management - Principles and Guidelines' which we consider would be appropriate given the commercial nature of the One Barnet programme.

Reporting to the Audit Committee could be improved through the use of a risk management dashboard, to be developed alongside the current performance management and financial management reports.

Workforce

Overall there are good initiatives and training in place to promote a focus on outcomes. However there is an overall lack of strategic direction for these training programmes without a workforce development strategy. This is important given the likelihood of demand outstripping supply of social workers in the future.

In addition the directorate should ensure that it embraces the Council's new performance management framework and ensures each staff member has an objective on personalisation.

1.4 Next steps

Given the current economic climate and the financial challenges ahead, an innovative approach to service delivery needs to be encouraged. Our key recommendations are designed to be used in consideration of developing personalisation and aligning that commitment to the overall Corporate Plan. We expect the recommendations to form part of the financial, performance and risk management arrangements within the directorate and managed accordingly.

1.5 Use of this report

This report has been prepared solely for use by the Council and should not be used for any other purpose. No responsibility is assumed by us to any other person.

This report includes only those matters that have come to our attention as a result of performance of the review.

1.6 Acknowledgements

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management and officers during the course of our review, in particular for the help and support provided by the (Acting) Director of Adult Social Services and her management team.

Grant Thornton UK LLP
16 November 2010

2 Context and Background

2.1 Introduction

In 2007 the Government's concordat *Putting People First* set out plans to transform Adult Social Care, address inequalities in social care provision and give service users and carers more say in their care provision. All major bodies involved with government, health and social care support it.

Putting People First provides an innovative approach that seeks to reduce the complexity and bureaucracy associated with care provision across multiple agencies and partners. While it clearly identifies the direction agencies must take, it does not impose a national solution or process, but allows for local innovation and development.

Continuing to deliver support to those who need it while transforming established structures requires proactive management of a complex system. The Social Care Reform Grant provides ring-fenced money to help councils deliver this radical change.

This will entail working across the public sector to develop approaches that enable more people to get help from services and opportunities that are available to local people. It will need to minimize dependency and maximise choice and control when people do need to use social care. Key elements of this approach are:

- maximising access to universal services
- early intervention and prevention
- choice and control, and
- developing and nurturing social capital.

2.2 Local background

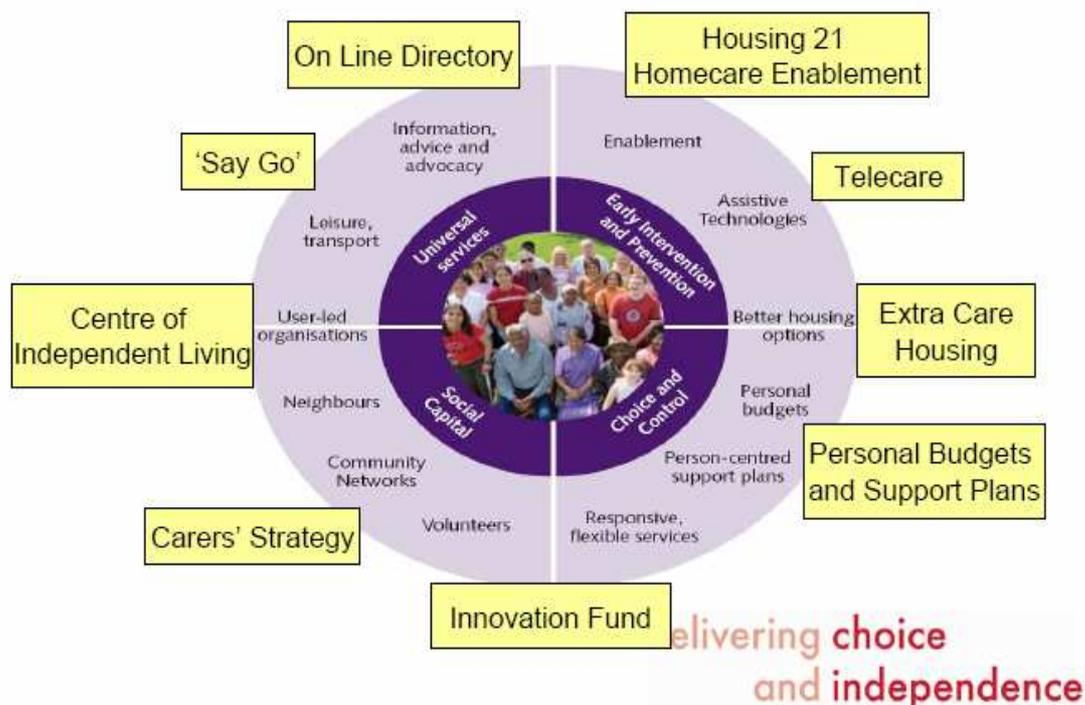


Diagram 2: The Council's Choice and Independence Model

In January 2007 London Borough of Barnet ("the Council") developed its Choice and Independence Vision which was supported by an action plan, this then led to its choice and independence programme. Five central elements of the Choice and Independence Programme were:

- creation of supply management team
- personal budgets and support planning
- creation of strategic commissioning team
- setting up the Care Model
- On Line Resources and Innovation Fund.

As at April 2009, 895 people received self directing support, this is expected to rise to 2,011 by April 2011. We understand that governance arrangements for personal budgets and support plans have been reviewed by Internal Audit during 2008/09 and we will rely on that work where possible.

2.3 National background

Councils have received the social care reform grant from the Department of Health (DH) for the past two years. The grant was £505,000 in 2008/09, £1,179,000 in 2009/10 and £1,452,000 in 2010/11. 2010/11 will be the final year of this grant and it is essential that the recurrent expenditure of the personal budgets agenda is adequately planned for. The DH expects that by April 2010 all Councils would have introduced personal budgets and that by 2011 30% of all social care users should have a personal budget.

Policy and practice are developing quickly and a rapid transformation of social care is taking place. This shift in social care provision requires a change in processes for assessment of social care packages, the new process will require the user to complete a questionnaire and agree assessment of needs with a social care worker.

Once needs are assessed they are assigned points based on the Resource Allocation System (RAS), which will determine the financial value of the overall social care package for the user. A RAS can either be a single costing system or one price per care group. Once this cost is ascribed to each point this potentially commits the Council to a life long social care budget. It is essential the Council has adequately considered the affordability of the model given the aging population and economic climate, both of which have a bearing on demand.

2.4 Link to use of resources

We are required to reach a conclusion on how the Council manages its use of resources to ensure value for money. This work forms part of our consideration in reaching that conclusion.

We have concluded this work as part of the 2009/10 responsibilities under the Code of Audit Practice work ("the Code"). The Code allows us to undertake separate pieces of audit work that feed into our overall VFM conclusion. Our assessment covers the three UoR themes:

- Managing finances;
- Governing the business; and
- Managing resources

The findings from this review are likely to cross over all of these themes.

3 Financial planning

3.1 Are financial systems in place which support the delivery of personal budgets?

To determine a service user's indicative personal budget they are asked to complete a personal budget questionnaire (PBQ) which are questions about their social care needs. Each answer to the questionnaire is assigned points based on an assessment of the relative cost of the input required to meet the unmet need identified by that answer. This is adjusted where two or more needs identified by the answers can be met simultaneously through the same input. Once a questionnaire is completed, its total number of points is used as a basis for calculating an individual's indicative personal budget.

There has been a sampling phase run from 2008 to adequately test the appropriateness of the question set and analyse the data required to use that assessment form to produce an indicative budget. The sampling process has included interviewing key workers on a service users account to create an 'ideal' unit cost as well as larger sampling exercises. The testing completed so far highlights there has been a significant investment in the development of the RAS, which will eventually arrive at a sophisticated model.

Currently the RAS has been developed by using spreadsheets which has also led to the calculation of the points allocated to needs. There has been a recognition that this process isn't sufficiently robust and the Council is investigating how this information can be captured within SWIFT. This is being tested to go live from November 2010.

Overall there have been no fundamental changes to the financial systems because of personal budgets, although the Council is looking at SWIFT and associated financial systems to ensure ease of access to all relevant data, for example the RAS, personal budget, actual spend, weekly amount, year to date spend.

Systems will need to:

- identify whether expenditure on personal budget holders is for early intervention or on-going support
- analyse spending on care and support and income from contributions at an individual level, and highlight any potential overspend against annual budget¹

The Council will require accurate budget management because of changes being defined by personalisation. To enable personalisation financial systems may require 'citizen portals' which will allow user's access to self-assessment data and management of their personal budget. Recent publications suggest that these changes to IT systems could capture information in the following layers:

¹ Putting People First - transforming Adult Social Care, Finance Systems and Putting People First, June 2010

- by internal service, i.e. by departmental budget group;
- by outcomes - service user outcomes as defined in the support planning process;
- gross and net costs of support, and
- by providers - the running total for spend against a particular service provider.²

It is clear the directorate has control of its current budget and understands prevention costs. However these improvements can support effective management of use of resources under the Putting People First Framework. Work is underway to shape the provision of services with a shift from in-house provision and the enablement has had success in management of long term conditions. It is therefore essential that systems are set up to capture this information and budget for the long term.

The One Barnet phase two programme, reported to the Cabinet in October 2009, highlighted that the assessment process across the public sector in Barnet under the old model is often long and emotionally involved. However many interviewees commented the RAS, in its current form, is still a lengthy process, with more time spent on deciding whether the output is correct. This also includes further processes attached to the final personal budget such as going through the panel. The Council recognises there is still work to be completed on the time taken to progress towards a personal budget which is one reason there has been some shortfall on numbers receiving self directed support.

Transferring the RAS to mental health service users has been challenging for the Council. The RAS question set is based on questions that are biased towards a physical disability. As a result personal budgets have only been piloted for Mental Health service users with further work taking place to agree RAS questions.

Elsewhere there have been innovative ways of developing a RAS which is outcome based. One local authority example was a RAS that was based on four key outcomes, linked to the CQC performance measures, namely health and well-being; choice and control; economic and education participation; and social and community participation. Each category provides an indicative amount that forms the basis of support planning. Supporters of these RAS approaches suggest that they promote more creativity and innovation towards meeting individual outcomes. Barnet has considered this type of approach but has decided to retain a strong link between fair access to care criteria and the RAS. The Council has introduced an outcome focused support plan.

An outcomes approach might be best piloted in Mental Health given that the RAS is not as well developed as the other care groups. This will support the Council's corporate plan which is focused on generating better outcomes for less money, and within 'sharing opportunities and sharing responsibilities' with improvement initiatives to 'develop tools to support our new relationship with citizens'. A similar message was raised in the CQC report May 2009 which mentioned that the assessment and care management formats in use did not support an outcomes focused approach.

The Guidance booklet for the new care model (March 2010) states that the Council will ask the service to think about how to use the personal budget and will ask what help the user currently has, whether this is working well for them and those helping them, and whether they need additional help. This doesn't address the transferring of responsibilities to the service user and the directorate may want to re-visit the wording in this booklet to ensure it best fits its 'sharing opportunities and sharing responsibilities' corporate priority.

² Putting People First - transforming Adult Social Care, Finance Systems and Putting People First, June 2010

The 2009-10 Business Plan makes reference to demonstrating value for money through a variety of measures and with changing ways of allocating resources to need through the RAS. This could be improved by having a stronger focus on outcomes the method of assessing value for money. To demonstrate value for money out of the RAS will involve improving data quality and using intelligence to inform resource allocation. This should be possible through monitoring the spending patterns of personal budgets which should, given the length of time they have been in place, start giving meaningful data for long term planning.

Key recommendations

1. The current RAS platform used to support the personal budget questionnaire is subject to instability due to the use of spreadsheets. The Council should investigate appropriate solutions which could include improving SWIFT to accommodate the questionnaire.
2. Budget management systems should be adjusted to reflect individual choices and outcomes. Adjustments to systems that evidence prevention and ongoing support on an individual basis can be used for long term planning purposes and justification for the RAS.
3. The current process of producing an indicative personal budget, agreeing a support plan, and approving the personal budget needs to be further streamlined to ensure the necessary take up for 2010-11. The current action plan does not consider this issue.
4. Departmental Business Plans should include a stronger focus on outcomes as a key method of assessing value for money.

3.2 Has the Council adequately tested the assumptions used within the Resource Allocation System (RAS) to ensure affordability in the longer term, ensuring that there are steps taken to mitigate against the risk of greater than expected demand?

A RAS can either be a single allocation system or vary according to care group. The Council's four care groups are:

- Older people - 65+
- 18-65 with physical and sensory disabilities
- 18-65 with learning disabilities
- Mental Health

There is a separate price point for learning disabilities care group as this care is particularly high cost. The calculation of the price point has been principally developed through a sample of users with extraction costs from historical care packages. In order to determine a value to assign to each point, a sample of cases that pre-dated the creation of the PBQ was surveyed. PBQs were completed for each of these cases and were assigned points in accordance with their answers. The total points scored were then divided into the total cost of these individuals packages to provide an 'initial price point'. To ensure the Council wasn't over-committed to an inflated price point the initial price points were top sliced by 25% to provide the 'price point' to calculate an indicative budget.

In recognition that indicative personal budgets are only a guide to assist with the care planning process, and that an individuals' agreed personal budget would be set in accordance with the actual costs of providing the services required to meet the agreed support plan, personal budgets may differ from indicative personal budgets calculated. There are processes in place once a package is over £200 per week to go through a panel process for confirmation of the PBQ and to confirm the financial commitment of the Council. A RAS panel make a final decision on the budget and the trend has been that the agreed budgets are often higher than the indicative budget. The review of historical care packages in the development of the RAS did not find any correlation between needs of the service user and the package of care in the past, this showed the amount of discretion used within social care packages and how difficult it may be to long term plan.

Whilst the system for developing a price is reasonable, once the finance system has been modified to reflect personal budgets early intervention and support it will be essential that costs in these codes are compared to the RAS pricing model to ensure it is reflective of real personalised care rather than historical costs. The Council should gradually reduce the contingency of the 25% top slice. However in the interim a top slice will ensure budgets are maintained and controllable. We understand that work has been undertaken to project the future costs for adult social care based on current patterns of demand, spend and population growth.

Key recommendations

5. Once early intervention and support costs are identified on an individual basis this information should be fed into the RAS with a view of reducing the 25% contingency.

3.3 Are there systems in place to ensure financial risks are monitored once the support plan is operating?

In instances where the service user has direct management responsibility for the monies included in their personal budget, the financial risks attached to personal budgets are monitored in the same way as direct payments. There is a monitoring officer allocated to each service user and each service user is required to send in a quarterly statement which is reconciled by the team against the support plan. Controls are in place to protect the vulnerable, for example if no return is completed the social care worker is contacted. These issues will be further covered in section 5.

If the service user has surplus funds they can bank hours which equates to two months of direct payments and this can be used for holiday pay. It is the monitoring officer's responsibility to obtain a plan on how the service user intends to spend the allocation. If these are true surpluses the Council has the right to retrieve the money and for this to be included within the main directorate budget.

The Council can monitor financial risks through the achievement of the outcomes contained within the support plan. However from our discussions through-out this study we found that the support plan isn't sufficiently mature in terms of monitoring achievement of outcomes.

Key recommendations

6. To ensure that the financial risks are contained the directorate should ensure that an appropriate outcomes based measurement tool is embedded.

4 Commissioning and procurement

4.1 Has Adult Social Services developed a strong capacity (in terms of understanding, knowledge, skills and resources) to shape the social care market within the Borough?

Cabinet agreed the vision for Choice and Independence in January 2007. Adults Social Services (ASS) have clearly stated through its Business Plan for 2009-10 its vision for personalisation within the Borough. In addition, this commitment to personalisation is carried through to the overall Corporate Plan 2010-2013. A top improvement initiative under the shared opportunities and shared responsibilities priority is working with service users and carers to offer greater flexibility in how their care and support is provided and ensuring it is responsive to their individual circumstances.

Adults Social Services recognises that the biggest challenge is how to provide for increasing demand whilst making services person centred and keeping them within the resources available and on a path of steady performance improvement. The Business Plan for 2009-10 set out how ASS is strategically planning for services which deliver sustainable outcomes. 2009-10 was seen as a successful year for ASS with progress made in implementing the vision for Choice and Independence. There is acknowledgement that the focus needs to continue into 2010-11 which sees the renewal of the commitment to personalisation and significantly increasing the number of people who have a personal budget.

The Statutory Guidance for Use of Resources describes commissioning as involving user and community engagement. The Joint Strategic Needs Assessment (JSNA) noted that between September and November 2008, the Council facilitated a public discussion on the strategic proposals to change assessment and care management practice to give people more choice and control through personal budgets. Findings from this discussion found that:

- people appeared to see the benefit of introducing short-term 'enablement' packages of care
- people had a balanced view of the advantages and disadvantages of personal budgets
- there was support for the Council's proposal to support people to plan their own care using a range of support mechanisms including family, friends, 3rd sector organisations, and health professionals

Feedback gathering from residents and patients on their experience of using health and social care public services has shaped the Council's approach to commissioning. These mechanisms include:

- Barnet Citizens' Panel - public health report
- TellUs2 survey (2007)
- A report on the Health Related Behaviour of Young People in Barnet (School health education unit 2007)
- You're Welcome' Young People's Participation Pilot
- Better Health in Barnet (BPCT 2008)
- Healthcare in London (Ipsos Mori 2008)
- Delivering Better Health in Barnet - "Your NHS, Your Money, YOU help DECIDE"
- Barnet Citizen's Panel - Private Healthcare (Council 2008)

These mechanisms indicate that the Council is performing well at involving service users and the wider community at each stage of the commissioning cycle. It is also evident that the Council collects feedback from all sources including partners, third sector, staff and residents and people that use services to help in making improvements.

ASS is performing well at developing a good understanding of the supply market through engagement, building capacity where appropriate, and making partners and providers (public, private and third sector) aware of future commissioning needs. More recently in November 2009 ASS ran an event 'Preparing for a Personalised Future' for providers to inform them of changes being made in Barnet for personalised social care, what that might mean for individual providers, and how the Council can help providers with these changes. This event was attended by approximately 150 providers. There was a clear emphasis on developing the market to deliver personalised social care. This also evidenced action taken on the criticism from the Care Quality Commission report from May 2009 which recommended that the Council should ensure independent and voluntary sector organisations have a clearer understanding of the personalisation agenda and capacity to respond to people's support needs.

ASS has invested in developing the ability to help social care providers to adapt their business to provide personalised support by establishing the 'Supply Management' and 'Strategic Commissioning teams'. The Supply Management team complete all procurement and contracting for ASS with the expectation that it will secure efficiencies in working with providers, will create more outcome-focussed and flexible contracts in line with personalisation, and will set up an efficient and flexible brokerage service. The Strategic Commissioning Team's objectives are to develop longer term and broader thinking, increase performance of the social care market, and promote clear commissioning principles.

Whilst the separate approach to commissioning and procurement was in line with stakeholder approach the split has not worked well and in reality the two need to work together with the commissioning team advising procurement on what approach to take. It also recognised by the Council that efficiencies could be made by combining the two functions and ensure there is no duplication of activity. The creation of the leadership team, that reports directly to the senior management team, will have an impact in overseeing the business plan, financial plans, performance and risk management and address these concerns.

A successful non financial measure to shape long term demand for social care has been the Enablement Package. This package requires working with the service user to ensure that they have the skills to live as independently as possible. This is a 6 week programme before the PBQ is carried out with the social worker. Enablement has generated £850k of savings and has also resulted in 55% of service users going through the package not going onto a homecare or direct payments package after completing enablement. A further 49% had not needed further homecare within 90 days of completion. Of those that went onto a package afterwards, 83% went onto a smaller package than their enablement package. These represent successful outcomes in terms of commissioning and management of financial resources.

There has been increased focus on the risk of greater than expected demand which has been considered through the Council's 'Looking after yourself - Prevention framework'. This framework has a strong partnership link with NHS Barnet, which is also consistent with the Council's Corporate Plan 2010-2013. Over time the outcomes from the framework will need to be assessed and include:

- improved health and well bring
- improved quality of life
- making a positive contribution
- increased choice and control
- freedom from discrimination or harassment
- economic well being
- maintaining personal dignity and respect.

The implementation programme has been reporting on these outcomes to the Supporting People and Prevention Commissioning Board. This will give assurance to the wider 'new relationships with citizens' workstream within One Barnet. The Council has begun to evidence that investment in preventative services has resulted in a reduction in purchasing residential care provision.

Both non-financial initiatives (enablement and prevention framework) follow the principles contained within *Putting People First* which direct Councils towards achieving best use of resources by focusing on prevention and early intervention. Preventative work is a long term project and will need time to show real efficiencies and savings, it is also an essential milestone as set out in *Putting People First - Milestone Self-Improvement Framework*.

Key recommendations

7. The directorate should ensure that the success of preventative measures is measured over the long term, as the real efficiencies may not be evident for some time.

Milestones targets should be set in the interim period to assist in monitoring against longer term targets.

8. The directorate should streamline its structure for strategic commissioning and supply management to improve efficiency.

4.2 Has Adult Social Services run successful market-shaping initiatives within that capacity?

Through personal budgets council-provided services are likely to reduce in capacity but before that can take place the Council will need to be to ensure that capacity is available elsewhere. The following table describes a number of market shaping initiatives to help develop the personalisation agenda.

Table 1: Market Shaping Initiatives of Adults Social Services

Project	Description
Innovation Fund	Small grants to help providers kick-start changes that will make their services more personalised.
Personalisation Impact Assessment	A self-assessment tool that will help providers understand the degree to which the services they provide are personalised.
Social Care Connect	A directory of social care on the internet that will provide people who use care to discuss and rate the services they receive.
Brokerage	Promotion of independent and voluntary sector support to help people plan their social care.
New Payment Models	Looking at how the Council can make it easier for people who need social care to be in direct control of the money that pays for it.
New Procurement and contracting models	Setting up mechanisms to ensure that organisations the Council contracts with are responsive to individuals requirements.
Person-centred needs analysis	Research by the Council to help providers of social care predict what demand for certain services will be in the future.

All of these projects have merit, however the Innovation Fund particularly is aligned with the One Barnet ideology. It was created as the Council had recognised that innovation has to be fostered when faced with the challenges of contracting public spending and increased growth in population. It also recognises that the Council is not always best placed to innovate and therefore looked to stimulate ideas within the market. The fund is designed to generate innovation amongst providers, to help them prepare, as a sector, for personalisation. £200,000 of Transformation Grant has now been allocated to 12 successful bids, out of a total of 41 applications.

The Innovation Fund project will last for one year. Over the course of this year the Council will be working with organisations to deliver personalisation, this has been divided into four key areas of development:

- market development - investing in initiatives and services not currently available in Barnet;
- workforce development - training, restructuring and recruiting service users to shape services offered;
- social capital - increasing opportunities for people to become part of communities and receive support from family, friends and neighbours; and
- support planning and brokerage - increasing the range of organisations that provide information, advice and guidance to help people plan and receive support.

The Council has shown through the innovation fund that it is focused on outcomes and has looked to measure the success of the projects by focusing on personal outcomes for individuals and also the general impact of the project within specified groups and communities. There is also a focus on learning from these projects and a process for informing the Council and providers. In addition the Innovation Fund has been highlighted as an example of good practice by the Personalisation Lead for the London JIP and has been adopted by other London Boroughs.

The interest of a broad range of community groups in the Innovation Fund is a clear example of personal budgets allowing different kinds of providers access to markets that they previously may have felt excluded from because of a lack of capacity to fulfil the Council's requirements. Research has shown that small community based services are able to provide more custom-made services, on a small scale, that are in line with the personalised approaches expected under *Putting People First*.

Whilst the Council needs to be flexible to successful bidders and allow them to develop their ideas, it needs to ensure that there is monitoring of outcomes. The Council will need to ensure that the momentum continues within the Innovation Fund and there is a performance management system developed that is flexible to the personalisation agenda.

To aid providers to better understand how ready they are for personalisation ASS designed a Personalisation Impact Assessment (PIA) which will act as a self assessment checklist. This focuses on the organisation, the services and support for personalised ways of working. This initiative clearly identifies outcomes for people as key for each service to provide. The tool has been developed but as of March 2010 the testing on providers was yet to be implemented. It will be a significant challenge for the provider and ASS to demonstrate outcomes and develop an understanding of how these will be measured but, if successful, should be able to demonstrate value for money.

The provider event identified that individual purchasing of services can increase running costs for providers, as individuals will present invoices rather than block contract arrangements. There are significant costs associated with the processing of invoices which small organisations can find difficult to fund. The Council has acknowledged this issue and has developed the 'Payment Options Project' to consider a range of developments. This suggests that the solutions are yet known for these problems and that risk is being transferred to providers. A solution is being put forward to the Investment Approvals Board (IAB) for an improvement to SWIFT with the view of sharing information and sharing power. There is also work progressing on pre-payment cards for service users.

One of the financial management risks arising from personal budgets is that personal budget holders could choose not to buy council provided services, as they don't perceive them as being good value for money or addressing their needs. In response to that risk the Council is considering its options for funding in-house services. Under the contract model the Council has started the process of reducing the current numbers of contracts from 12 to 3 over a three year period within the Home Care and Community support and short-term enablement home care. It is the view that the three eventual providers will be strategic partners, it is also thought that providers will demonstrate their competitiveness and innovation in a climate of constrained finances.

There are potential risks to reducing the market to three providers. There is potential for the knowledge and skills of the current market to be lost, insufficient continuing support for providers to understand the implications of personalisation and to transform their services accordingly,³ issues with transition of contracts and that quality of provider services is not effectively managed.

The Council is managing the potential risks in a number of ways including using a mix of established and new providers and extended working with providers before narrowing down to the 3 lead providers. We understand that the Council has evidence that service users are accessing the market directly with approximately a third of service users who were previously served by the old suppliers having made their own choice. The Council is supporting providers in a number of ways, including developing a personalisation impact assessment tool to support providers, pump priming funding and running a provider led forum.

³ Department of Health, Putting People First, Contracting for personalised outcomes - learning from emerging practice, August 2009

The transition process from old to new contracts is being used to promote the take up of cash payments (as part of Personal Budgets), allowing service users to remain with their existing provider. This offers continuity and choice to service users and continuity of business to outgoing providers. The investment, therefore, is shifting from contract management to support of individuals through brokerage and advocacy arrangements. Different payment options enable service users to access, and pump-prime, a wider spectrum of services, rather than being restricted to council contracting arrangements. The Council is also managing quality of service provision through a number of quality assurance mechanisms.

The Council is developing a User Led Organisation (ULO) particularly around a Centre for Independence Living resulting in a bid for Social Care PFI credits for a purpose built facility. This has also resulted in the Council being awarded Trailblazer status for the Right to Control. One of the many challenges for councils will be to bring together more of its services, beyond adult social care. There are significant learning opportunities through the directorate's work on the 'Right to Control' trail blazer which is clearly a success story for the Council.

Key recommendations

9. The directorate will need to develop a performance management system which balances flexibility and adherence to Innovation Fund deliverables.

10. The Personalisation Impact Assessment (PIA) tool should be tested on providers. The tool should be further developed based on the learning from the testing.

11. The Council should support providers in developing solutions to infrastructure problems as a result of personal budgets, such as payment solutions.

4.3 Has Adult Social Services successfully involved its partners in market shaping activity?

The 2009-10 Business Plan seeks to address the issues set out in the Joint Strategic Needs Assessment, which was compiled jointly with NHS Barnet. It is clear that the Council is committed to working in partnership with NHS Barnet, and this commitment has strong links with the principles within the Corporate Plan. This recognises that both parties not only have to work together but need to work with local communities to develop support through easily accessible networks which will help promote health and well being and prevent isolation and loss of independence. The commitment to working in partnership is exemplified through the 4 joint posts within the current Strategic Commissioning Team.

We understand that the level of engagement from NHS Barnet has reduced recently which could make it difficult for joint plans to materialise. Also, there is a risk that health costs may be shunted into the Council's budget. There is an acknowledgement at the Council that engagement needs to be addressed with some suggestions that joint management meetings may be appropriate to monitor these risks. 2010-11 will see a renewed emphasis through One Barnet of partnership working and a clear strategic move has been to appoint a Director of Health Integration to join up both the commissioning and provision of services where it makes good sense to do so.

The CQC has commended the Council on its active investment in the independent and voluntary sectors to provide a wide range of preventative services such as information and advice, day opportunities and short-term breaks.

The Council has less developed personal budget systems for the mental health care group. There are two computer systems currently running between the Council and the health sector, SWIFT and RiO, and at the moment there are two sets of case notes held. The marrying up of NHS data with the Council is necessary for joint prevention within the Borough. Introducing personal budgets may eventually address joint working issues but this will take some time.

We understand that there has been some reluctance for providers to engage with the Council (in both the private and voluntary sector) as providers are very focused on their own business objectives and have not seen the bigger picture. The Council has gathered the feedback from the November event and the innovation fund to move forward. Effective change management requires that consultation continues throughout from pre-implementation through to post implementation. It is important to clearly demonstrate action based on feedback to establish confidence from providers and facilitate better engagement.

Key recommendations

12. The directorate will need to address engagement issues with NHS Barnet through times of uncertainty and financial challenge.

The directorate will gain further confidence and engagement from providers by demonstrating action from feedback received from personalisation events.

13. The Council should identify ways of integrating systems with the NHS to avoid duplicate record keeping.

5 Risk management and internal control

5.1 What are the processes for identifying, mitigating and monitoring risk?

The risk management process in Adults Social Services was reviewed by the Senior Management Team in September 2009 in order to:

- ensure a consistent approach to risk management throughout ASS;
- detail the responsibilities of managers;
- provide guidance on what is required to complete the register.

All major projects maintain a risk register, and three divisional risk registers using the corporate template have also been established. These are the responsibility of the relevant Assistant Director who ensures they are reviewed monthly by the lead Senior Manager, with the most significant risks being included in the Directorate Register.

The Head of Finance ensures consistency between the Directorate Register and the quantified corporate list of financial risks. We understand that Internal Audit have reviewed corporate risk management and consider that financial risks should no longer be separate to the corporate risks and we support that recommendation.

The Directorate Register is the responsibility of the Director who ensures it is reviewed monthly by Senior Management team, and the most significant risks are proposed for inclusion in the Corporate Register. The Director will also ensure that any identified risks in respect of their statutory responsibilities as Director and in respect of Safeguarding are included as appropriate. All service managers are required to complete the Internal Control Checklist (ICC) in respect of their service area.

We reviewed the Directorate Risk register that was presented to the December 2009 Audit Committee. This review was carried out on the spreadsheet system not on JCAD the risk management system implemented in March 2010. The following table shows there are some weaknesses identified from this high level review, most of which should be considered corporately.

Table 2: Review of risk register against requirements of ISO 31000 'Risk Management - Principles and Guidelines

Risk Activity	Findings
Scope of risk	There is no analysis on the risk register on the scope of the risk and the details of possible events, including indicators such as size of the population, and financial indicators. The level of information currently held for each risk is not sufficient for decision making purposes outside of the Directorate, and will be increasingly important under financially constrained environment.
Nature of the risk	The risk register classifies risks either as strategic, financial or operational and gives a brief discussion of the risk. However there is no information on the potential impact and description of the hazard, opportunity or uncertainty and the timescales involved. In addition, there are examples of misunderstandings of what is an operational and strategic risk.
Stakeholders	The current parameters of the risk register do not consider who the stakeholders to the risk are, both internal and external, and their expectations. Given Public Sector bodies are accountable to a number of stakeholders this type of information may be vitally important, particularly in relation to safeguarding decisions.
Risk evaluation	<p>The risk register has the initial assessment and revised assessment of the risk under two headings, being for the likelihood and the impact of the risk. Both indicators are rated as high, medium or low. The corporate risk management strategy does not define the risk assessment criteria for likelihood and impact. These should consider for impact: financial, brand/reputation, legal and regulatory, customers and employees, health and safety and environmental factors. For likelihood the strategy should define remote, unlikely, possible, likely and almost certain indicators.</p> <p>There were instances where the assessments made showed misunderstanding of the desired objective of an overall risk register, for example where the initial assessment of a risk had likelihood and impact of medium and high respectively there had been mitigating action taken that resulted in a revised assessment of high and high. This suggests either that the action taken was ineffective and caused the directorate to experience elevated risk as a result of this action, or there is a misunderstanding of what the desired effect of risk management is. This is an issue that is consistent with our overall review of Risk Management arrangements within the Council.</p>
Loss experience	There is potential to reflect within the current risk register where there have been previous incidents and prior loss experience of events related to the risk. This would need to be a corporate adjustment to the current risk register.
Risk tolerance, appetite or attitude	<p>Corporately the Council has not defined its risk appetite, that is the level and nature of risk that is acceptable. This will be used to form the basis for decisions on whether they:</p> <ul style="list-style-type: none"> • tolerate • treat • transfer • terminate. <p>Within a financially constrained environment these tolerance levels can be used to make decisions when not all risks can be pursued.</p>

Risk Activity	Findings
Risk response, treatment and controls	<p>The risk register describes the controls in place and the mitigating action plan, however it is not clear why there is a mitigating action plan without an analysis of the gaps in controls, which are not documented. Also, there were some instances of misunderstandings of what constitutes a control, for example a control was documented as being 'workforce strategy being commissioned'. Clearly if a strategy is being developed it cannot be a control, and a strategy is the overall vision not a control measure.</p> <p>The risk register should document the level of confidence/assurance there is in existing controls. The risk register briefly discusses the mitigating action plan and the action taken however the procedures for monitoring and reviewing the risk performance is not documented. Instead, the risk register notes the date the risk was raised and last reviewed. It was noted that all risks were last updated at the same date, implying that risks are not managed on the basis of the initial or revised risk assessment.</p> <p>The assurance obtained for each control measure should be in essence a blend appropriate to the risk identified, in some cases policies and procedures can be an appropriate control for a low risk which only requires annual sign off from staff as an assurance measure. For high risks management may need assurance from someone independent from the process, such as internal audit, to assure them that the controls are designed and operating appropriately for the intended risk. These decisions should be documented within the risk register.</p>
Potential for risk improvement	<p>The directorate risk register documents the action taken however rarely are there recommendations made or deadlines for implementation noted. The risk is attached to a lead officer. The risk register should attempt to identify the potential for risk improvement and the responsibility for implementing any improvements.</p>

Our review of risk management within our Use of Resources work for 2009-10 that further work is needed to embed risk management across the Council. Our work within ASS supports this overall finding. The risk register should not become a static record of the significant risks faced by the directorate. It should be viewed as a risk action plan that includes details of the current controls and details of any further actions that are planned.

The Council should work towards embedding risk management within strategic planning and budgetary processes. If this is achieved an effective risk management approach can make a real difference to partnerships, supporting innovation, and delivering better outcomes, all of which will support the priorities within the Corporate Plan. This has been acknowledged within the recent changes to the leadership team who will be responsible for the business plan, finance, performance and risk management. The next tier down will be responsible for the detail of the delivery of these plans, which will allow sufficient head room for consideration of the strategic objectives and risks.

Corporately there could be improvement made to the information that is presented to the Audit Committee for discussion/challenge. The risk register is hard to read, and therefore digest. There is an opportunity to develop a dashboard of key risk indicators to be reported alongside performance and financial information. This could be reported under the four drivers of risk management: financial risks, infrastructure risks, marketplace risks and reputational risks.

The Council should define its risk appetite in the Risk Management Strategy. This will give the Directorates tolerance levels to work within of what is acceptable risk. Obviously this tolerance level will have a different look and feel within constrained financial circumstances where a higher risk could be tolerated given the lack of capacity or resources to devote to every risk.

Key recommendations

14. The Council should review its risk management arrangements for compliance with ISO 31000. There are opportunities to develop arrangements to ensure better decision making within the directorate and within the Audit Committee in the following areas:

- scope of risk
- nature of risk
- stakeholders
- risk evaluation
- loss experience
- risk tolerance, appetite or attitude
- risk response, treatment and controls
- potential for risk improvement

15. There are opportunities to consider a different style of reporting risks and merging them with performance information to add value. This will require development of a risk matrix with risk indicators to feed into a dashboard.

5.2 Are there the appropriate controls in place to deter and prevent fraud?

A major concern about personal budgets is the potential for financial abuse, either by personal budget holders misusing the budget or their carers. Personal budgets represent a change to the delegation of financial control and service delivery. While potentially contributing to improved quality of services they do increase the risk that fraud, corruption and other financial abuse may occur. It is therefore unavoidable that, with the expected increase in the use of the direct payments, fraud and abuse of direct payment users will increase proportionately.

The risk of fraud due to personal budgets is not new to the Council. Direct payments has the same dimensions of personal budgets and the following was established:

- good quarterly monitoring of payments
- minimising risky choices, risk assessment is a fundamental part of a practitioner's job
- sign off of support plans and desired outcomes
- choice and risk framework owned by care service delivery and safeguarding coordinator

Every three months direct payments and personal budget recipients are required to send in their bank statement and proof of expenditure to the Direct Payments Monitoring Officer. The Monitoring Officer will reconcile proof of expenditure against the bank statement and check that money is being used appropriately to meet social care needs. Any discrepancies are initially investigated by the Direct Payments Monitoring Officer. If a home visit is required the Monitoring Officer will refer the matter to a Direct Payments Advisor to investigate/offer support. If money is inappropriately used or safeguarding issues have been identified the matter will be referred to the appropriate social work team for investigation in accordance with Multi-Agency Adult Protection Policy and Procedures.

Of course one of the disadvantages to this review cycle implemented for direct payments and personal budgets is the administration costs that the Council incurs. With the time taken to deal with the administration of direct payments and personal budgets there is the potential for issues to go unnoticed, especially if there is not the capacity to deal with additional take up of personal budgets. We understand that there have been referrals to Corporate Anti-Fraud Team (CAFT) to investigate cases of financial abuse. For the year 2009-10 three cases relating to internal fraud, money laundering and sub-letting were referred to CAFT. It is important that this relationship with CAFT is maintained to ensure fraud risks are contained.

5.3 Are the appropriate processes in place to ensure vulnerable people are safeguarded?

The Council has already seen some evidence that risk will not necessarily increase, as increased Direct Payment take up has not seen an increase in safeguarding alerts. There is an acknowledgement that the social capital of friends, families and neighbours will be important to ensure suspected safeguarding issues are disclosed. The Delivering Choice and Independence Team have created the Choice and Risk Policy that has been shared with providers.

The Choice and Risk policy sets out how risks stemming from the following situation can be managed:

- an identified need not being met in a support plan;
- a service user including in their support plan an activity or type of care or support that is potentially unsafe.

The support plans are presented to the approval panel if the risk assessment has been agreed by all parties. The approval panel obtains assurance that the support plan meets the needs of the service user and will result in them achieving their identified outcomes, is financially sustainable and the risk assessment is clear on how risks will be managed.

There are a number of procedures in place within the Choice and Risk policy. Within the support planning process there are opportunities for the case manager to raise concern that the vulnerable adult is at risk or putting others at risk. In those cases where the social care professional or their team manager believes that serious risks may be present, the case should be presented to a risk panel for consideration.

When a case is presented to the risk panel the following actions should have been completed:

- the risk assessment in the support plan should have been completed in a particularly comprehensive and robust manner
- Where appropriate, a mental capacity assessment should have been made
- the case should have been discussed with relevant colleagues in other statutory agencies (i.e. the GP, police, CPN) and these discussions should have been carefully documented.

It is considered best practice to make contact with other statutory agencies within social care and it is positive that the Choice and Risk Policy makes this clear. The sharing of information is pivotal in safeguarding the vulnerable, *Putting People First* identifies the need to ensure that IT systems are sufficiently robust and interface with one another to ensure information is shared appropriately. Although SWIFT is considered old and somewhat 'clunky' it does have the ability to interface with other systems but not often in the most efficient and effective manner. The system will for example flag when an individual hasn't accessed their money for a long time but the service user has constant needs to be met. System improvements are being reviewed.

Recent research on personal budgets has noted that the use of risk panels is good practice as it ensures consistency of application of personal budget policy where there are large numbers of social workers and personal budget holders. Also, the panel allows senior managers to give approval where necessary and consider safeguarding responsibilities at a high level.

ASS provides support for staff as it recognises that protecting the vulnerable is dependent on staff having a strong understanding of risk management issues. The training provided emphasised that choice can create new risks, that risks should be assessed and managed with the service user and other relevant parties. Relevant training has also been extended to service users and to personal assistants as appropriate.

The Council's Innovation Fund is intended to build up the strength of the communities, and thus social capital, by funding community and voluntary sector groups. The Council received positive feedback from the CQC which stated that people who used direct payments and individual budgets were well supported and received good information about keeping themselves safe. It further reported that the Council was very aware that its shift to self-directed support had implications for people whose circumstances make them vulnerable and work had begun to ensure safeguarding arrangements were fit for purpose in relation to the personalisation agenda.

The directorate has included actions in its 2010-11 Business Plan to meet the corporate plan target regarding 80% of safeguarding timescales being met and the safeguarding audits continue to highlight challenges in respect of recording practice.

6 Workforce

6.1 Has Adult Social Services developed adequate training and other learning and development measures for staff to ensure their understanding of the personalisation agenda?

For social workers the main challenge will be gaining an understanding of the new ways of working driven by personalisation. There could be the expectation that the roles will be shifting from assessment to spending more time helping users develop support plans. Personal budgets enable choice so long as they are accompanied by the right level of support.⁴ This will require a shift change to focus on outcomes, and there will be an embedding phase of learning by doing within the current workforce.

To ensure the vision of ASS is cascaded to staff a workforce development strategy should be established. This would ensure that the training and development of front-line staff and change managers is appropriately focused to the strategic aims of the directorate. We are pleased to note that the 2010-11 Business Plan includes the development of a strategy by March 2011.

There are a number of workforce issues to be considered, particularly for the long term. ASS has one of the highest vacancy rates in London. As at December 2009 the vacancy rate for the directorate was 12.6%, and with known demand pressures due to the rising age of the population, the directorate may not have an adequate supply of social care workers. Clearly without the correct supply there is pressure on the current staffing levels to achieve the outcomes at an individual level and at a directorate level, this may result in increased stress which will require management. The most important concern will be to maintain high levels of safeguarding through this overall strategy.

The senior management team is leading on raising the profile of personalisation and there is an obvious drive of awareness of strengths, and equally importantly acknowledgement of areas for improvement. Through the 2010-11 Business Plan there is clear emphasis on individual work plans as the basis for delivering the overall Corporate Plan for 2010-11, which involves one to one supervision, appraisals and objectives. It will be important to ensure that individual staff have an objective and a measurable outcome on personalisation that can be assessed through the interim and year-end appraisal process.

There is evidence of working collaboratively with other Council's within the North Central region to run sessions on personalisation. There is a Joint Improvement Board (JIB) across the 5 boroughs (Camden, Haringey, Enfield, Islington and Barnet) which looks at the support needed for staff within the private and voluntary sectors. This allows for the sharing of best practice and exchanging of ideas.

⁴ Department of Health, Putting People First, Contracting for personalised outcomes - learning from emerging practice, August 2009

Key recommendations

16. To ensure that the training and development is strategic and targeted the directorate should develop a workforce development strategy.

6.2 Has Adult Social Services developed adequate training and other learning and development measures for staff to ensure their skill sets are adapting to reflect the needs of the personalisation agenda?

ASS have developed training programmes for personalisation, with an emphasis on understanding what outcomes are, which is the real challenge for achieving the transition to personalisation. This focus on outcomes is how value for money is best demonstrated, and clearly satisfaction levels will rise in the Council if service users perceive that they are receiving the services that they need. The 2009-10 Business Plan clearly states that personalised services are grounded in good social work practice - making sure that 'people are involved in the work, regularly review outcomes, invest in services which minimise dependency and make sure that every vulnerable person is effectively safeguarded'.

ASS has been using a range of measures to ensure that the message of personalisation has been communicated effectively. A network of champions has been set up to keep the momentum required to embed personalisation. This has included 'breakfast briefings' for staff attended by service users showing the impact that personal budgets has had on people's lives. These success stories of service users in the community have also featured within the internal newsletters for the Choice and Independence programme. The impact of service users has also been carried forward into the 2010-11 Business Plan.

Within the 2009-10 Business Plan there was a priority initiative of developing professionalism within the current workforce, treating people how they would like to be treated themselves. This theme also comes through One Barnet phase 2 reports which recognises that there is a need to build a customer service profession where there is a defined career path for staff and appropriate rewards and recognition for delivering high quality services. Under the 'People and Culture' workstream the roll out of the new performance framework will be the required platform to influence staff to change their overall current skill set.

Key recommendations

17. The directorate will need to ensure that its new performance management system is used effectively to change the current skills set of staff to be outcomes focused. This will involve ensuring objectives centre around personalisation.

A Interviews with key staff

Name	Role
Kate Kennally	Director of Adult Social Services (Acting)
Ed Gowan	Programme Manager
John Richardson	Direct Payments and Brokerage Manager
Maggie Goff	Social Care Development Manager
Eryl Davies	Head of Strategic Commissioning
Matthew Kendall	Assistant Director, Performance and Supply Management
Chandana Sanyal	Learning and Development Manager
Andrew Filby	Head of Finance, ASS
Ian Hutchison	Change Manager

B Documentation reviewed

Theme	Documents
Financial planning	<ul style="list-style-type: none"> Direct payment policies and procedures Response to FOI request re: link between RAS and payment of money Guidance booklet for the new care model PBQ/Support plan Initial response on developing the RAS RAS working group's work plan Presentation to programme board on cost impact of the RAS Panel documentation showing decisions about PBs Quick reference guide on the use of the panel
Commissioning and procurement	<ul style="list-style-type: none"> JSNA Prevention Framework Strategic Commissioning - Who's who Successful innovation fund bids Example voluntary sector review documents Example innovation fund written agreement Appropriate homecare tender documentation CQC inspection report and action plan DPR/GFC report on the creation of the strategic commissioning team Documentation from 'preparing for a personalised future' Homecare lab/homecare event in December Delivering Choice and Independence Newsletter
Risk management and internal control	<ul style="list-style-type: none"> Risk and Choice Framework Programme Risk Register Directorate Risk Register Examples of CRC reports Documents from safeguarding event Safeguarding Board workplan
Workforce	<ul style="list-style-type: none"> Personal budgets training documentation Action plan from legal training Example programme communications Evaluation documentation from trials Staff engagement documents from care model project Enablement training documentation Example team briefs 2009/10 business plan
Other	<ul style="list-style-type: none"> 2010-13 Corporate Plan Phase 1 and Phase 2 One Barnet reports 2010-11 Business Plan Putting People First - contracting for personalised outcomes Putting People First - Finance systems and Putting People First Putting People First - Milestone Self-Improvement Framework

C Action plan

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
1	The current RAS platform used to support the personal budget questionnaire is subject to instability due to the use of spreadsheets. The Council should investigate appropriate solutions which could include improving SWIFT to accommodate the questionnaire.	L	The inclusion of RAS calculations in Swift is now possible. This will be rolled out once revisions to the RAS are complete.	<p>David Court</p> <p>RAS development completed: 31/10/10</p> <p>Maggie Goff</p> <p>RAS roll out November 2010.</p>
2	Budget management systems should be adjusted to reflect individual choices and outcomes. Adjustments to systems that evidence prevention and ongoing support on an individual basis can be used for long term planning purposes and justification for the RAS.	M	<p>Introduction total cost of individual's packages (as opposed to cost of individual services) as key element of budget-management data set.</p> <p>To wait until the finalised proposals from the Department of Health re: the amendment of the PSS EX1 return are known before implementing any further changes to our systems.</p> <p>To use the replacement of Swift as an opportunity to build a system that reflects individual choices and outcomes.</p>	<p>Neil Haddock</p> <p>Initial change re: package costs to be implemented by April 2011.</p> <p>Full revision of budget management data to be ready to go live for April 2012, in line with Department of Health timescales.</p> <p>Ed Gowan</p> <p>Agreement to fund replacement of Swift being sought from Cabinet</p>

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
				<p>Resources Committee January 2011.</p> <p>Swift replacement project to be initiated March 2011.</p>
3	<p>The current process of producing an indicative personal budget, agreeing a support plan, and approving the personal budget needs to be further streamlined to ensure the necessary take up for 2010-11. The current action plan does not consider this issue.</p>	H	<p>Inefficient elements of our processes have been identified by a review led by service management in the summer of 2010. Recommendations are being implemented and are due to be completed by the end of the 2010.</p> <p>A LEAN Systems Thinking review of our case management has been procured and is due to make recommendations for further improvement to our processes by the end of 2010/11 business year..</p>	<p>Marie Bailey</p> <p>Completion of actions from internal efficiency review by January 2011.</p> <p>Ed Gowan</p> <p>Initiation of LEAN Systems Thinking Review November 2010.</p> <p>Completion of LEAN System Thinking Review March 2011.</p>
4	<p>Departmental Business Plans should include a stronger focus on outcomes as a key method of assessing value for money.</p>	M	<p>Adult Social Services' 2011/12 Business Plan to be developed with a focus on using personal outcomes as a definition of success and value for money.</p>	<p>Rodney D'Costa</p> <p>2011/12 Business Plan finalised April 2011.</p>

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
5	Once early intervention and support costs are identified on an individual basis this information should be fed into the RAS with a view of reducing the 25% contingency.	L	We have just finished developing a refined version of the RAS. This is intended to be a better predictor of the costs of meeting someone's needs. Reducing the contingency requires reduced differences between indicative and agreed Personal budgets, sustained over time.	Neil Haddock Review of accuracy of indicative budgets produced by new RAS, and resulting amendments to it, by March 2011.
6	To ensure that the financial risks are contained the directorate should ensure that an appropriate outcomes based measurement tool is embedded.	L	Barnet's Support Plan is being revised as part of the Right to Control implementation. This includes a stronger focus on financial risk, due to the multiple-funding stream focus of the Right to Control. Once proven to be successful, it is expected that this Support Plan will be rolled out across Adult Social Services.	Louise Hehir First version of the Right to Control Support Plan to be finalised for 13/12/10. First version of the Right to Control Support Plan to be reviewed by April 2011.
7	The directorate should ensure that the success of preventative measures is measured over the long term, as the real efficiencies may not be evident for some time. Milestones targets should be set in the interim period to assist in monitoring against longer term targets.	M	The Department commits to measuring the success of all preventative interventions, making use of both objective performance measures and service user, carer or patient self-defined self-reported achievement of outcomes. This is, and will be, defined on a project-by-project basis, wherever possible on a whole-system basis. This is based on the policy framework provided by our Prevention Framework.	Eryl Davies Ongoing.

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
8	The directorate should streamline its structure for strategic commissioning and supply management to improve efficiency.	M	The directorate will review its Strategic Commissioning and Supply Management structures, within the context of (a) greater integration with health and (b) the One Barnet programme.	<p>Mathew Kendall</p> <p>Consultation on proposals stemming from review to begin in December 2010.</p> <p>Implementation of proposals stemming from review by April 2011.</p>
9	The directorate will need to develop a performance management system which balances flexibility and adherence to Innovation Fund deliverables.	M	<p>The following performance management and evaluation system is in place for the Innovation Fund:</p> <ul style="list-style-type: none"> • all providers have signed up to a written agreement re: reporting on and evaluating their Innovation Fund work. Key elements of this are: • quarterly work with council employees to interview people involved in and benefitting from the project. • Lessons learnt report to be completed by end of Quarter 3, 2010/11. This is co-produced with the council. • Present at a conference for providers at the end of the project. • Co-produce a report on the project at its end, for use by other providers as learning. • To attend provider forums to feedback on the project. • To support the council's communications about the project. 	<p>Louise Hehir</p> <p>6-month review of Innovation Fund projects completed November 2010.</p> <p>Full evaluation of Innovation Fund projects to be completed by April 2011.</p>

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
10	The Personalisation Impact Assessment (PIA) tool should be tested on providers. The tool should be further developed based on the learning from the testing.	M	The Personalisation Impact Assessment is currently being tested by providers. It will be updated to reflect their learning.	<p>Eryl Davies</p> <p>Personalisation Impact Assessment to be finalised January 2011.</p>
11	The Council should support providers in developing solutions to infrastructure problems as a result of personal budgets, such as payment solutions.	M	The council is keen to support providers, and will do so through formal and regular contact with them, including that taking place in Partnership Meetings. The support provided will be limited to this level, however, due to the limitations of our staffing capacity.	<p>Tom Pyne</p> <p>Ongoing.</p>
12	<p>The directorate will need to address engagement issues with NHS Barnet through times of uncertainty and financial challenge.</p> <p>The directorate will gain further confidence and engagement from providers by demonstrating action from feedback received from personalisation events.</p>	M	<p>The directorate and NHS Barnet are in discussions about co-funding an Associate Director position, to strengthen our joint work during these times.</p> <p>To run an event for providers, learning from the Innovation Fund, towards the end of 2010/11.</p> <p>The directorate has approved the establishment of a Provider Network. The Network's key objective is to create a voice for providers, particularly those who are evidencing the use of their initiative to engage with the personalisation agenda. The Network will also test initiatives, tools and policies to support the shaping of the market.</p>	<p>Kate Kennally</p> <p>Associate Director position confirmed October 2010.</p> <p>Louise Hehir</p> <p>Innovation Fund event to be run by April 2011.</p> <p>Tom Pyne</p> <p>The Provider Network first met in November 2010.</p>

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
13	The Council should identify ways of integrating systems with the NHS to avoid duplicate record keeping.	M	That ASSD integrates with the NHS spine when it replaces Swift. The Council's Investment Appraisal Board has approved work on this project, and the Cabinet Resources Committee is to be asked to allocate funding for replacing Swift when it meets in January 2011.	<p>Ed Gowan</p> <p>Agreement to fund replacement of Swift being sought from Cabinet Resources Committee January 2011.</p> <p>Swift replacement project to be initiated March 2011.</p>
14	<p>The Council should review its risk management arrangements for compliance with ISO 31000. There are opportunities to develop arrangements to ensure better decision making within the directorate and within the Audit Committee in the following areas:</p> <ul style="list-style-type: none"> • scope of risk • nature of risk • stakeholders • risk evaluation • loss experience • risk tolerance, appetite or attitude • risk response, treatment and controls • potential for risk improvement 	H	Adult Social Services is bound by corporate standards for risk management. The corporate lead on risk management confirms that the Council's risk strategy is currently being reviewed.	<p>Nikki Adams</p> <p>Timescale set corporately.</p>
15	There are opportunities to consider a different style of reporting risks and merging them with performance information to add value. This will require development of a risk matrix with risk indicators to feed into a dashboard.	M	The corporate lead on risk management is further enhancing the current reporting arrangements to ensure they are fit for purpose.	<p>Nikki Adams</p> <p>Timescale set corporately.</p>

No.	Recommendation	Priority (H/M/L)	Management response	Implementation details
16	To ensure that the training and development is strategic and targeted the directorate should develop a workforce development strategy.	H	<p>An integrated Workforce Development Strategy will identify key workforce priorities for adult social care in Barnet to deliver the personalisation agenda as set out by the Department of Health in 'Putting People First: Working to Make it Happen'. Progress (as of August 2010) is as follows:</p> <ul style="list-style-type: none"> • Project plan approved by the Delivering Choice and Independence Programme Board; • A strategic Workforce Development Board, with an operational Workforce Development Network reporting into it, has been set up. Both of these are multi-agency. • Work has taken place with partners, service users and carers on a workforce analysis. • A first draft of the Workforce Strategy is currently being written, led by the Workforce Development Network. 	<p>Chandana Sanyal</p> <p>Workforce Strategy to be completed by March 2011.</p>
17	The directorate will need to ensure that its new performance management system is used effectively to change the current skills set of staff to be outcomes focused. This will involve ensuring objectives centre around personalisation.	M	<p>A performance dashboard has been created for personal budgets. Reviewing this has already led to performance management improvements, such as:</p> <ul style="list-style-type: none"> • Agreement to provide extra training to standardise recording in support plans; • Proactive management of team activity – through use of targets and involvement of affected managers in the review of them. <p>Creation of a Leadership Team, bringing together all 3rd tier managers within the service, to review and focus on performance management monthly.</p>	<p>Rodney D'Costa</p> <p>Performance Dashboard has been created and is in use.</p> <p>Performance Dashboard is reviewed monthly by Leadership Team. This has led to significant improvement in performance.</p>



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AGENDA ITEM: 13 Page nos. 133 - 179

Meeting	Audit Committee
Date	7 December 2010
Subject	Use of Resources report and action plan
Report of	Deputy Chief Executive & Chief Finance Officer)
Summary	Grant Thornton's has reported its findings from its 2009-10 Use of Resources assessment of the Council, and the Council has written an action plan in response

Officer Contributors	Kari Manovitch (Head of Performance) Luke Ward (Performance Manager)
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A: Grant Thornton's Use of Resources report and action plan
For decision by	Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Luke Ward, Performance Manager. Tel:020 8359 2672

1. RECOMMENDATIONS

1.1 That the Committee:

- **Considers the Use of Resources (UoR) action plan contained at page 16 of Appendix A to this report, and produced in response to the 2010 external audit by Grant Thornton.**
- **Considers whether a follow up report on progress against the action plan is required for a future committee meeting.**

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The audit and the action plan contribute to our corporate priority of Better services with less money.

4. RISK MANAGEMENT ISSUES

- 4.1 An examination of the Use of Resources action plan by Audit Committee should contribute to its successful delivery, and mitigate the risk of non-delivery.
- 4.2 Several recommendations and actions relate to risk management detailed in Appendix A (starting at page 16 of the Appendix).

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Some elements of the Action Plan are relevant to equalities and diversity issues, specifically those relating to procurement and contract management as One Barnet progresses.

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

6.1 The contents of this report and appendices detail how well the Council currently uses its resources and how it can improve.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The Council's appointed external auditor Grant Thornton conducted the Use of Resources assessment of the Council's performance in 2009-10, using the national framework established by the Audit Commission. The assessment was carried out between December 2009 and May 2010 and reviewed the Council's arrangements against eight lines of enquiry:

Theme / KLOE		Notes
Theme 1 - Managing finances		
1.1	Financial planning	
1.2	Understanding costs	
1.3	Financial reporting	
Theme 2 - Governing the business		
2.1	Commissioning and procurement	
2.2	Use of data	
2.3	Good governance	
2.4	Internal control	
Theme 3 - Other resources		
3.1	Environmental management	Assessed in 2009 not 2010
3.2	Asset management	
3.3	Workforce management	

- 9.2 Previously the external auditor's findings were accompanied by scores, enabling comparisons to be made with other authorities. However in June 2010 the government abolished the Comprehensive Area Assessment (CAA) process, of which Use of Resources was part, and decided that the Use of Resources scores would not be assigned for 2010 and reports would not be published nationally.
- 9.3 In the future, up until 2013, Grant Thornton will continue to be the auditor for Barnet Council. They will produce a value for money (VfM) judgement on the Council in 2011 but using a reduced set of criteria than was the case in the past, including how efficiently and effectively resources are being used. The fees paid to the auditors will be considerably reduced as a result of these developments.

Grant Thornton shared its report and recommendations in September 2010.

Findings of the Use of Resources audit

Grant Thornton found that improvement had taken place in most areas since the previous audit.

However a number of areas for improvement were identified. The report contained the following eight recommendations:

- The Council needs to demonstrate that it has an understanding, at a service level, of the links between costs and performance and achievement of value for money.
- As part of the One Barnet programme the Council should develop sound contract monitoring arrangements with third party providers.

- The Council should ensure that it is consistent in its approach to evaluating procurement options.
- The Council should follow a systematic approach to options appraisals, which includes being specific about benefits/outcomes expected and their measurement.
- The Council's Risk Management Strategy should be revised to include tolerance levels to assist officers in making important decisions, particularly around One Barnet.
- The Capital Assets Property Management Strategy (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme.
- Once the Council has robust fit-for-purpose data for its workforce it should develop a workforce strategy which links in with how One Barnet is to be delivered.
- There should be a focus on equipping senior managers with the necessary change management skills to ensure that the One Barnet is successful.

Use of Resources action plan

In response to these recommendations an action plan has been developed that sets out how each will be addressed, over what time scale, and who is responsible for delivery. Elements of this action plan are currently being delivered, and all actions will have their progress actively monitored against milestones over the next twelve months.

The Use of Resources action plan, including milestones, is Appendix A of this report.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MAM

Finance: JH

Appendix A: Grant Thornton's Use of Resources report and action plan



London Borough of Barnet

Value for Money 2009/10

16 November 2010

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1 Executive Summary

Background and purpose of the report

- 1.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether London Borough of Barnet ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').
- 1.2 We described in our Audit Plan (December 2009) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion, being:
- our assessment of the Council's Use of Resources ('UoR'), using the three themes within the Audit Commission's assessment framework themes and Key Lines of Enquiry ('KLoE')
 - specific work on locally identified audit risks.
- 1.3 Following the Government's abolition of the Comprehensive Area Assessment ('CAA') in June, the Audit Commission determined that the finalisation of the 2009/10 UoR scores in local government would no longer take place. With the exception of updating our findings for the outcome of the 2009/10 accounts audit and confirmation of the audited financial outturn for the year, our UoR assessment and local risk based work was complete at the time of the announcement. Therefore, whilst not reporting scores, we are in a position to report on the strengths and areas for development in the Council's management arrangements.

Key findings and action required by the Council

- 1.4 The headline findings are as follows:
- Managing finances continues to be a strength area for the Council.
 - The Council's arrangements for commissioning and procurement have improved, with clear outcomes apparent within Adult Social Services. Risk management and internal control require attention in the short term to ensure that the Council is managing the One Barnet programme appropriately.
 - There are good processes in place for managing the asset base although there is room for improvement in evidencing outcomes.
- 1.5 To support our conclusions in the good governance theme, we undertook spot-checks of three national indicators, and found no significant data quality issues. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.

- 1.6 High risk actions for the Council, relevant to the areas covered by our value for money conclusion include:
- The Council needs to demonstrate that it has an understanding, at a service level, of the links between costs and performance and achievement of value for money.
 - As part of the One Barnet programme the Council should develop sound contract monitoring arrangements with third party providers.
 - The Council should ensure that it is consistent in its approach to evaluating procurement options.
 - The Council should follow a systematic approach to options appraisals, which includes being specific about benefits/outcomes expected and their measurement.
 - The Council's Risk Management Strategy should be revised to include tolerance levels to assist officers in making important decisions, particularly around One Barnet.
 - The Capital Assets Property Management Strategy (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme.
 - Once the Council has robust fit-for-purpose data for its workforce it should develop a workforce strategy which links in with how One Barnet is to be delivered.
 - There should be a focus on equipping senior managers with the necessary change management skills to ensure that the One Barnet is successful.

Way forward

- 1.7 The agreed action plan is set out at Appendix A. The Council should follow this up to ensure actions are implemented as planned.
- 1.8 The Audit Commission will shortly be consulting on the 2010/11 value for money approach and we will update our indicative risk assessment and plan to reflect the revised focus of our work.

Acknowledgements

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

Use of this report

- 1.10 This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person.
- 1.11 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.

Grant Thornton UK LLP
16 November 2010

2 Detailed Findings

Introduction

- 2.1 In carrying out our audit work we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources ('VFM conclusion').
- 2.2 Our VFM conclusion is informed by our use of resources work which, in Councils, is based on the Audit Commission Use of Resources ('UoR') assessment. However, prior to its conclusion the new Coalition Government abolished the Comprehensive Area Assessment which included the requirement for a scored UoR assessment.
- 2.3 With the exception of updating our findings for the outcome of the 2009/10 accounts audit and confirmation of the audited financial outturn for the year, our UoR assessment and local risk based work was complete at the time of the announcement. Therefore, whilst not reporting scores, we can report on the strengths and areas for development in the Council's management arrangements.
- 2.4 The UoR KLoEs were prescribed by the Audit Commission and applied at all local authorities. However, as our audits are tailored to local risks, we specifically identify and consider certain areas of greater audit risk for each Council, to support our VFM conclusion. For the Council, we identified a number of areas for further consideration in our Audit Plan. These are set out in the table below, with a reference to where we carried out the additional work.

Table 1: Consideration of local risks in our work

Local VFM risk identified in our Audit Plan	Where considered
Risk that the Council does not have effective internal audit service to support its risk management and internal control environment.	Governing the business (including specific local project work on the effectiveness of internal audit)
Risk that the Council does not have the appropriate governance arrangements in place to compliment its transformation agenda.	Governing the business (including specific local project work on the One Barnet Programme)
Risk that Adults Social Services will not achieve its objectives in rolling out personal budgets.	Managing finances Governing the business Managing resources Personal budgets review
Risk that improvements are not made to the Treasury Management arrangements.	Managing finances

Approach to the audit

- 2.5 The assessment was carried out between December 2009 and May 2010. We reviewed the Council's arrangements against eight KLoEs within the three UoR themes prescribed by the Audit Commission. Our work was based on review of written evidence, meetings with senior management and officers.
- 2.6 The key findings in each of the themes, and areas for improvement, are set out in sections 3-5.

3 Managing finances

3.1 The managing finances assessment covered the following areas:

- planning finances to deliver priorities and sound financial health
- sound understanding of costs and performance / achieving efficiencies
- timely and reliable financial reporting and meeting stakeholder needs.

Planning finances to deliver priorities and sound financial health

3.2 The Council has continued to have a strong financial position with clear outcomes being the stabilisation of the reserve position, with general fund balances as at the 2008/09 of £17.5m. In addition, savings plans had been delivering well against plan. For 2009/10 the Statement of Accounts highlight that general fund balances have reduced to £15.8m (excluding schools), however these remain within recommended levels of reserves.

3.3 Since the Icelandic Banking collapse the Council had made clear progress on addressing weaknesses observed within treasury management activity, with a number of actions being implemented, including quarterly reporting introduced to the Cabinet Resources Committee (CRC).

3.4 The Council has taken steps to address recession planning in place with financial indicators being monitored quarterly to assess impact. The Council has demonstrated an understanding of long term requirements of financial constraints through its One Barnet programme.

3.5 Although there have been significant changes to the top level of financial management at the Council processes have been embedded over the years to ensure a smooth transition. This also evidences effective knowledge transfer between members of staff. There continues to be clear lines of financial accountability in place with regular training on financial issues.

3.6 The Council has built further on the successful stakeholder engagement process adopted in previous years with simple financial information being presented to Council Tax payers.

- 3.7 There are some improvement opportunities for the Council to consider to further improve its arrangements:
- The Council should facilitate member training on treasury management.
 - There has been higher than average capital programme slippage in recent years. There are improvements in process with the establishment of the Investment Advisory Board (IAB) which sits below 'One Barnet' programme board and will be used to ensure that all new individual projects contain robust justifications and are appropriately resourced.
 - The Council has decreasing satisfaction levels which the One Barnet programme is considering through its various workstreams. Ongoing stakeholder work will be necessary to understand and address the rising expectations within the community.

Sound understanding of costs and performance/achieving efficiencies

- 3.8 The Council has demonstrated outcomes in relation to value for money (VFM) profile tool which shows the Council as having the 4th lowest back office costs per head of population in London. Within London the Council is in the 25th percentile for spend per head over time, in addition within this comparator group gross spend per head for all services within the Council is lower except for Adult Social Services which is on par with other Councils.
- 3.9 There has been substantial focus on efficiency savings with £80m achieved in the last seven financial years. The Council has also exceeded its 2004 Spending Review efficiency target by £16m in terms of cashable gains. The Council has recognised that it can no longer look inwards for efficiencies and has identified that it will need to think differently to achieve economies of scale. The One Barnet programme looks to achieve the following in future years:
- consolidate property to achieve £1.4m to £2.4m savings per annum
 - consolidate support services to achieve £2.3m savings per annum
 - commissioning clusters of services with savings up to £5.8m per annum
 - consolidating customer access with savings up to £2.3m per annum.
- 3.10 Currently these savings identified are future looking outcomes and the Council will need to ensure that it has the necessary plans to support its vision for the future. The clear emphasis within the One Barnet programme has been to focus on efficiencies through better partnership working, better understanding of the asset base, and better prevention within Commissioning.
- 3.11 There remain opportunities to improve the understanding of links between costs and performance at service level. The view supported through our discussions with management is that there is not a clear understanding of unit costs, which in turn affects their ability to assess value for money or make best value decisions. The Council should look to routinely use cost and performance information to challenge whether it is achieving value for money.

- 3.12 While the Council has been participating in providing data to benchmarking clubs, this can not be viewed as an outcome until they have been analysed and resulted in action to address any perceived weaknesses.

Timely and reliable financial reporting and meeting stakeholder needs

- 3.13 The Council has made progress faster close down of the accounts, which is a result of early identification of issues, a detailed timetable and engagement of external audit throughout this process. There has been a year on year improvement in this process.
- 3.14 The Council has demonstrated it understands the requirements of IFRS and has completed early work on high impact issues. We recommend that member training continues throughout the IFRS transition period and that external audit is formally included within the IFRS timetable.
- 3.15 The thorough close down of the accounts for 2008-09 resulted in no material adjustments from the external audit process, which highlights that the faster closedown has not been to the expense of quality accounting. We are currently finalising our 2009/10 audit and therefore this was not taken into account at the time of our review.
- 3.16 Monitoring reports sent to Cabinet Resources Committee (CRC) include budget and performance monitoring. There are however opportunities to make the reports more concise for members to make the best use of time for decision making purposes.

4 Governing the business

- 4.1 Our work on the governing the business theme considered whether the Council:
- commissions and procures quality services tailored to local need
 - produces relevant and reliable data and information to support decision making and manage performance
 - promotes and demonstrates the principles and values of good governance
 - manages risks and maintains a sound system of internal control

Commission and procure quality services tailored to local need

- 4.2 Our early work on the 2010/11 value for money study on personal budgets highlighted that there was a clear vision within Adult Social Services for personalisation, which is consistent with the Council's corporate plan and One Barnet programme. A key strength area was the engagement with a wide range of stakeholders.
- 4.3 The Council takes a long term view when commissioning with is an emphasis on changing expectations of service users in order to shape provision. There is evidence of successful market shaping initiatives with Adult Social Services such as the Innovation Fund which seeks to stimulate ideas in the market, as it sees that providers are best placed to create innovation. This process is also outcomes orientated and therefore in the long term is expected to provide evidence of value for money.
- 4.4 There has been ongoing successful work to develop a User Led Organisation (ULO) in the Council particularly around the development of a Centre for Independence Living resulting in a bid for Social Care PFI credits for a purpose built facility. This has also resulted in the Council being awarded Trailblazer status for the Right to Control. One of the many challenges for councils will be to bring together more of their services, beyond adult social care.
- 4.5 The Council has developed good understanding of the supply market through engagement, building capacity where appropriate, and making partners and providers (public, private and third sector) aware of future commissioning needs. In November 2009 Adult Social Services ran an event 'Preparing for a Personalised Future' for providers to inform them of changes being made in the Borough for personalised social care, what that might mean for individual providers, and how the Council can help providers with these changes. This event was attended by approximately 150 providers and emphasised development of the market to deliver personalised social care.

- 4.6 The Council is acutely aware of the lack of correlation between spending and satisfaction levels and work is underway to better understand the root causes. This work is demonstrated by pilot projects such as household carbon reduction, household waste minimisation, and street litter prevention.
- 4.7 The Council is outward looking and future focused, it sees that it will need to work collaboratively to achieve further efficiencies and deliver better outcomes for local people. The Joint Strategic Needs Assessment (JSNA) was completed in conjunction with NHS Barnet and there has been evidence of joint prevention work. However the engagement of NHS Barnet, due to financial constraints and uncertainty, has weakened and the Council will need to ensure that joint plans continue to progress.
- 4.8 The Council's self evaluation covered partnering relationships and a number of key performance indicators (KPIs) although we have not seen evidence that these are monitored. In addition there were some examples of contract monitoring arrangements being in place with third party providers but these are not widespread. These arrangements need to be determined within the One Barnet programme for those services likely to be outsourced.
- 4.9 Little evidence of outcomes from procurement processes. The Council has set up its Investments Appraisal Board ('IAB') to provide assurance that the Council is establishing projects that are aligned to its corporate objectives, and they are being effectively managed. The change to the procurement and commissioning processes through the IAB is a good step towards improvement however the IAB is still in infancy and therefore we could not assess its success in evaluation of options.
- 4.10 There was no evidence of a systematic approach to options appraisals and measuring the effectiveness of outcomes relating to the decision taken. In addition there is more work required in reviewing the competitiveness of services and whether they achieve value for money, while meeting wider social, economic and environmental objectives.

Produce quality data and information to support decision making

- 4.11 The Council has remained focused on the challenges of using information effectively to drive change and achieve service improvement. There has been improvement to the structure of overseeing performance indicators with the creation of a budget and performance overview and scrutiny committee. The committee has influenced the content of reports and the profile of performance management within the Council. This has seen incremental improvements to design, presentation and efficiency of reporting performance information.
- 4.12 There has been refined focus within the Corporate Plan for 2010/13, including priority performance targets. In order to ensure achievement of the overall vision for the future the number of corporate priorities has reduced from six to three which have clear links to the One Barnet programme. Successful delivery of the Corporate Plan will be dependent on effective performance management.

- 4.13 There has been proactive engagement by management of internal audit to undertake spot checking national indicators within the year. There are clear processes in place to undertake management review within service areas where data quality concerns exist. We have also carried out, as part of the external audit plan, a review of three performance indicators based on a risk assessment of outturn. The results of which are included in the table below, with detailed findings in Appendix B.

Table 2: Results of performance indicator spot-checking

PI ref	Description	Significant concerns?	Recommendation
NI 135	Carers receiving needs assessment or review and a specific carer's service, or advice and information	No	None
NI 155	Number of affordable homes delivered (gross)	No	<p>A written agreement covering data quality, data protection, and data quality controls should be made with the RSLs</p> <p>Compliance with data quality standards should form part of the annual objective of those staff who are responsible for compiling indicators.</p> <p>The Council should continue to follow-up discrepancies with reported figures used by the DCLG.</p>
NI 192	Household waste recycled and composted	No	Access to spreadsheets should be restricted to those staff requiring access as part of the compilation of the indicator. Options should be explored in protecting the formula contained within the spreadsheets used to ensure that they are not changed.

- 4.14 There was a serious data security breach noted in March 2010 whereby encrypted computer equipment and some encrypted storage devices were stolen from a staff member's home. This was a result of the staff member not acting in line with the Council's data security policies and procedures. The Council commissioned an investigation into the incident.

Promote and demonstrate principles and values of good governance

- 4.15 The Council's governance is balanced and transparent and there is strong leadership which has seen the vision for the future cascaded effectively with initiatives in place such as 'meet the chief' having a positive impact. The staff survey results for 2009 support the view that staff are clear about the Council's vision. There has been a refocus of corporate priorities given future financial challenges.
- 4.16 There is a development plan in place to improve effectiveness of officers and members. There are positive relationships with the Council's partners and there has been a focus on developing the capacity of the voluntary sector.
- 4.17 The Council has a Standards Committee which oversees compliance with the Code of Conduct. The Committee has been successful in upholding high standards of ethical conduct with breaches reported and acted upon, which should enhance public confidence in the long term. The Committee also produces an annual report which specifically mentioned action taken on complaints.
- 4.18 There is evidence that the Council promotes the ethical agenda and has admitted where mistakes have occurred and has taken the necessary action to address weaknesses in controls. During 2010/11 we will follow up our review of scrutiny arrangements and report on any improvements made.
- 4.19 We reviewed member allowances and expenses as part of our 2008/09 final accounts audit and found that arrangements in place for were adequate.
- 4.20 A partnership mapping exercise was undertaken in 2008/09 to identify the quality of governance arrangements. This was reviewed by internal audit and limited assurance was given. There was no evidence provided that partnership governance arrangements have been strengthened in 2009/10 Given the emphasis of partnership working within the One Barnet programme further work on governance arrangements is required, which features in the implementation plan for 2009/10.

Manage risks and maintain a sound system of internal control

- 4.21 Arrangements for risk management remain unchanged for a number of years. Work is underway to have risks captured on a 'live' risk management system which may address some concerns, however there is evidence to suggest that risk management is not widely understood within the Council.
- 4.22 We undertook a review of the risk register for Adult Social Services as presented to the Audit Committee in December 2009 and noted the following (overleaf):

Table 3: Review of risk register against requirements of ISO 31000 'Risk Management - Principles and Guidelines

Risk Activity	Findings
Scope of risk	There is no analysis on the risk register of scope of the risk, including indicators such as size of the population, and financial indicators. The level of information currently held for each risk is not sufficient for decision making purposes outside of the Directorate, and will be increasingly important in a financially constrained environment.
Nature of the risk	The risk register classifies risks either as strategic, financial or operational and gives a brief discussion of the risk. However there is no information on the potential impact and description of the hazard, opportunity or uncertainty and the timescales involved. In addition, there are examples of misunderstandings of what is an operational and strategic risk.
Stakeholders	The current parameters of the risk register do not consider who the stakeholders to the risk are, both internal and external, and their expectations. Given Public Sector bodies are accountable to a number of stakeholders this type of information may be vitally important, particularly in relation to safeguarding decisions.
Risk evaluation	<p>The risk register has the initial assessment and revised assessment of the risk under two headings, being for the likelihood and the impact of the risk. Both indicators are rated as high, medium or low. The corporate risk management strategy does not define the risk assessment criteria for likelihood and impact. These should consider for impact: financial, brand/reputation, legal and regulatory, customers and employees, health and safety and environmental factors. For likelihood the strategy should define remote, unlikely, possible, likely and almost certain indicators.</p> <p>There were instances where the assessments made showed misunderstanding of the desired objective of an overall risk register, for example where the initial assessment of a risk had likelihood and impact of medium and high respectively there had been mitigating action taken that resulted in a revised assessment of high and high. This suggests either that the action taken was ineffective and caused the directorate to experience elevated risk as a result of this action, or there is a misunderstanding of what the desired effect of risk management is. This is consistent with our overall review of Risk Management arrangements within the Council.</p>
Loss experience	There is potential to reflect within the current risk register where there have been previous incidents and prior loss experience of events related to the risk. This would need to be a corporate adjustment to the current risk register.

Risk Activity	Findings
Risk tolerance, appetite or attitude	<p>Corporately the Council has not defined its risk appetite, that is the level and nature of risk that is acceptable. This will be used to form the basis for decisions on whether risks are:</p> <ul style="list-style-type: none"> • tolerated • treated • transferred • terminated <p>Within a financially constrained environment these tolerance levels can be used to make decisions when not all risks can be pursued.</p>
Risk response, treatment and controls	<p>The risk register describes the controls in place and the mitigating action plan, however it is not clear why there is a mitigating action plan without an analysis of the gaps in controls, which are not documented. Also, there were some instances of misunderstandings of what constitutes a control, for example a control was documented as being 'workforce strategy being commissioned'. Clearly if a strategy is being developed it cannot be a control, and a strategy is the overall vision not a control measure.</p> <p>The risk register should document the level of confidence/assurance there is in existing controls. The risk register briefly discusses the mitigating action plan and the action taken however the procedures for monitoring and reviewing the risk performance is not documented. Instead, the risk register notes the date the risk was raised and last reviewed. We noted that all risks were last updated at the same date, implying that risks are not managed on the basis of the initial or revised risk assessment.</p> <p>The assurance obtained for each control measure should be in essence a blend appropriate to the risk identified, in some cases policies and procedures can be an appropriate control for a low risk which only requires annual sign off from staff as an assurance measure. For high risks management may need assurance from someone independent from the process, such as internal audit, to assure them that the controls are designed and operating appropriately for the intended risk. These decisions should be documented within the risk register.</p>
Potential for risk improvement	<p>The directorate risk register documents the action taken, however rarely are there recommendations made or deadlines for implementation noted. The risk is attached to a lead officer. The risk register should attempt to identify the potential for risk improvement and the responsibility for implementing any improvements.</p>

- 4.23 From this review we concluded that the risk management strategy needs to be updated, including defining the Councils' risk appetite. This will give the Directorates tolerance levels to work within of what is acceptable risk. Obviously this tolerance level will have a different look and feel within constrained financial circumstances. It is crucial that risk management arrangements are improved to support the One Barnet programme.
- 4.24 Information that is presented to the Audit Committee for discussion/challenge can be improved. The risk register is hard to read, and therefore digest. There is an opportunity to develop a dashboard of key risk indicators to be reported alongside performance and financial information. This could be reported under the four drivers of risk: finance, infrastructure, marketplace and reputation.
- 4.25 Attention has been paid to the effectiveness of Internal Audit during the year with clear improvements being made by the Interim Assistant Director of Audit and Risk Management. Our review of the effectiveness of Internal Audit found that there was a disconnect between the risk management arrangements and internal audit strategy. Once risk registers can be relied upon as accurately reflecting directorate risks the Internal Audit Strategy will need to be based on those risks identified.
- 4.26 We also found that there needs to be better engagement between Directors and Internal Audit to ensure buy-in to the audit process. This will encourage an effective risk management and internal control culture if officers and managers are involved in all stages of the audit process, from planning to reporting phases.
- 4.27 In times of rapid organisational change the internal audit function needs to be fluid to the organisational risks. Whilst a strategy should be set early within the year this should also be reassessed during the year to ensure that the strategy remains relevant. We have recommended that the Council assess whether the Internal Audit service has the appropriate skills and resources to deliver the Council's requirements in the long term.
- 4.28 Improvement could be made to the grants co-ordination process to ensure all grants are identified and claims completed where necessary. This can have considerable financial impact if not completed appropriately.
- 4.29 The Counter Anti-Fraud Team (CAFT) continues to be effective in its role having positive impact within the community and being visible with their achievements during the year. There were clear outcomes in claw backs of Council Tax Benefit and Housing Benefit Tax Fraud and Error, with £158k recovered up until December 2009. There were a number of successful investigations such as the Blue Badge misuse with 100 cases referred and 6 cases being passed for legal action. Action taken is regularly reported to the Audit Committee.

5 Managing resources

5.1 Our work on managing resources themes covered the following areas:

- managing assets effectively to deliver strategic priorities
- managing the workforce effectively to achieve strategic priorities

Making effective use of natural resources

5.2 This area was not assessed this year at councils, although last year we assessed the Council as having adequate arrangements.

Manage assets effectively to deliver strategic priorities

5.3 The Council has strategies for asset management however they should be revised to consider the One Barnet programme and expected benefits. The Council has begun to systematically review its property holdings against the whole public sector estate; however outcomes from this process can not be demonstrated as yet. Options are also being explored for disposal of surplus assets.

5.4 The Council is working collaboratively with partners, for example at Brunswick Park the Council worked with the PCT to create a clinic, a library, a school and range of other community facilities in a deprived area which will also result in those services users have better access to facilities and encourage the self-help theme that the Council promotes. The emphasis on working in partnership is evident throughout the One Barnet programme.

5.5 The Council is investing £80million capital from its own resources, supplemented by other grants and contributions, over a 4 year period to enhance its primary schools through a Primary Schools Investment Programme (PSCIP). The Council has also been recognised for its design of schools in terms of environmental impact.

5.6 Whilst the future focus is clearly on partnerships this is not the consistent message in the Capital, Asset and Property management Strategy (CAPS). The deliverables of the strategy are inward looking and do not align with the One Barnet programme or focus on partnerships sufficiently. We are aware that this is currently being revised. In addition, there was a lack of evidence of realistic and robust action plans in place to support the strategy.

5.7 A performance management system with Key Performance Indicators (KPIs) is yet to be developed for the asset base and there is no evidence of monitoring against these KPIs being undertaken. There is some progress to be made in articulating how the current asset base provides good value for money and these KPIs may aid in this process.

Manage workforce effectively to achieve strategic priorities

- 5.8 Workforce management arrangements were reviewed for the first time in 2009/10.
- 5.9 Work is ongoing in identifying skills gaps and training needs in the current workforce. In addition Human Resources (HR) data is being cleansed to ensure that the information is fit-for-purpose to feed into an overall workforce strategy. This includes information such as age profile, sickness absence, accurate staff numbers. Workforce planning is not currently integrated into service planning but there are plans in place to achieve this by Spring 2010. The process of ensuring the data is correct before drafting a workforce strategy is essential given the likely restructures ahead.
- 5.10 There have been improvements noted for appraisal rates which are currently at 65%, however against an internal target of 80% there is still some progress to be made. Career management and succession planning is a focus for 2010/11 as only 37% of staff agreed that there was a defined career path. There is also a graduate programme in place and internships provided to support career development.
- 5.11 There are some good examples of health and wellbeing initiatives, where the Council uses its position as a large employer within the Borough to influence staff choices. These campaigns have included healthy eating, smoking cessation, men's health clinics, and 'managing well' month which focused on stress management. Flexible working has been included within the Workforce Health Strategy which has had a favourable impact with staff as indicated through the staff survey.
- 5.12 The Council recognises that it will need to develop skills for change management within its current senior managers given the One Barnet agenda and the likely cultural changes required. The staff survey showed some lower levels of satisfaction for the management of change by senior staff. At the time of the audit the Council was setting up staff panels to ensure feedback is obtained and fed into the change agenda. It will be necessary to ensure that staff are engaged throughout the change transition and also that post implementation reviews are undertaken.
- 5.13 There has been good engagement with staff and other key stakeholders in cascading the vision of One Barnet. Good leadership has been demonstrated through effective relationships forged with trade unions, who noted the openness of the Chief Executive. Trade unions felt that the Council was not data rich on workforce information however and would want more information shared.
- 5.14 The Council achieved level 4 for the Equalities Framework in 2008/09, which is of a high standard. The Council's diversity profile of its workforce is broadly reflective of the community with the exception of disabled employees, who represent only 1.45% of the workforce compared to 4.43% of the population.

A Action Plan

No. / Ref.	Recommendation	Priority	Management response	Implementation details
3.7	The Council should facilitate member training on treasury management.	L	<p>Treasury management advisors Sector presented to CRC in April 2010 prompting detailed debate. It was well attended & received by members. Consideration should be given to holding more events in the future.</p> <p>Member training concluded in July. More training needs to be planned in to ensure members can make informed decisions.</p> <p>Training programme has improved member understanding and ownership of the function and managing risks associated with investment and borrowing. It has also increased their ownership.</p> <p>Scrutiny is now more proactively engaging with monitoring.</p> <p>Controls and processes implemented that now ensure compliance with the agreed Treasury Management Strategy approved by members.</p>	<p>Strategic Finance</p> <p>30 June 2010 Sector provided overview training on treasury management</p> <p>21 July 2010 ARK Risk presented a training course on counter part risk</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
3.7	The Council should address capital slippage, by reviewing individual projects for robust justifications and resourcing, through the Investments Approvals Board.	M	<p>Evidence of readiness to start the procurement process including how public engagement has been undertaken in any options appraisal will determine the timing of release of funding. This process will be embedded by the Investment Appraisal Board to ensure proposals are rigorously tested against delivery of key priorities and limit the extent of slippage of spending plans.</p> <p>Capital reports are already presented to CRC.</p>	<p>Strategic Finance</p> <p>By end December 2010</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
3.11	The Council needs to demonstrate that it has an understanding, at a service level, of the links between costs and performance and achievement of value for money	H	<p>The corporate process for developing the budget from 2011 onwards has involved each Directorate conducting a baseline review of costs and performance to inform decision making. All budget proposals have been assessed for their impact on the council's corporate plan performance targets.</p> <p>There is a need for more comparative unit cost information to be used by Directorates in their assessment of value for money.</p> <p>Performance team has led a workshop with Finance colleagues to agree the corporate approach to vfm and how Directorates can be supported to better understand the cost-performance correlations in their services, including through the business planning process for 2011-3. A paper to the Business Planning and Finance Group to be presented giving an outline of how this will be achieved.</p>	<p>All Directorates, supported by Finance & Performance teams</p> <p>VFM workshop on 12 November 2010.</p> <p>2 December 2010.</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
3.12	Results from participating in benchmarking clubs should be analysed and reviewed for improvement purposes.	M	<p>IS has participated in SOCITM benchmarking for the first time in 2010. The questionnaire was completed in June with the final report due to be published late October 2010. The draft results have been used to identify relevant IS performance measures and set performance improvement targets (using upper quartile performance as desired benchmark) and these are documented in the IS Business Plan 2010-11. Once improvement plans have been formalised we intend to publish performance measures as part of a dashboard on the intranet.</p> <p>As part of New Support Organisation Project for the One Barnet Programme, a number of our support services are partaking in the CIPFA benchmarking club for VfM benchmarking has been completed for 5 services: HR, Finance, IT, Estates, Procurement. This is to ensure that current and future decisions about how our support services are organised and delivered are driven by understanding of how VFM is achieved in support services. The results and best practice learned through the benchmarking will inform the options appraisal and recommendations for the NSO project. and are also highly relevant to the whole Council as it moves forward in a challenging financial climate.</p>	<p>Commercial Directorate</p> <p>Results of SOCITM benchmarking available in late October 2010</p> <p>- NSO/CSO options appraisal developed informed by benchmarking data January 2011</p> <p>- Recommendations of NSO/CSO OA published February 2011</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.8	As part of the One Barnet programme the Council should develop sound contract monitoring arrangements with third party providers and partners.	H	<p>As a step towards this more strategic approach to contract monitoring we will be appointing two Procurement Programme Managers to join our commercial assurance division. They will advise on future contract management, contractual requirements and performance management of contracts.</p> <p>Once the key complex procurements have been undertaken and contracts settled, the procurement programme managers will then resume the role of contract managers for the lifecycle of the contracts. This will ensure that they are performance managed effectively through a set of Key Performance Indicators and will ensure continuity and knowledge between contract negotiation and service delivery. A wider piece of work is underway to strengthen how the Council procures and commissions goods and services. A key part of this will be the consolidation of the procurement activity. It is anticipated that a Contract Administration team will assume responsibility for managing all Council contracts including contract performance monitoring. This work is underway and, subject to approval, will be in place by 01/03/2011.</p>	<p>Commercial Directorate</p> <p>Recruitment for procurement programme managers undertaken - 30 November 2010</p> <p>Procurement programme managers x 2 in place - 31 January 2010</p> <p>Creation of central contract administration team – 01 March 2011 subject to approval</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.9	The Council should ensure that it is consistent in its approach to evaluating procurement options	H	<p>The Council has already set its expectations within the Corporate Procurement Code of Practice. Furthermore the Procurement Strategy is currently being re-drafted. It is essential to ensure that a corporate approach and evaluation methodology is adopted to all procurement opportunities in order to ensure that VFM principles are embedded.</p> <p>For projects within the One Barnet Programme the Board will be responsible for ensuring that options are explored and justified through options appraisal as per the revised Terms of Reference for the One Barnet Programme Board (previously Operational Group). To ensure that the development of Options Appraisals meets corporate expectations, the revised Council's Project Management Standards demand a systematic approach to options appraisals.</p> <p>The Council's revised Procurement Code of Practice states that the council must follow a systematic approach to options appraisals which clearly set out benefits and outcomes of each option.</p> <p>The consolidation of the procurement activity into the core of the authority will facilitate greater and improved challenge through the evaluation process and ensure alignment with corporate priorities.</p>	<p>Commercial Directorate</p> <p>Revised Procurement Strategy in place - 31 January 2010</p> <p>Revised Procurement Code of Practice to be published – 01 January 2011</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.10	The Council should follow a systematic approach to options appraisals, which includes being specific about benefits/outcomes expected and their measurement	H	Covered by response above	Covered by response above

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.10	More work is required on reviewing the competitiveness of services and whether they achieve value for money, while meeting wider social, economic and environmental objectives	M	<p>Whilst cost will be the main factor when considering procurement options it can not be the only one. The organisation must take into account other, non financial considerations, which may result in an overall better outcome for the Borough's citizens. This may include:-</p> <ul style="list-style-type: none"> • Minimum labour standards • Disability, gender and equality matters • Employment and training issues • SME support • Community consultation • Community initiatives • Sustainability initiatives <p>As part of the procurement consolidation process the Council will improve the strategic approach on the application of assessment matrix which includes non financial considerations.</p>	<p>Commercial Directorate April 2010</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.14	<p>NI 155 - Number of affordable homes delivered (gross)</p> <p>A written agreement covering data quality, data protection, and data quality controls should be made with the RSLs</p> <p>Compliance with data quality standards should form part of the annual objective of those staff who are responsible for compiling indicators.</p> <p>The Council should continue to follow-up discrepancies with reported figures used by the DCLG.</p>	M	<p>The data quality agreement will be in place by March 2011</p> <p>Managers will ensure that suitable appraisal targets are included in the next round of appraisals, based on the level of involvement staff have in the process of producing and using data. The next round of appraisals will be carried out Quarter 1 2011.</p> <p>We aim to have all outstanding discrepancies resolved by the end of November 2010.</p>	<p>Planning, Housing & Regeneration</p> <p>March 2011</p> <p>June 2011</p> <p>November 2010</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.14	<p>NI 192 - Household waste recycled and composted</p> <p>Access to spreadsheets should be restricted to those staff requiring access as part of the compilation of the indicator. Options should be explored in protecting the formula contained within the spreadsheets used to ensure that they are not changed.</p>	M	Access to relevant spreadsheets has been restricted. Access to the formulas will also be restricted.	<p>Environment & Operations</p> <p>Access to formulas restricted on 08 October 2010</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.20	A review of governance arrangements of partnerships is required.	M	<p>Scoping paper produced to review governance of LSP and One Barnet, covering:</p> <ol style="list-style-type: none"> 1. Are these structures fit for purpose as we move forward with One Barnet and support the transformation agenda? 2. Should the current arrangements be streamlined? 3. What should the role of partners be? 4. How should the governance arrangements work in relation to community budgets? <ul style="list-style-type: none"> • Principles agreed at One Barnet Programme Board • Collapse LSP into One Barnet Programme Board and amend governance of latter • Full review of governance of revised arrangements 	<p>Chief Executive's Service / Corporate Governance</p> <p>Completed</p> <p>Completed</p> <p>February 2011</p> <p>May 2011</p>
4.23	The Council's Risk Management Strategy should be revised to include tolerance levels to assist officers in making important decisions, particularly around One Barnet.	H	The Risk Management Strategy is currently being revised and will be taken to the Audit Committee in March 2011.	<p>Assistant Director of Finance, Audit and Risk Management</p> <p>March 2011</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.24	Information presented to the Audit Committee on risks needs to be improved to provide more concise information.	M	Risk Management will be included within the Internal Audit and Risk Management Quarterly report to the Audit Committee, this will include the corporate risks to the Council and will include a 'heatmap' of where these risks currently sit in relation to probability and impact. This is consistent with the reporting of risks through the quarterly performance reports.	Assistant Director of Finance, Audit and Risk Management December 2010
4.25	Further improvements are required in Internal Audit to ensure that its strategy is based on the Council's overall corporate risks	M	Improvements are currently taking place within risk management arrangements to ensure that the current corporate, directorate and team risk registers can be used by Internal Audit to inform the overall strategy. The IA strategy for 2011-12 will be based on the risks facing the Council and will be fluid to changes in risks throughout the year. The improvements in both risk management arrangements and IA strategy will ensure that the resources are appropriately directed, and lead to more effective service. Both Risk Management and Internal Audit have improvement plans with timescales of delivery that vary according to priority.	Assistant Director of Finance, Audit and Risk Management Impact by April 2011

No. / Ref.	Recommendation	Priority	Management response	Implementation details
4.28	The grants coordination process should be improved to ensure all grants are identified and completed.	M	The SAP, Systems, Control & Compliance Team are looking to implement 'Grant Finder' to assist in identifying grants which the authority may be able to claim. A demonstration by the company took place in August 2010. The team are currently reviewing the demo to ensure that it fulfils Barnet's requirement prior to making a purchase.	Operational Finance December 2010

No. / Ref.	Recommendation	Priority	Management response	Implementation details
5.6	The Capital Assets Property Management Strategy (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme	H	<p>We are in full agreement that the CAPS is not fit for purpose and will be replaced by a new Estates strategy</p> <p>The Commercial Directorate Business Plan sets out the key initiatives and actions to ensure that the directorate strategy for getting best effect from our public sector assets is achieved. These will inform and be captured within the new Estates Strategy. The objectives are:</p> <ol style="list-style-type: none"> 1. Council has a full register of its own assets and those of its strategic partners 2. corporate approach to asset management and planning is embedded across the Council 3. asset management and planning are fully integrated into our business planning. 4. the Council has a fit for purpose asset portfolio <p>The Estates Strategy is significantly influenced by the One Barnet programme principles of;</p> <ul style="list-style-type: none"> • More efficient use of property • More effective use of property • More efficient and strategic use of our public sector systems. 	<p>Commercial Directorate</p> <p>Estates strategy implemented by January 2010</p> <p>In draft form by 1 January 2011. Agricultural Strategy by 1 February 2011.</p> <p>Will report progress in December 2010</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
	(cont.)		<p>For instance, there are a number of strategies and plans in development to deliver this, including: Agricultural Strategy, Community Strategy (which will tie in with possible community use/management of existing assets), and a Disposal Strategy.</p> <p>A comprehensive mapping of all public sector assets in Barnet is also underway and will form the basis of future estates planning in relation to One Barnet</p>	

No. / Ref.	Recommendation	Priority	Management response	Implementation details
5.7	The Council should develop a performance management framework for reporting of its asset base, including key performance indicators	M	<p>The Directorate has a target to remodel and implement a new Asset Management System via the SAP optimisation project, which will be fully implemented by March 2011. Once the system is implemented we will be able to develop far more sophisticated measures around whole life costing, testing regimes, energy efficiency, disposals, repairing spend. These will be managed and reported through the quarterly Estates Management team meetings.</p> <p>In the meantime a KPI focusing on void management will continue to be monitored and actively managed.</p> <p>We have set ourselves a directorate target for 2010/11 that 95% of services managing assets manage their assets using the new asset management system by 1 May 2011. Progress will be monitored quarterly through the Commercial Directorate's quarterly budget and Performance management team meeting.</p>	<p>Commercial Directorate</p> <p>AMS implemented by March 2011</p> <p>95% of services managing assets use AMS by 1 May 2011.</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
5.9	Once the Council has robust fit-for-purpose data for its workforce it should develop a workforce strategy which links in with how One Barnet is to be delivered	H	<p>Workforce Planning is a key objective in HR Business Plan 2010 / 2011 – Workforce Plan Report due in Qtr 4. This objective will however be delivered in the context of One Barnet</p> <p>The Barnet workforce strategy is being developed and will run to 2012. There are two aspects to this, both well developed and being implemented.</p> <p>1. Staff Engagement Plans to support the One Barnet programmes with HR resource aligned. A process already exists and has been shared with the One Barnet Programme office and the Trade Union.</p> <p>2. Develop a new relationship with employees. This strategy has been approved and converges with the end of the One Barnet programme.</p>	<p>Human Resources</p> <p>Next quarterly update in December 2010.</p> <p>Will report progress in December 2011</p>

No. / Ref.	Recommendation	Priority	Management response	Implementation details
5.10	The Council should focus attention on having an appropriate performance management system to appraise staff. It should also devise plans to ensure appraisal rates improve.	M	<p>The SAP Optimisation project –Phase 1 will improve the current system and process making it easier for managers to track progress and attach appraisal documentation. The changes to SAP will also improve the accuracy of reporting appraisal rates, which increased from 57% in August 2010 to 94.9% in November 2010.</p> <p>Phase 2 may include the SAP Appraisal enhancement package. The benefits of this addition need to be evaluated in relation to what the organisation needs, this is scheduled for completion by the end of December.</p>	<p>Human Resources</p> <p>In place by March 2011</p> <p>December 2011</p>
5.12	There should be a focus on equipping senior managers with the necessary change management skills to ensure that the One Barnet is successful.	H	<p>Managing the people impact</p> <p>Governance structure and change management policies and processes are in place for the People & Culture workstream of One Barnet.</p> <p>Commission and deliver</p> <p>Up skilling on project management framework for project managers, project leads and project sponsors so there is a consistent approach and quality assurance (including TUPE, EIAs, Business Analysis, Procurement Process, Approach to Competitive Dialogue, Risk Analysis, Role of the Project Manager).</p>	<p>Human Resources and One Barnet Programme</p> <p>Completed</p> <p>By March 2011</p>

B Data Quality spot checks - detailed findings

Performance Indicator	Significant concerns?
NI 135 - Carers receiving needs assessment or review and a specific carer's service, or advice and information	No
Summary of findings	
<p>Management arrangements for this indicator are adequate with no significant issues noted with the detailed testing. Based on the testing that we performed the system appears to be adequately designed to ensure the data is accurate, valid, reliable, timely, relevant and complete.</p> <p>The correct numerator and denominator are used. The numerator agreed back to the system report. There was a minor error noted as the denominator system report was 2 higher than in the outturn calculation. However this had no impact on the calculation.</p> <p>One small issue was noted in one assessment, the carer number had been entered incorrectly. This was a manual error by the carer. This did not affect the calculation of the indicator.</p>	

Performance Indicator	Significant concerns?
NI 155 - Number of affordable homes delivered (gross)	No
Summary of findings	
<p>The affordable homes scheme arrangements are split into two categories: (1) those planned and overseen by the Council and (2) government initiatives.</p> <p>Management arrangements appear to be adequate for those planned and overseen by the Council, however could be improved by assigned accountability of data quality through the annual appraisal process.</p> <p>There are some minor concerns with the arrangements surrounding the government initiatives, specifically with registered social landlord (RSL) quarterly returns, where there appears to be reliance on the controls within the RSL without the necessary assurances obtained. We found the following:</p> <ul style="list-style-type: none"> • currently the Affordable Homes Development Officer receives a confirmation email from RSL to inform them of completed developments, there is no requirement for the RSL to send through evidence of purchase completed agreements. • there is no overall written agreement with the RSL covering data quality, including any Data Protection Act requirements that the RSL must comply with. • the RSLs send through spreadsheets on a quarterly basis to the Affordable Housing Development Officer which are then used to compile the Council's indicator. There are no arrangements in place with the RSL regarding controls over inputting into the spreadsheets, there is no checking of the accuracy of the spreadsheets obtained from the RSLs. <p>We sample tested the validity of the national indicator against source records and had one exception to report, the quarter 4 figures for 'temporary to permanent' classification should be 26 according to the completion certificate, rather than 24 as reported. The resultant outturn for the year should be 270. This exception was found to be isolated and was a result of a miscommunication between the Council and the developer regarding the funding of these two properties. It is recommended that this amendment is made to the reported outturn figure.</p> <p>There is also ongoing discrepancy between the figures reported by the Council and the DCLG for 2008/09 and 2009/10, this is caused by two issues:</p> <p>a) The DCLG is inconsistent in the 'delivery date' it uses - for some properties it uses the practical completion certificate and for others when the property is ready for occupation; and</p>	

b) For 2009/10 the DCLG has only included properties funded by the HCA, ignoring local authority funded properties, this is not consistent with the NI guidance.

We have gained overall assurance over the Council reported figures and compliance with the National Indicator guidance and therefore would recommend that the Council continues to follow-up these discrepancies with the DCLG.

Recommendations - NI 155

- A written agreement covering data quality, data protection, and data quality controls should be made with each of the RSLs.
- Compliance with data quality standards should form part of the annual objectives of those staff who are responsible for compiling indicators.
- The Council should continue to follow-up discrepancies with reported figures used by the DCLG.

Performance Indicator	Significant concerns?
NI 192 - Household waste recycled and composted	No
Summary of findings	
<p>The management arrangements for this indicator are reasonable. There are sound governance arrangements with joint working partners, helping to ensure the quality of data received. There is also minimal manual intervention in the process.</p> <p>There following weakness was noted:</p> <ul style="list-style-type: none"> the three spreadsheets used to calculate the indicator use formula that is relied upon to generate the outputs for the indicator. In addition the spreadsheets are stored on a shared drive and can be accessed by anyone in the Environment and Operations team. As a result there is a risk of the information being inaccurate or unstable. <p>Whilst this weakness exists within the current system, our sample testing found that the formula has been accurately applied and there was accurate linking between all three spreadsheets. In addition, the correct numerator and denominator have been used and the method for collating the information is working satisfactorily. The numerator is based on recycled and re-used tonnage and the denominator excludes non-household waste. This is in line with the ‘National Indicators for Local Authorities and Local Authority Partnerships: Handbook of Definitions’ as the correct calculation of NI 192.</p>	
Recommendations -	
<ul style="list-style-type: none"> Access to spreadsheets should be restricted to those staff requiring access as part of the compilation of the indicator. Options should be explored in protecting the formula contained within the spreadsheets used to ensure that they are not changed. 	



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AGENDA ITEM: 14

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Meeting	Audit Committee
Date	7 December 2010
Subject	Accounting Policies under International Financial Reporting Standards (IFRS)
Report of Summary	Deputy Chief Executive & Chief Finance Officer To consider the accounting policies being adopted under International Financial Reporting Standards (IFRS).

Officer Contributors	Maria G. Christofi, Assistant Director Financial Services, Finance Directorate Anisa Darr, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A - Accounting Policies
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Anisa Darr, Finance Manager (020 8359 7106).

1. RECOMMENDATIONS

- 1.1 That the accounting policies being adopted under Internal Financial Reporting Standards (IFRS) be noted.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The audited Statement of Accounts for 2009/10 were approved by the Audit Committee on 21 September 2010.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Review of accounting policies is an integral part of producing robust financial statements, which supports Barnet's Corporate Plan objective of "Better Services with less money"

4. RISK MANAGEMENT ISSUES

- 4.1 Accounting policies underpin the production of the Statement of Accounts. The accounts are then audited by external auditors. A positive external audit opinion on Barnet's Statement of Accounts plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

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

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 First time adoption of IFRS (IFRS1) requires compliance in the year of adoption (2010/11), restatements of prior year (2009/10) and an opening Balance Sheet as at 31/03/2008.
- 9.2 The accounting policies in appendix A have been derived using the Code of

Practice for Local Authority Accounting 2010/11. The Code is based on approved accounting issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

- 9.3 The move to an IFRS based Code results in a number of significant changes in accounting practice. The key accounting changes include:
 - 9.3.1 Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
 - 9.3.2 The main financial statements have changed, and there are additional requirements regarding segment reporting.
 - 9.3.3 There is a greater emphasis on component accounting and on derecognising parts of an asset that are replaced.
 - 9.3.4 Property leases are classified and accounted for as separate leases of land and buildings. Local authorities will also need to assess whether other arrangements contain the substance of a lease.
 - 9.3.5 Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.
 - 9.3.6 Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve to the extent that there is a balance on that reserve relating to the specific asset.
 - 9.3.7 The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification.
 - 9.3.8 All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay.
 - 9.3.9 The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.
- 9.4 It is anticipated that a bulletin will be issued to provide accounting guidance on any regulations, statutory guidance or accounts directions that are enacted after the publication of the Code to mitigate its impact on council tax. The accounting policies will duly be updated following the publication of the bulletin.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
CFO: MC

Statement of Accounting Policies**Introduction**

The accounts have been prepared in accordance with International Financial Reporting Standards, interpreted for Local Authorities by the Code of Practice for Local Authority Accounting in the United Kingdom as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accordingly, the general principles that underpin these financial statements represent proper accounting practice for local authorities in England.

All relevant International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), so far as they apply to local authorities, have been observed. Any departures from these standards are disclosed, where relevant, in the policies detailed below.

In accordance with IAS 1: Presentation of Financial Statements three statements of financial position are presented in the first year of compliance with IFRS. Changes have been made in accounting treatments to reflect IFRS regulations that apply to local authorities from 1st April 2009. These changes are not intended to impact upon the overall financial position of the council or to impact on Council Tax levels.

The accounts have been prepared under the historic cost convention, modified by the revaluation of certain categories of non current assets in accordance with the Code.

The accounts are prepared on an accruals and going concern basis.

Accounting for Retirement Benefits within HRA

Day to day housing management is carried out by Barnet Homes therefore Barnet's HRA employs very few staff directly. The cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund cannot be justified. For this reason although the HRA has been reported on a IAS19 basis, no attempt has been made to show a separate liability related to defined benefit provision.

Accruals of Income and Expenditure

The accounts of the council are prepared on an accruals basis in accordance with the Code of Accounting Practice. This means that sums due to and from the council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Such amounts are included as part of the Receivables and Payables figures on the Balance Sheet. With regards to interest due but not paid on loans and investments (as at the Balance Sheet date) the council's policy is to add this to the carrying value of the loan or investment and not to debtors or creditors.

Basis for Consolidation

The council's policy is to prepare Group Accounts to reflect the full range of economic activity which it has control over, as some of this activity is conducted by subsidiary companies which have a separate legal entity to that of the council. The policy for consolidating the activity of subsidiaries with that of the council in the Group Accounts is based on the requirements of the Code. The council reviews annually the extent to which other entities (over which the council has a material interest) need to be consolidated into the Group Accounts. In consolidating the accounts, all transactions and balances between the council and its subsidiaries are eliminated in full.

Best Value Accounting Code of Practice

Best Value Accounting Code of Practice (BVACOP) represents proper practice with regards to consistent financial reporting. Written by CIPFA, its objective is to standardise the way in which Local Authorities identify and report expenditure so as to provide a consistent basis for all financial disclosures, enabling meaningful comparisons to be made between different Local Authorities. To this

end, the council's policy is to fully adopt the provisions of BVACOP and to use the BVACOP standard Service Expenditure Analysis when reporting on the Net Cost of Services in the Comprehensive Income and Expenditure Account, even though the code allows alternatives to be used.

Under BVACOP, the costs of running centralised support functions (such as Finance, IT and Payroll) are recharged to direct Service Departments through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc) to reflect the work / support that has been provided. Under BVACOP Guidance, two specific types of cost (Corporate & Democratic Costs and Non-Distributed Costs) can be apportioned between the General fund, Housing Revenue Account and the Pension Fund. However this guidance is not obligatory and as the amounts involved would be immaterial the council's policy is not to apportion such costs.

Capital Receipts

A capital receipt is income received in exchange for the disposal of a fixed asset. It is held in the capital receipts unapplied account until the money is either used to fund capital spend or repay debt. Legislation requires a percentage of HRA capital receipts to be transferred to a central pool for redistribution by the government.

Cash and Cash Equivalents

Under IAS 7 this category on the Balance Sheet include not only cash balances and demand deposits but also cash equivalents which are defined as short term, highly liquid investments which have a short maturity term and are readily convertible to known amounts of cash. The council has determined any deposit with a maturity date of less than three months at the Balance Sheet date to be cash equivalent.

Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect council tax and national non-domestic rates (NNDR). In its capacity as a billing authority an authority acts as an agent: it collects and distributes Council Tax Income on behalf of the major preceptors and itself.

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year.

Contingent Assets

Contingent Assets are transactions that may give rise to economic benefit to the council but cannot be estimated with reasonable certainty at the balance sheet date due to the very existence of the asset being dependent on the outcome of uncertain future events (such as resolution of legal proceedings).

Contingent Assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. Council policy is to give a brief description of the contingent asset in the Notes to the Core Statements.

Contingent Liabilities

A contingent liability is either:

- i. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- ii. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
- iii. Detail of any contingent liability is given in notes to the balance sheet.

Accounting standards dictate not to recognise any contingent liabilities in the Accounting Statements, but to give a brief description (subject to the amount (s) being material). Contingent liabilities are assessed continually to ensure that developments are appropriately reflected in the financial statements. London Borough of Barnet discloses this in the Notes to the Core Statements.

Earmarked Reserves

Earmarked Reserves are amounts of money set aside to cover expenditure in future years on specific projects or major initiatives - which would not be able to proceed unless money was set aside from prior year resources.

The effective impact of making an Earmarked Reserve is to decrease balances available for general purposes (General Fund balances) and to create / increase the amount set aside on the balance sheet to meet specific future expenditure (Earmarked Reserves). The council's policy is for departments to consider the need and apply for an Earmarked Reserve for their area, consistent with their service plans and the corporate plan. All applications for Earmarked Reserves are subject to approval by the Chief Finance Officer.

Reserves are discretionary not mandatory. The council discloses a full breakdown of the council's Earmarked Reserves as at the Balance Sheet date in the Notes to the Core Statements.

Exceptional / Extraordinary Items and Prior Period Adjustments

Where applicable and relevant exceptional items and extraordinary items are disclosed in the income and expenditure account with full supporting notes.

The majority of prior period adjustments arise from corrections and adjustments and are accounted for in the year they are identified. Material adjustments applicable to prior years arising from changes in accounting policy or correction of fundamental errors are accounted for by restating comparative figures for the preceding year in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect.

Financial Instruments

The council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The amortised cost is derived by taking the amount of the instrument at its inception, deducting the value of cash repayments made in year and adding on the interest charged / credited to the Comprehensive Income and Expenditure account. However, the Code requires that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

Premiums paid on the early settlement of debt are also classified as Financial Instruments. Regulations allow such premiums to be charged to general fund balances over the number of years equal to that which was remaining on the original loan, or to charge such premiums over a shorter time frame if desired. The council's policy is to spread the premium over the term that was remaining on the original loan which gave rise to the premium. The council provides further information on its Financial Instruments in the Notes to the Core Statements.

Government and Non-Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised immediately as income in the Comprehensive Income and Expenditure Statement. They are shown in the accounting statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution is to be received. Revenue grants are matched in service revenue accounts with service expenditure to which they relate.

Grants and contributions whose conditions have not yet been met are credited to Capital Grants Received in Advance account and released to the Comprehensive Income and Expenditure Account

when the conditions have been met. Grants to cover general expenditure Revenue Support Grant (RSG) are credited to the foot of the Income & Expenditure account after net operating expenditure.

Intangible Assets

These are assets that do not have a physical form but which are identifiable and provide the council with rights to future economic benefits. The council carries just one type of intangible asset on its balance sheet, being the purchase of software licences. The policy is to amortise cost of the asset to revenue over its economic life, to reflect the pattern of consumption or benefits.

Leases

A lease is defined as an agreement for the use of an agreed period of time in return for a series of payments. Leases can be classed as either finance leases or operating leases and leases are classified as into these categories based on the extent to which risks and rewards incidental to ownership of an asset transfer with the lease.

Finance Leases

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to the use of the asset regardless of whether legal title has transferred to the lessee. Where the council has leased in assets under finance leases the asset is included on the balance sheet and a corresponding liability is created for the future lease payments. With finance lease payments a portion of the rental is regarded as interest on the agreement and the remainder writes down the creditor balance as an effective repayment of principal.

Assets held under finance leases are valued and depreciated under the council's accounting policies. They are valued and depreciated for a period of the length of the lease or the life of the asset, which ever is shorter.

Operating Leases

All other leases are classed as operating leases. These allow the council to have the use, but not the effective ownership of assets over the term of the lease. Rentals payable under the operating leases are charged directly to the relevant service revenue account on a straight-line basis over the term of the lease.

Minimum Revenue Provision

Statute requires the authority to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP). Under capital accounting arrangements, the council's services are charged depreciation to reflect the consumption of capital assets used. The depreciation charge is treated as the council's revenue provision and any variation from the statutory minimum is transferred between the capital adjustment account and the income and expenditure account.

The MRP is calculated in accordance with the 2009/10 MRP Policy Statement agreed by Council on 3rd March 2009 and CLG Guidance on MRP. The Council's Policy is to:

- Continue to charge 4% on capital expenditure incurred before 1st April 2008 and on future supported capital expenditure (Option 1 of Government guidance)
- Capital expenditure incurred on or after 1st April 2008 and funded by prudential borrowing will be repaid based on the useful asset life of the asset using equal annual instalments (Option 3 of Government guidance)

For PFI the council's policy is to charge MRP equal to the difference between lease payments and the finance charge.

A breakdown of MRP charged for the year is disclosed in Notes to the Core statements.

Non-Current Assets

Tangible non-current assets are assets that have physical substance and held for use in the provision of services or for administration purposes on a continuing basis.

Recognition

Tangible non-current assets are measured initially at cost comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. However, any expenditure on an asset that is under £50,000 is considered non-enhancing and is treated as revenue expenditure.

Valuation

Tangible non-current assets are then valued and included in the balance sheet on the basis recommended in the CIPFA Code of Practice and in accordance with the statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS):

- Operational land and buildings - are included in the balance sheet at existing use value or, if specialised properties, at depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis these include schools.
- Non-operational land and buildings - on the basis of open market value;
- Infrastructure and community assets (including street lighting PFI) - are included at depreciated historic cost;
- Council dwellings are valued at existing use for social housing purposes.
- Vehicles, Plant and Equipment are valued at historical cost less depreciation as an approximation to current value.
- Investment Property is property (land or building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Asset held for Sale include all property that the council is trying to sell and are actively being marketed.

The freehold and leasehold properties that comprise the council's property portfolio are subject to a 5 year rolling programme of revaluation, although Top 10 properties, all schools and all DRC's are valued every year, which is 80% of the council's portfolio. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Infrastructure and community assets are recognised in the Balance Sheet as the expenditure is incurred. Other operational assets are recognised from the date they become operational and until that time, they are included as assets under construction under the non-operational heading and valued at cost.

Componentisation

Under the new IFRS Code for 2010/11, each asset owned or leased by the council is divided up into significant component parts. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life.

Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge.

Any component parts of an asset are de-recognised when the component is replaced, even if the original component had not been recognised separately for depreciation purposes. If it is not practical to determine the carrying amount of the replaced components, the cost of the new component is indexed back and then adjusted for depreciation. This is used as a reasonable proxy.

Assets less than £50k will not be considered for componentisation (on the basis of materiality). Assets will only have componentisation applied from 1st April 2010 when they have been revalued, enhanced

or acquired. Until one of these events has occurred an asset will not need to be componentised. Componentisation affects all assets recognised under IAS16, IAS17 and IFRIC12.

Depreciation

In accordance with IAS16 (Property, Plant and Equipment), all tangible fixed assets other than land and non-operational buildings are depreciated on a straight-line basis over their estimated useful lives. The Housing Revenue Account is charged an amount equivalent to the depreciation on Council Dwellings by way of a Major Repairs Allowance. Other Housing properties are depreciated in the normal manner. The Income and Expenditure Account, therefore, fully reflects the use of assets and the consumption of their economic benefits in the provision of services. Charges for depreciation are included as a charge to services.

Impairment

Impairment can be defined as the unexpected or sudden reduction in quality or value of an asset. It can be caused by consumption of economic benefits or by a general fall in prices.

Examples of impairment are:

- A significant decline in a fixed asset's market value during the period;
- Evidence of obsolescence or physical damage to the fixed asset;
- A significant adverse change in the statutory or other regulatory environment in which the authority operates;
- A commitment by the authority to undertake a significant reorganisation.

In accordance with IAS 36 Impairment of Fixed Assets, impairment reviews are carried out at the end of each financial year to determine if there is any indication that assets may have become impaired. The authority accounts for it by:

- charging the loss as additional depreciation to the relevant service revenue account where the loss is due to the consumption of economic benefits e.g. physical damage or obsolescence, or
- Writing off the loss against any gains attributable to the asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

The council's policy is that where an impairment loss is charged to the Income and Expenditure Account and there are accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

Where an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). However, in accordance with statutory financing arrangements, the written off value of disposals is appropriated to the Capital Adjustment Account and the receipts appropriated to the Usable Capital receipts Reserve within the Statement of Movement on the General Fund Balance.

Post Balance Sheet Events

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- Those that is indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

Post Employment Benefits and Short Term Benefits

Under financial reporting standard IAS19 the council is required to account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. In line with the requirements of the SORP the council's actuary uses the AA corporate bond rate to calculate future liabilities, specifically using the yield on the over 15 year IBOXX AA rated corporate bond index.

Pension reserve

The pension reserve is the financial accounting mechanism to ensure that IAS19 has no impact on council tax; this is where the actuarial gains / losses are charged. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

Where the payments made for the year do not match the change in the council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is removed by an appropriation to or from the pension's reserve, which equals the net change in the pension's liability recognised in the Income and Expenditure Account.

Classification of schemes

The council participates in two different pension schemes. The first is for teachers, a scheme administered by the Department for Children Schools and Families (DCSF). The second is the Local Government Pension Scheme (LGPS) for non-teaching staff and which provides its members with a defined pension related to their pay and length of service. Under IAS19, pension schemes are classified into two categories: Defined Benefit Schemes and Defined Contribution Schemes. The LGPS is classified as a Defined Benefit Scheme. The teachers' scheme of the DCSF, although a defined benefit scheme, is treated as defined contribution scheme because it does not allow the allocation of its liabilities and assets consistently and reliably to participant authorities.

Defined benefit schemes

The attributable assets of the scheme are measured at fair value and include current assets and investments. The attributable liabilities are measured on an actuarial basis using the projected unit method. Scheme liabilities are discounted at the AA corporate bond rate. The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The change in the defined benefit asset or liability is shown in the income and expenditure account and analysed into the following components, current service costs, interest cost, expected return on assets and actuarial gains and losses, and past service costs and gains and losses on settlements and curtailments.

Defined contribution schemes

The teacher's scheme, whilst being a defined benefit scheme is treated as a defined contribution scheme as explained above. This means that the pension costs reported for any year is equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

Holiday pay accrual

Under IAS 19 an accrual is recognised for short term compensated absences, such as annual leave and other leave benefits rolled over to the following financial year. To avoid impacting on general fund balances, an unusable employee benefit reserve has been created on the Balance Sheet to implement section 8 of Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2010.

The basis used to estimate the accrual is three fold:

- Employees that work 'Term Time Only' (TTO), mainly teachers – a percentage based on how many holidays fall in the financial year is applied to annual salary, employer's national insurance contribution and employer's pension contribution.
- Non-teaching staff leave – holiday remaining at year end (to a maximum of 5 days, as per council's policy) is applied to annual salary, employer's national insurance contribution and employer's pension contribution.
- Non-teaching staff eligible for flexi contract – worst case scenario (+10hrs) will be assumed for all staff eligible for flexi contract and applied to their annual salary, employer's national insurance and employer's pension contribution.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services are passed to the PFI contractor. Payments made by the council under a contract are generally called a unitary charge and are charged to revenue to reflect the value of services received in each financial year. The council has one PFI contract for the maintenance of street lighting in the borough. IFRIC 12 *Service Concession Arrangements* requires the assets used in this contract to be recognised on Balance Sheet.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of services received during the year - debited to the relevant service in the income and expenditure account;
- Finance cost - an interest charge on the outstanding balance sheet liability;
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income & Expenditure Account;
- Payments towards liability - applied to write down the balance sheet liability towards PFI operator;
- Lifecycle replacement costs - recognised as fixed assets on the balance sheet.

The PFI street lighting scheme comes on to the Balance Sheet as at 1 April 2008 and the change in accounting arrangements are complex. The following adjustments have been made:

- the assets used in the PFI scheme have been recognised on the balance sheet, based on their fair value at the time they became available for use,
- a finance lease liability has been recognised for the operator, written down to the amount outstanding at 1 April 2008
- variations to the contract have been accounted for as at the date that the variations became effective.

Provisions & Reserves

Provisions are amounts charged to revenue to cover expenditure that has not been incurred but where there is an obligation and where the cost and timing of the expenditure is not yet known. Making a provision is mandatory not discretionary. Until such time as a corresponding payment is made to discharge the obligation, Provisions are carried on the Balance Sheet as a liability split between short term (due within next 12 months) and long term. When expenditure to which the provision relates is incurred, it is charged against the provision, reducing the liability amount carried on the Balance Sheet.

Provisions may also be created where there is some uncertainty over the council's entitlement to receive income. This may arise in connection with changes in the eligibility criteria of central government grant programmes or as a result of the interpretation of new legislation.

There is a specific Provision for Insurance which reflects the council's liability for events that have occurred as at the balance sheet date but where the timing of the payment is dependent upon the settlement process. The Council's policy is to base the Insurance Provision on a valuation by an Independent Actuary.

The council also sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for trading accounts & retirement benefits. All Provisions are subject to approval by the Chief Finance Officer. A full breakdown of the council's Provisions as at Balance Sheet date is disclosed in Notes to the Core Statements.

Redemption of debt

The Chief Finance Officer's treasury management section borrows money and manages such borrowings, both long and short term, on behalf of the council. The need for these is reviewed regularly by projecting planned revenue and capital income and expenditure. Debt redemption is considered when the council has the capacity to do so and where it would be financially beneficial, giving due regard to financial standing, liquidity and credit risk. Premiums levied by lenders for early debt redemption are subject to a modification test prescribed in the SORP. This determines whether the premium is added to the carrying value of any replacement loan and amortised to revenue over the life of the replacement loan or if it is charged in full to the income and expenditure account in the year in which it is incurred.

Redundancies

Due to their potential to distort in year Service Expenditure the council can apply for permission from Central Government from available capital resources. Where permission is granted, an adjustment is made through the Statement of Movement on General fund so that the cost of redundancies does not impact on General Fund balances, where it is not then the relevant service accounts incur the cost.

Revenue Expenditure Funded from Capital under Statute

Sometimes the council will incur expenditure which, whilst it provides benefit to the authority for more than a year, does not result in the creation or enhancement of an asset owned or controlled by the council. Examples include Home Improvement Grants and expenditure on Voluntary Aided School land & buildings. Such expenditure is charged to the relevant service area within the Income & Expenditure Account. However statutory regulations allow such expenditure to be funded from available capital resources. Therefore a technical accounting adjustment is made which results in the charges to the Income & Expenditure Account not impacting on General Fund balances and which reduces the level of Capital Reserves held by the council.

Segmental Reporting

The move to IFRS requires information to be presented on reportable segments within the notes. Reportable segments are based on LBB's internal management reporting, i.e. directorates.

A reconciliation between the segment reporting analysis and the net cost of services in the Comprehensive Income and Expenditure Statement is also presented.

Significant Management Judgement in Applying Accounting Policies and Estimation Uncertainty

The only significant estimations in the accounts relate to:

Bad debt

Bad debt is the extent to which an original amount of money owed to the council is impaired (no longer recoverable). The council's policy for estimating the provision required for bad debt is to firstly consider any specific debts which are regarded as being individually significant, e.g. bankruptcy of a company that owes a significant amount of money to the council. The remaining debt is then divided into the following groups:

- Tenants
- Council Tax
- Business Rates
- Other Local Authorities
- Sundry (trade) Receivables

Each group has particular characteristics with regards to the debtor's propensity to pay the amount due. An assessment of impairment of debt for each group is then undertaken at the balance sheet

date, based on historical loss experience but adjusted to reflect the current economical climate. The provision for bad debt is then estimated on this basis and the amount is reflected in the balance sheet carrying figure for Receivables.

Useful lives of depreciable assets

Estimated useful lives are reviewed as part of the asset revaluation exercises or where, in the interim, there has been an enhancement to an asset that has extended its useful operational life.

Asset Category	Maximum Years Estimated Useful Life
Land & Building	50
Community Assets	50
Infrastructure	15
Vehicles, Plant & Equipment	20
Intangibles	15
PFI street lights	25

Fair value of financial instruments

The council's financial instruments are carried on the balance sheet at amortised cost. However, the Code requires that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

Other

- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the Care Provider have not been received until after the end of the financial year.
- Pension Fund - estimates are made based on the triennial review which was undertaken in 2010.
- Property valuations - some estimates are made based on market forces.
- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2010/11.

Stocks and work in progress

Stocks and stores are included in the accounts at the lower of cost or net realisable value. Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

Value Added Tax (VAT)

Income & expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

AGENDA ITEM: 15

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Meeting	Audit Committee
Date	7 December 2010
Subject	Annual Audit Letter 2009/10
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of the Annual Audit Letter for 2009/10.

Officer Contributors	Maria G. Christofi, Assistant Director Financial Services, Finance Directorate Anisa Darr, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Annual Audit Letter 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: Anisa Darr, Finance Manager (020 8359 7106).

1. RECOMMENDATIONS

- 1.1 That the External Auditors Annual Audit Letter for 2009/10 be accepted as a reasonable statement on the Council's position in respect to financial standing, and financial and performance management arrangements.**
- 1.2 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Annual Audit Letter addresses fundamental aspects of financial standing and performance management in Barnet, which relate to the council's 'Better Services with less money' corporate priority.

4. RISK MANAGEMENT ISSUES

- 4.1 The Annual Audit Letter has many positive things to say about the Council, but also highlights areas of weakness that must be addressed over the coming year. Failure to do so carries the risk of adverse financial and / or reputational consequences.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Annual Audit Letter covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.
- 5.2 Action planning around the key areas of Council activity highlighted in paragraph 1.15 of Appendix A will need to include a specific assessment of how the proposed course of action will comply with equalities legislation and not adversely affect specific groups covered in the legislation.

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

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

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The purpose of the Annual Audit Letter is to summarise the key issues identified by the council’s External Auditor, Grant Thornton UK LLP, during their audit and inspection activity. The letter is designed to communicate key messages to the Council and external stakeholders, including members of the public.
- 9.2 The External Auditor is expected to attend the Committee meeting to introduce their report and respond to questions. This covering report extracts the key messages from within the Annual Audit Letter 2009/10, which is attached to this report in Appendix A.
- 9.3 The following is drawn to the attention of this Committee:
- 9.3.1 The Statement of Accounts for 2009/10 have been issued an unqualified opinion on 29 September 2010, ahead of the statutory certificate deadline. The External Auditor’s opinion confirmed that the accounts give a true and fair view of the Council’s financial affairs at 31 March 2010 and of its income and expenditure for the year.
- 9.3.2 The annual value for money (VfM) conclusion was issued on 29th September 2010 and concluded that for 2009/10 the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.
- 9.3.3 Grant Thornton’s VfM work highlighted that managing finances continues to be a strength area for the Council and there have been improvements in areas of the Council’s activity particularly around commissioning and procurement, with clear outcomes apparent within Adult Social Services. Grant Thornton have also highlighted a number of areas for improvement and agreed an action plan with management to implement the associated recommendations.
- 9.3.4 Work to date on compliance with International Financial Reporting Standards (IFRS) confirms that the Council’s IFRS implementation plan remains on track with the Council further advanced in many areas than many of its peers.
- 9.3.5 The Council will need to consider the services it delivers and how it delivers them and where savings and changes can be made whilst minimising the impact on standards of service delivery.
- 9.3.6 Improvements to the Council’s risk management arrangements were implemented during 2009/10. Grant Thornton’s review of risk management in

partnerships identified further scope to ensure partner organisations were suitably focused on the benefits of effective risk management.

9.3.7 The Council should ensure a continued focus on the production of its first set of IFRS compliant accounts in 2010/11 including ensuring that it mitigates against potential risks of the implementation project going off track and that detailed aspects of accounting under IFRS, including property, plant and equipment, are fully worked through.

9.3.8 Certification programme for grant claims and returns for 2009/10 is still in progress. Once this work is completed Grant Thornton will report in full on the findings of their work.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

CFO: MC

London Borough of Barnet

Annual Audit Letter 2009/10

18 November 2010

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1 Introduction and Key Messages

Purpose of this Letter

- 1.1 This Annual Audit Letter (Letter) summarises the key issues arising from the work that we have carried out at the London Borough of Barnet (the Council) during our 2009/10 audit. The Letter is designed to communicate our key messages to the Council and external stakeholders, including members of the public. The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Responsibilities of the external auditors and the Council

- 1.2 This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).
- 1.3 We have been appointed as the Council's independent external auditor by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.
- 1.4 Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks, when reaching our Code conclusions.
- 1.5 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

What this Letter covers

- 1.6 This Letter covers our 2009/10 Code audit, including key messages and conclusions from our work on:
 - auditing the 2009/10 year end accounts (Section 2)
 - the accuracy of grant claims and returns to various government departments and other agencies (Section 2)
 - assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (Section 3).
- 1.7 list of all the reports issued during the year is provided at Appendix A, whilst Appendix B sets out our actual and budgeted fees for 2009/10.

The Economy

- 1.8 In the current financial climate, the Government's most urgent priority is to reduce the deficit whilst ensuring the economic recovery continues. Savings of over £6 billion are planned from Government spending during this financial year, including some £1.1 billion in reduced grants to local government. At the same time, the Government aims to reduce top-down government and devolve power and greater financial autonomy to local authorities by a range of measures including:
- abolishing Comprehensive Area Assessment
 - reducing ring-fenced central government grants
 - abolishing LAA performance targets
 - undertaking a full review of local government finance.
- 1.9 The October Spending Review (SR) will have a significant impact on the Council, its plans and its finances. The SR announced a 28% cut in DCLG grants, estimated job losses within the public sector at 490,000 and £7bn of savings are required to be made to the welfare budget, mainly through benefit cuts. Cuts are being top-loaded with the greatest reductions being required in the first year of the SR period. The June Budget announced the Government's intention to work with local authorities to freeze council tax in England in 2011-12. The SR announced that local authorities who freeze their council tax in 2011-12 and keep their bills flat for the next four financial years will have the resultant loss to their tax base funded at a rate of 2.5% in each year of the Spending Review period.
- 1.10 The issues highlighted in this Annual Audit Letter should be understood within the context of the significant changes to government policy and the reduction in financial resources outlined above. For example, the Council is having to plan for the ongoing increase in demand for social care and the need to deliver a further £6.9m of savings over and above those identified when the 2010/11 budget was agreed in March 2010.

Key messages

Accounts Audit

- 1.11 We issued an unqualified opinion on the Council's 2009/10 accounts on 29 September 2010, ahead of the statutory certification deadline. Our opinion confirmed that the accounts give a true and fair view of Council's financial affairs at 31 March 2010 and of its income and expenditure for the year. The audit process has generally been satisfactory, although there have been a number of proposed audit adjustments as in previous years. This has affected fixed asset accounting in particular following the implementation of new asset accounting systems. Further detail on our accounts audit work is detailed in section 2.

Value for Money Conclusion

- 1.12 We issued our annual Value for Money (VFM) conclusion on 29 September 2010. We concluded that, for 2009/10, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

1.13 Our work highlighted that managing finances continues to be a strength area for the Council and there has been improvements in areas of the Council's activity particularly around commissioning and procurement, with clear outcomes apparent within Adult Social Services. We also highlighted a number of areas for improvement and agreed an action plan with management to implement the associated recommendations. To inform our conclusion we also undertook a number of targeted projects, the key messages arising from these are detailed in section 3.

International Financial Reporting Standards

1.14 From 2010/11 the Council is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). Our work to date on this area confirms that, the Council's IFRS implementation plan remains on track with the Council further advanced in many areas than many of its peers. However, the preparation and review of the 2009/10 IFRS restated accounts represents the first major test and the Council must build on its good work to date.

Key areas for Council action

1.15 We have set out below the key areas of focus for the Council, relevant to our audit responsibilities, during 2010/11:

- In addition to the savings required to balance the 2010/11 budget, the Council needs to manage a budget gap of around £38m over the period 2011/2014. Achieving this will be a major challenge and the strength of the Council's strategic financial planning arrangements and the deliverability of its cost efficiency plans will be critical. The Council will need to consider the services it delivers and how it delivers them and where savings and changes can be made whilst minimising the impact on the standard of service delivery.
- A partnership mapping exercise was undertaken in 2008/09 to identify the quality of governance arrangements. This was reviewed by internal audit and limited assurance was given. Having effective risk management arrangements in respect of its partnerships will be increasingly critical to the Council, as it develops options for sustainable service development with the third sector or private companies over the next few years.
- The Council should ensure a continued focus on the production of its first set of IFRS compliant accounts in 2010/11. This will include the Audit Committee ensuring that the Council mitigates against potential risks of the implementation project going off track and that detailed aspects of accounting under IFRS, including property, plant and equipment, are fully worked through.

1.16 Further details on these key messages can be found in sections 2 and 3 of this Letter.

2 Audit of Accounts

Introduction

- 2.1 We issued an unqualified opinion on the Council's 2009/10 accounts on 29 September 2010, ahead of the statutory certification deadline. Our opinion confirms that the accounts give a true and fair view of Council's financial affairs at 31 March 2010 and of its income and expenditure for the year.
- 2.2 Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to those charged with governance (defined as the Audit Committee at the Council). We presented our Annual Report to those Charged with Governance to the Audit Committee on 21 September and summarise only the key messages in this Letter.

Audit of the accounts

- 2.3 The Council produced an initial set of draft 2009/10 accounts on 7 June 2010 (prior to submission of full draft accounts on 18 June). This was significantly ahead of the statutory deadline of 30 June and enabled an initial technical review of the accounts to take place and be fed back, prior to production and approval of the formal draft accounts. This enabled audit work to begin early and was useful for the Council in obtaining timely feedback on its accounts.
- 2.4 Closedown was well managed by the Council and there is clear corporate commitment to producing timely final accounts. The audit process has generally been satisfactory, although there have been a number of proposed adjustments as in previous years, particularly affecting fixed asset accounting.
- 2.5 The key messages arising from our accounts audit are:
 - the Council managed an effective closedown process resulting in early production of the accounts for audit
 - the Council continues to improve in valuing and accounting for its fixed assets although our audit findings suggest that there is scope for further development, particularly in light of the requirements under International Financial Reporting Standards (IFRS) applicable from 2010/11.

Financial performance

- 2.6 The current economic climate has placed significant pressure on the public sector and local government in particular, to generate efficiencies and operate within reduced resources. The Council performed well by delivering against its budget of £238.5m in 2009/10. This performance can be attributed to the Council maintaining a robust budgetary control system and early identification of cost pressures. Maintaining and building on these strong arrangements will be critical for the Council in the months and years ahead.

- 2.7 So far in 2010/11 the Council is managing its immediate financial pressures in a similar way to previous years and is reporting a similar level of projected overspend at quarter 2 (£3.4m) as has been the case in previous years. However, there are certain service areas that are a cause for concern including parking income and children's services.
- 2.8 The Council will need to continue to work hard to deliver the anticipated significant financial challenge ahead.
- 2.9 As part of the 2010/11 audit we will be reviewing the resilience of the Council's Medium Term Financial Strategy including a detailed review of the assumptions made within it and the reasonableness of associated savings plans. This is in line with the new approach to local Value for Money audit work introduced by the Audit Commission.

Financial systems

- 2.10 We undertake sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that presented a material risk to the accuracy of the financial statements.
- 2.11 We reviewed the work of internal audit and concluded that the scope and conduct of internal audit work was appropriate to support our work in auditing the Council's 2009/10 accounts. We also performed a high level review of the general IT control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that would adversely impact our audit of the accounts.

Annual Governance Statement

- 2.12 We examined the Council's arrangements and process for compiling the Annual Governance Statement (AGS). In addition, we read the AGS and considered whether the statement was in accordance with our knowledge of the Council. Following discussions with the Council, which resulted in some minor modifications to the AGS, our work confirmed that the AGS was consistent with our knowledge of the Council

International Financial Reporting Standards

- 2.13 The Council is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS) from 2010/11. The Council has a clear project plan in place for the IFRS transition and it has already engaged effectively in taking forward planning for accounting under IFRS.
- 2.14 Our work confirms that for the Council, the overall project plan remains on track. Key dates for preparing the opening balance sheet and restating the 2009/10 accounts and skeleton IFRS compliant statements are expected to be achieved. Our view is that the Council has placed a good focus on IFRS and is further ahead than other councils in many areas, but that the preparation and review of the 2009/10 restated accounts represents the first major test.

- 2.15 We will continue to review progress as part of our planned programme of work for 2010/11.

Grant Claims and Returns

- 2.16 Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2008/9 certification work we concluded that there was scope for improvement in aspects of the Council's arrangements.
- 2.17 We are currently in the process of certifying the 2009/10 grant claims and returns. Once this work is completed we will report in full on the findings of our work.

3 Value for Money

Introduction

- 3.1 We issued our annual Value for Money (VFM) conclusion on 29 September 2010, at the same time as our accounts opinion, and ahead of the required deadline. We concluded that, for 2009/10, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.
- 3.2 Prior to giving our VFM conclusion, we set out the basis of this conclusion and the results of our assessment against the use of resources framework, in our report presented to the Audit Committee on 7 December. In this Letter, we summarise the key messages from this work alongside relevant findings.

2009/10 VFM conclusion and UoR assessment

- 3.3 The Audit Commission's Code of Audit Practice requires us to assess whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (UoR). In discharging this responsibility, we are required to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements.
- 3.4 Our 2010 Value for Money conclusion has been informed by work carried out on Use of Resources up until the abolition of Comprehensive Area Assessment, and other local risk based work carried out in accordance with our 2009/10 Audit Plan.
- 3.5 Key highlights within the Council's arrangements are that:
- Financial management continues to be a strength area for the Council.
 - The Council's arrangements for commissioning and procurement have improved, with clear outcomes apparent within Adult Social Services.
 - There are good processes in place for managing the asset base although there is room for improvement in evidencing outcomes.
- 3.6 The main areas where further development is required by the Council are that:
- The Council needs to demonstrate that it has a Council wide understanding, at a service level, of the links between costs and performance and achievement of value for money.
 - As part of the One Barnet programme the Council should develop sound contract monitoring arrangements with third party providers.
 - The Council should follow a systematic approach to options appraisals, which includes being specific about the expected benefits and outcomes and their measurement.

- The Council's Risk Management Strategy should be revised to include tolerance levels to assist officers in making important decisions, particularly around One Barnet.
- The Capital Assets Property Management Strategy (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme.
- Once the Council has robust fit-for-purpose data for its workforce it should develop a workforce strategy which links in with how One Barnet is to be delivered.
- There should be a focus on equipping senior managers with the necessary change management skills to ensure that One Barnet is successful.

Local risk based VFM reviews

3.7 To support our assessment of the Council's VFM arrangements we completed two specific pieces of work:

1) **Review of the Effectiveness of Internal Audit** - we carried out a review of Internal Audit to enhance our understanding of the effectiveness and capability of the service and to feed into planned service improvements. In doing so we compared the arrangements in place to our assessment of effectiveness and to best practice to identify recommendations for improvement. We concluded that the service provided an adequate level of assurance to those charged with governance that significant business risks are being appropriately managed. However we identified a number of opportunities to improve the effectiveness of internal audit which the Council is in the process in 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.

2) **Review of the Governance Arrangements of the One Barnet Programme** - the primary purpose of this review was to identify any gaps between the Council's governance arrangements for the programme and best practice. Given the current economic climate and the financial challenges ahead, an innovative approach to service delivery needs to be encouraged. We concluded that the overall arrangements for the programme are adequate in a VFM context but made a number of recommendations which were designed to strengthen the Council's programme governance, project management and risk management arrangements.

3.8 On the basis of the work completed under the Use of Resources framework we issued an unqualified Value for Money conclusion.

Approach to local value for money audit work from 2010/11

3.9 The Audit Commission has reviewed its work programme for 2010/11 onwards given the scale of the pressures facing public bodies in the current economic climate. As part of this exercise, the Commission has been discussing possible options for a new approach to local value for money audit work with key national stakeholders.

- 3.10 From 2010/11 we will apply a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:
- securing financial resilience
 - prioritising resources within tighter budgets.
- 3.11 We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in the annual audit letter.

4 Closing Remarks

- 4.1 This Letter was discussed and agreed with the Deputy Chief Executive Finance and his team and presented to the Audit Committee on 7 December 2010.
- 4.2 We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit.

Grant Thornton UK LLP
18 November 2010

A Reports issued

Report	Date Issued
Audit Plan	March 2010
Accounts Audit Approach Memorandum	June 2010
Review of the Effectiveness of Internal Audit	June 2010
Review of One Barnet Programme	September 2010
Annual Report to those Charged with Governance	September 2010
Value for Money Report	November 2010
Annual Audit Letter	November 2010
Grant Report	December 2010

B Audit and other Fees

Audit Area	Budget 2009/10 £	Actual 2009/10 £
Financial statements	170,000	170,000
VFM conclusion / Use of resources	245,000	245,000
Total Code of Practice fee	415,000	415,000
Certification of grant claims and returns*	85,000	TBC

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



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