

MEETING

AUDIT COMMITTEE

DATE AND TIME

THURSDAY 17 FEBRUARY 2011

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 Brian Schama

Councillors:

Alex Brodkin	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 – Democratic Services Manager**

Democratic Services contact: Chidilim Agada 020 8359 2037

Media Relations contact: Sue Cocker 020 8359 7039

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.	Internal Audit Strategy	1 – 8
7.	Audit Recommendations – 2009/10	9 – 58
8.	Audit Plan 2010/11	59 – 81
9.	Grants Report 2009/10	82 – 102
10.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT 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.	
X1.	ANY EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-

FACILITIES FOR PEOPLE WITH DISABILITIES

Hendon Town Hall has access for wheelchair users including lifts and toilets. If you wish to let us know in advance that you will be attending the meeting, please telephone Chidilim Agada on 020 8359 2037. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

FIRE/EMERGENCY EVACUATION PROCEDURE

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by Committee staff or by uniformed porters. It is vital you follow their instructions.

You should proceed calmly; do not run and do not use the lifts.

Do not stop to collect personal belongings.

Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions.

Do not re-enter the building until told to do so.

AGENDA ITEM: 6

Page nos. 1 - 8

Meeting	Audit Committee
Date	17 February 2011
Subject	Internal Audit Strategy
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 Strategy
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 consider and comment upon the Internal Audit Strategy for the year beginning April 2011 to March 2012.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the Audit Committee meeting on 19 December 2009 (decision 10) members accepted the Internal Audit Strategy for 1st April 2010 to 31 March 2010. The strategy contained within Appendix A is the revised strategy for 2011-12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 As the Strategy states internal audit will support the Council in its achievement of the Corporate Plan and its resultant corporate priorities. As such our strategy will continue to monitor progress against:
- Better services with less money
 - Sharing opportunities, sharing responsibilities
 - A successful London suburb

4. RISK MANAGEMENT ISSUES

- 4.1 Internal Audit works in accordance with the Standards promoted by the Chartered Institute of Public Finance and Accountancy (CIPFA). Standard 7 states that “the Head of Internal Audit must produce an audit Strategy”. This Strategy should be a statement of how the service will be delivered and how it links to the Authority’s objectives and priorities.
- 4.2 Without an approved strategy, Internal Audit activity may not be sufficiently focused on the appropriate organisational objectives and therefore be less effective, leading to poor perception and poor value for money.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle that services provided to the whole community represent value for money in terms of quality, efficiency and effectiveness. This supports the Council’s obligations in meeting its public duties under equalities legislation. By undertaking the IA Strategy we consider how the Council’s services offer value for money, being mindful of how these services promote equality of opportunity.

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

- 6.1 Articulating the objectives of the Internal Audit service will direct resources appropriately as such this will ensure the service further improves its demonstration of value for money.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9 BACKGROUND INFORMATION

9.1 This strategy provides a revision of the Internal Audit Strategy from the previous financial year. Also, during 2010-11 CIPFA released its Statement on the role of the head of internal audit which considered some good practice that has been reflected in the revised strategy. Although this statement does not have the status of the CIPFA Code it is still relevant for benchmarking the current internal audit service.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MAM

Finance:

London Borough of Barnet

Internal Audit Strategy 2011-12

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

1. Introduction

This document sets out the strategy for Internal Audit for the year starting April 2011 until March 2012. It demonstrates how Internal Audit supports the Council in achieving its overall aims and objectives whilst maintaining the professional standards that local authority internal auditors must achieve.

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

In addition, CIPFA produced the statement titled ‘the role of the head of internal audit’ which has been reviewed and incorporated within this strategy.

2. Role and Purpose of Internal Audit and the Head of Internal Audit

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

Internal audit activity acts as agent for change by assisting the Council’s managers in the effective achievement of the Council’s objectives by reviewing risk management, offering advice on best practice and recommending improvements in control to help reduce the risk of loss, error, fraud or abuse. This is achieved through objective challenge and support from the Assistant Director of Finance – Audit and Risk Management, whose role it will be to act as a catalyst for positive change and continual improvement in governance in all respects.

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

3. Internal Audit Strategic Objectives

No.	Objective	To achieve this the Internal Service will:
1.	Internal Audit will support the Council in its achievement of the Corporate Plan and resultant corporate objectives.	Direct resources to those areas within the Council that are considered high risk. This will be achieved through agreement and delivery of the Annual Audit Plan. Internal Audit will then provide the Audit Committee, Chief Executive and Directors with progress reports throughout the year against this plan. Risk Management arrangements will be reviewed to ensure they are fit for purpose and can be relied upon by internal audit. At the last review in 2010 these were assessed as level 2 maturity.
2.	Internal Audit will support the Council in its production of its Annual Governance Statement.	Provide in the Annual Report of Internal Audit an opinion on how the management's risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council, based on the internal audits carried out during the year.
3.	Internal Audit will support the discharge of the statutory functions of the Chief Finance Officer in relation to "making proper arrangements of the financial affairs of the Council".	Ensure that the Council's fundamental financial systems are routinely reviewed as part of the Annual Audit Planning process.
4.	Internal Audit will ensure that a positive culture of internal control improvement and effective risk management takes place.	Follow-up those areas within audit reports which represent fundamental weaknesses to agreed implementation dates. Such work will be scheduled at the time of issuing the final agreed audit report.

No.	Objective	To achieve this the Internal Service will:
5.	Internal Audit will ensure that efforts are not duplicated on coverage of key corporate and directorate risks. In addition, the quality of individual audits are such that external audit can place suitable reliance on their content.	Undertake quarterly meetings with external audit to understand their expectations and requirements. Seek endorsement of the Annual Internal Audit Plan. Include rigorous review and quality assurance procedures carried out via outsourced arrangements.
6.	Ensure that good governance is in place within the Council.	Ensure that the Assistant Director of Finance, Audit and Risk Management, promotes best practice in the various forums where her advice and guidance is sought, for example at the Risk and Fraud forum.
7.	Ensure that Statutory Officers receive regular reports on the assurance framework and are aware of any weaknesses in the control environment.	Ensure attendance of the Assistant Director of Finance, Audit and Risk Management at all monthly Statutory Officer Group meetings and preparation of Assurance Report.
8.	Ensure the service provides value for money.	Ensure that all quarterly progress reports to the Audit Committee include reference to its efficiency and effectiveness.
9.	Ensure the service liaises with other external inspectors and partnership organisations for assurances given through-out the year.	Inclusion of assurances obtained from external bodies within regular assurance reports prepared for the Statutory Officers Group.
10.	Ensures that all audits are carried out based on the principles of integrity, objectivity, competencies and confidentiality. In addition, the audit team shall have the right skills and capabilities to carry out the work.	Ensure all staff members keep up to date with professional qualifications and are subject to regular appraisals. An appropriate training and development plan is to be devised, in line with resources available.

All Internal Audit work will be conducted within the powers and responsibilities assigned to the Assistant Director of Finance – Audit and Risk Management and Internal Audit function through the Council’s financial regulations. Internal Audit has unfettered rights of access to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.

4. Officers and Management Responsibilities with regard to Internal audit work

For internal audit to contribute to the Council’s overall achievement of its objectives, it is essential that officers and management play a full role in the work of internal audit. The expectations are that there is:

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

The responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Those risks identified and recommendations raised should be considered in line with the Council’s current risk management strategy.

AGENDA ITEM: 7

Page nos. 9 - 58

Meeting	Audit Committee
Date	17 February 2011
Subject	Audit Recommendations – 2009/10
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the progress against internal audit recommendations raised during 2009-10 and progress against the external audit report on the One Barnet programme.

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A - Internal Audit Recommendations
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 some cases of non implementation of recommendations. In addition, the Committee is asked to note the progress against the External Audit recommendations from their One Barnet audit, as updated by officers.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None, this paper was prepared at the request of the Chairman.

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 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 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 lists all the priority 1 (high) recommendations raised from the internal audits carried out in 2009-10 and the first two quarters of 2010/11, and notes the progress directorates have made addressing these areas of weakness. Where some recommendations have been part implemented or not implemented a response and revised implementation dates has been agreed with officers. The recommendations where action is still required will continue to be reported to the Audit Committee until the action has implemented.
- 9.2 In addition, the Audit Committee has requested to be updated on the position with the external audit recommendations in regards to the One Barnet review carried out in 2009/10. Progress against these recommendations has been provided by officers in Appendix B.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
Finance: JH/MC

Summary of 2009/10 & 2010/11 Limited or No Assurance Internal Audit Reports (priority 1)

The following is a table of all priority 1 recommendations raised during 2009-10 and the first two quarters of 2010/11. These have been rated as either: red (not implemented), amber (partly implemented) and green (fully implemented). Auditors have assessed the evidence from officers in order to give this update position. All recommendations relating to the audit of schools within the Borough have not been included as all recommendations had been implemented.

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
Treasury Management	<p>Risk: Counter Party Credit Ratings There is a risk of significant financial loss resulting from Council investments with a counterparty which no longer has an acceptable financial rating</p>	<p>Agreed. The report issued each Friday (see above) shows the credit rating of the outstanding deposits. Weekly reports giving the same information from the Independent Investment Advisors are also kept on file.</p>	Treasury Manager	Immediate
	<p>Risk: Recording of Investments Made There is a risk of in appropriate investment if transactions which do not comply with the Treasury Management Strategy are not identified as a result of ineffective segregation of duties and management review of the investments made.</p>	<p>Agreed. The “yellow” cards referred to in the main body of the report have been replaced with the dealing ticket system. These not only give the name of the officer who did the deal but are also counter signed by the Treasury Manager for compliance with the strategy.</p>	Treasury Manager	Immediate

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Management Reporting Systems – Compliance</p> <p>There is a risk of financial loss through the failure to identify non compliance to the Treasury Management Strategy, transactional inefficiencies and process failures in a timely manner.</p>	<p>Action as per Risk 2. No further action to be taken.</p> <p>The Treasury Team do not expect Butlers to check for compliance and to their knowledge never have. Compliance is dealt with in the weekly / monthly quarterly reporting detailed in point 2 above.</p>	<p>Head of Finance – Capital & Treasury</p>	<p>Immediate</p>
<p>Section 106 Payments</p>	<p>Risk: Adoption of Supplementary Planning Documents</p> <p>There is a risk of not optimising S106 income and therefore benefit to the community resulting from uncertainty and confusion for both developers and the Council over the range of obligations and the levels of contributions that would be sought in the absence of adopted SPDs.</p>	<p>The local development scheme is currently being revised and the new scheme for delivery of the LDF will be taken to members in January 2010 to set out:</p> <ul style="list-style-type: none"> - Titles of the Supplementary Planning Documents (SPDs) that will be undertaken and - The timeframe for delivering them. <p>We will know by 1st April 2010 (when CIL regulations are published, but hopefully sometime beforehand) which community needs are to be included under the CIL charging schedule and which under SPDs.</p> <p>In the interim, a guidance note will be produced for planning officers on when negotiating for certain contributions is</p>	<p>Head of Strategy: (Planning & Housing)</p> <p>Head of Strategy: (Planning & Housing)</p> <p>Head of Planning and Development Management</p>	<p><u>Partly Implemented</u></p> <p><u>Further Action agreed:</u></p> <p>-Section 106 guidance to be reviewed.</p> <p>-Development of the Infrastructure, Planning and Growth Officer role.</p> <p><u>Revised Implementation Date:</u></p> <p><u>April 2012 (In line with Mayor's</u></p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		appropriate. This will be supplemented by Service Level Agreements with departments to ensure effective planning consultations.		<u>deadline and Statutory requirements)</u>
	<p>Risk: Policy on Condition Application There is a risk of legal challenge from the use of Conditions on the grounds that it may be unlawful on the part of the Council to require Conditions to be met, particularly where an applicant only submits details of the requirement without a payment and the application refused subsequently.</p>	Advice will be sought from Legal to review and confirm that the process is robust and that a policy position is formally established.	Planning Obligations Officer	<u>Implemented</u>
	<p>Risk: Verification Activated of S106 agreements There is a risk of not maximising income and cash flow to the Council, particularly in the current economic downturn, in the absence of an effective process for verifying activated S106 agreements.</p>	<p>A full appraisal of all development sites listed as currently 'untriggered' or 'requiring a visit' will be completed in December 2009.</p> <p>A review of the roles and responsibilities will undertaken, see risk 5, which will establish and enable more active monitoring at regular intervals.</p>	Planning Obligations Officer	<u>Implemented</u>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Income Collection Risk: Risk: Procedures</p> <p>There is a risk that the Service may not be able to effectively avoid the costs associated with collecting income through unapproved collection methods i.e. invoicing cost, staff costs, arrears management, risk of bad debts, etc in the absence of an agreed policy for collecting s106 contributions.</p> <p>Where efficient income collection processes are not utilised, i.e. through use of SAP, there is a risk that income may not be collected on a timely basis or at all, thus resulting in additional and unnecessary tasks being carried out by Officers.</p> <p>There is a risk of errors, financial loss and possible fraud or misappropriation of income, in the absence of clear separation of duties for the collection, recording and preparing banking of income received by the service.</p>	<p>A full review of s106 income collection procedures will be undertaken and therefore these issues will need to be discussed with the Chief Finance Officer in liaison with legal services to ensure appropriate procedures are established that minimise this risk.</p>	<p>Head of Planning and Development Management</p>	<p><u>Partly Implemented</u></p> <p>Further Action required: -Development of income collection procedures on SAP. -Documenting the reconciliations performed for income collection.</p> <p>Revised Implementation Date:</p> <p>To be decided by Cabinet in March 2011</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Debt Monitoring In the absense of an effective process for manageing (including debt write-offs), analysing and reporting debt there is a risk loss of income and poor cashflow resulting from debts not being paid or not paid on time.</p>	<p>Process and indicators for monitoring debt will be established as part of the meeting with the Chief Finance Officer, see Risk 12.</p> <p>Debt monitoring information will be produced by the Planning Obligations Officer and overview provided by line management.</p>	<p>Infrastructure Planning Manager</p> <p>Planning Obligations Officer</p>	<p><u>Implemented</u></p>
<p>Appointeeship</p>	<p>Risk: Policies & Procedures There is a risk of inefficient, ineffective or non compliant working practices. This may lead to failure to achieve desired outcomes, poor value for money and non compliance with legislation.</p>	<p>Agreed. The service will develop policies and procedures which will cover areas of processes, roles and responsibilities in consultation with other appropriate teams/officers.(Supply Management/Care Management)</p>	<p>Customer Financial Manager</p>	<p>April 2010</p>
	<p>Risk: Assessment of Clients There is a risk that clients may be assessed incorrectly and that the Council may be subject to legal challenge.</p>	<p>Agreed. Customer Financial Manager will liaise with Care Management to confirm how clients are assessed to determine whether they are unable to manage their finances, including the documentation to be retained to evidence this assessment, the timescales/triggers within which to undertake the assessment and the independent management review of the social worker's assessment to verify the accuracy and validity.</p>	<p>Customer Financial Manager</p>	<p>April 2010</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Referrals Where referrals are incomplete, inaccurate or not actioned in a timely manner, there is a risk that clients' safety is compromised (e.g. financial abuse cases) and of the Council failing to demonstrate duty of care and due diligence</p>	<p>Agreed. Service will develop documented referral criteria, which includes who are eligible for appointeeship. Standard referral form has been drafted and will be used by Service for referrals to ensure that only clients who have been assessed as requiring assistance in managing their finances as well as meeting the appointeeship service referral criteria are accepted.</p> <p>The possibility of highlighting residential care service users who become appointeeship clients on SWIFT (or software used by Deputyship Administration Team) will be explored and the use of the spreadsheet maintained by the Appointeeship Administrator will be reviewed as part of this exercise. This will also assist in ensuring that referrals are not missed or not processed in a timely manner.</p> <p>We will reconcile existing clients with those on SAP</p>	Customer Financial Manager	April 2010
	<p>Risk: Accounting Arrangements There is a risk of misstatement of income and expenditure figures and wastage of resources if the management accounting arrangements are not appropriate to the needs of the business.</p>	<p>Agreed. A process will be put in place to reconcile client balances (debtor and creditor accounts) as shown on SAP with bank account balances.</p> <p>The management accounting coding structure (including the need to raise multiple debits for each type of benefit</p>	Customer Financial Manager	May 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		income) will be reviewed to ensure that the correct cost centres and general ledger codes are used such that income and expenditure are not overstated. Any errors will also be picked up by the relevant budget managers.		
	<p>Risk: Client Income There is a risk of inappropriate debt collection and misstatement of income figures if contracts are not raised accurately and in a timely manner. This may ultimately lead to undue hardship on clients and legal challenge.</p>	<p>Agreed. Customer Financial Manager will liaise with the Business Improvement Team to explore the possibility of reconciling SWIFT and SAP to ensure that residential care service users who are appointeeship clients have a corresponding debit representing the client contribution amount raised on SAP. This will also highlight whether the debit representing the amount repayable to the clients (personal allowance, specific benefits etc) have also been raised.</p> <p>Where the debit has not been raised or has not been raised in an accurate or timely manner, this will also be flagged by the relevant budget manager and communicated to the Appointeeship team.</p> <p>The need to have a more systematic process to check whether clients are receiving their maximum benefit entitlements will be explored and implemented if necessary.</p>	Customer Financial Manager	May 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		The Customer Financial Manager will liaise with the SAP Improvement and Control team to explore the possibility of automating the annual uprating of contracts (debits representing income receivable from DWP) and Purchase Orders for the payment of personal allowance and other benefits repayable to the clients.		
	<p>Risk: Client Expenditure There is a risk of undue hardship on clients if monies due (e.g. personal allowance and DLA etc) to the clients are not paid or not paid in a timely manner. There is a risk of financial loss to the Council if payments made are not accurate or appropriate.</p>	<p>Agreed. The Customer Financial Manager (or delegated officer) will verify the accuracy and validity of the framework orders raised by Appointeeship Administrator (ideally via SAP authorisation process) to ensure that duplicate, inaccurate or untimely payment is not made. Any errors will also be picked up by the relevant budget managers and flagged up to the Appointeeship team.</p>	Customer Financial Manager	September 2010
	<p>Risk: Arrangements to prevent fraud or loss of client assets There is a risk that clients are subject to financial abuse and that the Council may not be able to demonstrate that clients' monies are being spent in their best interests and that the income is being kept safe in the interim.</p>	<p>Agreed. Appropriate processes will be put in place to ensure that the Council receives assurance that any monies passed on to third parties or back to the clients are used to meet the clients' needs. Care Management and Supply Management teams (contract Monitoring) will be consulted during the design of these processes.</p>	Customer Financial Manager	April 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Performance Management There is a risk that management are not aware whether service objectives are being achieved (due to mismanagement of client funds) and whether value for money is being obtained (due to inappropriate or inadequate resource allocation) where specific performance management information is not requested or received and reviewed regularly.</p>	<p>Agreed. Appropriate PIs will be established, monitored and reported on an appropriate frequency basis to the relevant parties.</p>	<p>Customer Financial Manager</p>	<p>May 2010</p> <p>Partly implemented: - Management have identified and established appropriate PIs, but it was confirmed by the Customer Financial Manager that no monitoring framework has been developed.</p> <p>Further Action Required: A process to monitor the service PIs should be developed.</p> <p>Revised implementation date agreed: With immediate effect</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
Deputyship	<p>Risk: Policies & Procedures There is a risk of inefficient, ineffective or non compliant working practices. This may lead to failure to achieve desired outcomes, poor value for money and non compliance with legislation</p>	Agreed: The service will develop policies and procedures which will cover areas of processes roles and responsibilities.	Customer Finance Manager	April 2010
	<p>Risk: Assessment of Client Needs There is a risk that clients' may be assessed incorrectly and that the Council may be subject to legal challenge. There is a risk that the Council may not be able to demonstrate appropriate management of clients' finances.</p>	Agreed: We will also review existing cases, develop referral criteria. Planned service restructure will also address resource issues. Will benchmark against other local authorities (Performance Indicators and workload).	Customer Finance Manager	April 2010
	<p>Risk: Bank Reconciliation There is a risk of error going undetected where bank accounts are not regularly reconciled to the income and expenditure ledger.</p>	Agreed. Bank reconciliation process will be reviewed to ensure it is being done correctly. Un-presented cheques will be cancelled in a timely manner and clearance of the suspense account will be reviewed by management. Any adjustments made (e.g. recording of standing orders, direct debits, direct transfers etc) in Quicken during the bank reconciliation process will be dated correctly. Will develop policy of peer supervision and file audit validation checks to prime documents and Quicken.	Customer Finance Manager	April 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Client Expenditure There is a risk that the Council may not be able to demonstrate that decisions have been made in the best interests of the clients. There is a risk of financial loss if payments made are not accurate, timely or appropriate.</p>	<p>Agreed. Will review process to ensure that decisions are made in best interests of client. Subject to restructure proposals, will develop policy of peer supervision and file audit validation checks to prime documents. Invoices will be recorded on the date of receipt and stamped to ensure payment is made within payment terms and conditions. Other expenditure will be recorded on the date of the decision/request from client. The possibility of developing budget plans for each client (in consultation with all relevant stakeholders such as client, social workers, family etc) to estimate and forecast income and spend will be considered. Cost effective methods of payments will be utilised to minimise wastage of resources on invoice processing, cheque runs etc.</p>	Customer Finance Manager	April 2010
	<p>Risk: Arrangements to prevent fraud or loss of client assets Where monies are passed on to third parties and the Council does not obtain assurances that the monies are being spent to meet the clients' needs, there is</p>	<p>Agreed. Appropriate processes will be put in place to ensure that the Council receives assurance that any monies passed on to third parties or back to the clients are used to meet the clients' needs. Care Management and Supply</p>	Customer Finance Manager	April 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>a risk of error and fraud. There is a risk that clients are subject to financial abuse and that the Council may not be able to demonstrate that it is spending the clients' monies in their best interests and keeping the income safe in the interim.</p>	<p>Management teams (contract Monitoring) will be consulted during the design of these processes.</p>		
	<p>Risk: Performance Management This is a risk that management are not aware whether service objectives are being achieved (due to mismanagement of client funds) and whether value for money is being obtained (due to inappropriate or inadequate resource allocation) where specific performance management information is not requested or received and reviewed regularly.</p>	<p>Agreed. Appropriate PIs will be established, monitored and reported on an appropriate frequency basis to the relevant parties.</p>	<p>Customer Finance Manager</p>	<p>May 2010</p> <p>Further Action Required:</p> <p>A process to monitor the service PIs should be developed.</p> <p>Revised implementation date agreed: With immediate effect</p>
<p>Blue Badge Scheme</p>	<p>Risk: Service Delivery</p> <p>Without timely and comprehensive service reviews and establishing formal service delivery arrangements, there is a risk that service objectives may not delivered effectively and efficiently and improvements may not be identified and incorporated on time.</p>	<p>Agreed.</p> <p>We will conduct a service review which will consider relevant best practice guidance and recommendations of the Department for Transport (DfT) in order to implement effective service delivery arrangements. An action plan of changes will be identified as part of the review. Discussions will take place with</p>	<p>Assistant Director (Adults)</p>	<p>January 2010</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		Environment service to determine where the service is best located which will impact on changes.		
	<p>Risk: Data Recording</p> <p>Without identifying necessary management information and statutory data requirements effectively and in the absence of robust systems for capturing information, including accurate data processing, there is a risk that necessary information may not be available to monitor service delivery effectively and that fraud or error may not be prevented or detected.</p>	<p>Agreed.</p> <p>a) Management information requirement on statutory areas and other operational areas will be identified in order to establish an effective framework of management information and reporting.</p> <p>b) Data requirements will be specified to ensure effective capturing of management information on the database system. The data base will be amended to ensure the effective capturing of data and report generation.</p> <p>c) Routine data quality checks will be implemented to ensure the accuracy and completeness of records on the database system.</p>	Assistant Director (Adults)	<p>April 2010</p> <p>Partly implemented:</p> <p>Further Action required: As per recommendation b) and c).</p> <p>Revised implementation date: 19 February 2011</p>
	<p>Risk: Processing Applications</p> <p>Without implementation of robust procedures for verification and administration of applications, there is a</p>	<p>Agreed.</p> <p>The current processes for verification and administration of applications will be reviewed in line with the service review</p>	Assistant Director (Adults)	April 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	risk that blue badges may be issued to those not entitled to.	<p>and revised where necessary to ensure that blue badges are issued only to those entitled; necessary quality reviews will be implemented.</p> <p>The current application forms will be reviewed and revised in line with the best practice guidance. In addition, the revised form will seek proof of identity, address and National Insurance Number for individuals.</p> <p>Written procedures will be produced to capture the revised processes and made available to staff; relevant staff will be trained to implement the processes effectively.</p>		
	<p>Risk: Data Protection</p> <p>Without updating the declaration section on the application forms in line with the best practice guidance issued by the DfT there may be non-compliance with the Data Protection Act if data is shared for any control purpose e.g. detection and prevention of fraud.</p>	<p>Agreed.</p> <p>The current application forms will be reviewed and updated in line with the best practice guidance in respect of Data Protection.</p>	Assistant Director (Adults)	Immediate
	<p>Risk: Fraud prevention and detection</p> <p>There is a risk the service may not be able to prevent and/or detect misuse of</p>	<p>Agreed</p> <p>ASSD will liaise jointly with Parking service and CAFT to develop a formal</p>	Assistant Director (Adults)	April 2010

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	the Blue Badge scheme in the absence of robust fraud prevention and detection processes and protocols.	<p>protocol for fraud prevention and detection.</p> <p>The existing corporate approach will be identified to inform the development of a formal Fraud Prevention Strategy, and current processes and protocols will be reviewed and updated to ensure consistency with the strategy.</p>		
Contact Point	<p>Risk: Outstanding Organisation Accreditation</p> <p>While organisation accreditation remains outstanding, there is a risk:</p> <ul style="list-style-type: none"> - that the DCSF may develop negative perceptions around the implementation of ContactPoint at Barnet, - of misuse of ContactPoint should all key responsibilities not be documented for communication to all ContactPoint end users, - of inappropriate access to ContactPoint should any weaknesses, if applicable, relating to ContactPoint connectivity via the network or through inappropriate workstation configuration not 		ContactPoint Project Manager	August 2009 Implemented

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>be addressed.</p> <p>An overall risk effect is that the Corporate Plan 2009/10 safeguarding theme may be compromised.</p>			
Disposals and Capital Receipts	<p>Risk: Disposal Operations</p> <p>There is a risk of financial loss without an effective and consistent disposal process and the failure to identify non compliance to specified approved practices.</p>	<p>Agreed.</p> <p>The issue of comparative advantages and disadvantages will reviewed through amendment of the Management of Real Estate and Land document to reflect the different values of disposals, and to ensure Council policy is met.</p>	Head of Asset Management	<p>April 2010</p> <p>Implemented</p>
Procurement and Contracts CS-S&SC)	<p>Risk: Governance Arrangements</p> <p>There is a risk that approved procurement objectives are not achieved and that the Council may not be able to reduce the likelihood of adverse material events if governance arrangements are not sufficiently robust.</p>	<p><u>Cabinet Member Level:</u> Major Projects Deputy Director will liaise with Democratic Services to assess whether the current portfolios include the items highlighted in the report. The Director of Corporate Governance and Director of Resources would be consulted to make the proposal to the Leader of the Council and Chief Executive thereafter if amendments are to be made.</p> <p><u>Senior Management Level:</u> Major Projects Director has delegated this task to CPT who have already started carrying out spend analysis, the outcomes of which will be reported to Major Projects</p>	<p>Deputy Director, Major Projects</p> <p>Head of Procurement</p>	<p>Implemented</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		<p>senior management team as well as the relevant Service Areas.</p> <p><u>Officer Level:</u> CPT will continue to emphasise the need for Service Areas to have a dedicated officer who can fulfil the SAPO role via training etc. Further consideration may be given to formalise this responsibility however this is currently under ongoing review.</p>		
	<p>Risk: Performance/ Management Information Framework</p> <p>There is a risk that management decision making may be impaired and the objectives of the service may not be achieved if a comprehensive performance and management information framework is not in place.</p>	<p><u>CPT:</u> 2 Performance indicators for the CPT have now been established (Sustainability and % of compliance with CPR)</p> <p>The PIs for SAPOs (subject to line management agreement) will be discussed via the SAPO network.</p>	Deputy Director, Major Projects & Head of Procurement	Implemented
	<p>Risk: Tendering & Contractual Agreement</p> <p>There is a risk that the Council may not be achieving a fully competitive tendering environment and may be open to allegations of impropriety or penalties.</p> <p>There is a risk that the Council may not receive the service required or may be unable to recover damages if formally agreed and clearly defined contracts are</p>	<p><u>Housing:</u> The preferred list of suppliers has been used historically. We have taken steps to mitigate this risk through talking to Procurement and their subsequent drafting of a provisional procurement plan for nightly purchased TA. Talks are on-going over how we implement this change. We are currently awaiting a response from Legal with regards to the contractual</p>	Business Performance & Development Manager, Planning, Housing and Regeneration	Implemented

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>not in place. There is a risk of breach of contract which may result in legal challenges and financial loss</p>	<p>documentation. <u>Planning:</u> Closer working with the CPT will ensure this will not happen in the future. Once training has been given in the procurement process procedures can be put in place to ensure all staff are correctly tendering contracts</p> <p><u>Transport:</u> Processes will be put in place to ensure compliance with the Contract Procedure Rules and waivers will be requested where appropriate.</p>	<p>Env Services Manager</p>	
	<p>Risk: Compliance with SAP Procurement Process</p> <p>There is a risk of overpayments (including duplicate payment) and budget overspend which may lead to financial loss due to the lack of commitment information and adherence to the official SAP Procurement Process.</p>	<p><u>Planning:</u> Again once the correct process is put in place, contract owners will be able to monitor effectively to ensure adherence to the official process.</p> <p><u>Revenues:</u> The official SAP procurement process will be used for all expenditure going forward.</p>	<p>Business Perf & Dev Manager, Planning, Housing and Regeneration</p> <p>Head of Revenues</p>	<u>Implemented</u>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Creditor/Commitment analysis Priority 1</p> <p>There is a risk of poor budget monitoring if purchase orders are not recorded accurately or not monitored regularly.</p> <p>There is a risk of financial loss due to duplicate payments and penalties for late/non payments which may affect the working relationship with suppliers if invoices received are not reviewed by procuring departments.</p>	<p><u>CPT:</u> The above actions should reduce retrospective ordering of purchase orders and thereby address some of the GR/IR items</p> <p><u>Finance:</u></p> <p>Departments are reminded to check purchase orders and close any that are no longer required as part of the closure of accounts.</p> <p>The GR/IR account was reviewed in March 2009 and any outstanding balances that were no longer required were de-committed and cleared out of the GR/IR account before closing down 2008/09.</p> <p>We are currently undertaking a similar exercise in preparation for the 2009/10 closedown.</p>	Finance Manager (Closing & Monitoring)	<u>Implemented</u>
Data Security and Data Handling	<p>Risk: Leaver process</p> <p>While Service Area Managers fail to notify IS of staff leaving the Council, there is a risk that leavers may be able to access Council data after they have left e.g. remotely (if tokens have not been returned).</p>	<p>Management Comment and Action to mitigate risk</p> <p>1. Where staff leave under suspicious circumstances there is an arrangement with HR to disable the relevant leaver</p>	Head of IS and CGD Performance and OD Manager	<u>Implemented</u>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		<p>network accounts immediately.</p> <p>2. Staff working on a temporary basis e.g. on a fixed term contract, can have the account set to automatically expire after a stipulated period.</p> <p>3. IS can and will aim to disable network accounts as soon as they are notified. IS does and will use, lists of leavers provided by HR to disable network accounts (this however may result in a time delay disabling the network account)</p> <p>4. The process for disabling leaver accounts will be supported through the completion of the SAP-HR and Active Directory (AD) synchronisation process. The development of HR-SAP and Active Directory (AD) synchronisation (which will support the leaver process and ensure/trigger automated disabling of leaver network accounts) is in progress and will be completed. (Note: Effective operation will still depend on the prompt update in SAP of leaver action).</p> <p>The process will be emphasised in procedures as part of the process mapping exercise (refer to risk 3, above).</p>		

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		<p><u>Corporate Governance Directorate</u></p> <p>4. Required practice by service managers in relation to the leaver process will be emphasised in data protection training/raising awareness arrangements.</p> <p>For instance, the Data Protection Staff Guide (approved by Directors on 5 January 2010) may be converted into leaflet form where such practices may be included for communication purposes</p>		

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Risk: Unencrypted CD's While CD's remain unencrypted, there is a risk that data saved to this media may be easily access and misused should they be lost or stolen</p>	<p>Management Comment and Action to mitigate risk</p> <p>IS representatives confirmed that information on CD's would not be encrypted by the encryption software owing to the encryption software being incompatible with the CD writing software.</p> <p>The Head of IS will liaise with the Head of Corporate Services to reach a decision on the ongoing use of CD's as a form of storage media (as there is no apparent business case for the use of CD's) and to prevent (disable) the use of CD's as applicable.</p>	Head of IS	<p><u>Implemented</u></p>
	<p>Risk: Roles and responsibilities While Corporate roles and responsibilities and structures for data security remain unclear (so that all stakeholders are aware of which officers are responsible for related activities) there is a risk that applicable updates to policies may not be made or activities to facilitate</p>	<p>Management Comment and Action to mitigate risk</p> <p>1. Roles and responsibilities around data security in the Corporate Governance Directorate (CGD) have not been formally agreed. Roles and responsibilities will be formally approved following engagement</p>	CGD Performance and OD Manager	<p><u>Partly Implemented</u> Further Actions:</p> <p>- Roles and responsibilities around data security in the</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>implementation of policy may not be undertaken leading to a potential failure to implement the appropriate practices across the Council.</p>	<p>with the Director of Corporate Services (see below). In particular around policy update, there is still uncertainty as to how roles and responsibilities should be definitively split between IS (Director of Corporate Services) and the Corporate Governance Directorate</p> <p>2. Arrangements will be introduced to engage with the Director of Corporate Services and the relevant staff on an ongoing basis:</p> <ul style="list-style-type: none"> - to clarify roles and responsibilities around ownership of Corporate aspects of data security and - to assist with the development of the Information Strategy in relation to data protection (and the Data Protection Act) <p>4. The roles and responsibilities will be agreed and updated for the FOI Link Officers to include data protection/security aspects.</p>		<p>Corporate Governance Directorate (CGD) to be formally agreed.</p> <p>- Reconvening Information Governance Council.</p> <p>Revised Implementation Date: For Roles and Responsibilities - April 2010</p> <p>For IGC – to be confirmed but agreed with Corporate Directors Group in February 2011</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		<p>5. Roles for monitoring compliance with policy (e.g. through self assessment) will be developed.</p> <p>6. Training and arrangements for raising awareness in the Council around data protection will be developed</p>		
	<p>Risk: Embedding arrangements in Service Areas While Corporate arrangements are outstanding, there is an overall Council wide risk of data loss or unauthorised access through an inability to embed data security arrangements and practices consistently in Services (e.g. through a lack of structures in all Services to own, raise awareness and ensure compliance with Corporate Policies addressing data security).</p>	<p>Management Comment and Action to mitigate risk</p> <p>Refer to actions agreed for risk 8 and 9, above.</p>	<p>CGD Performance and OD Manager</p>	<p><u>Partly Implemented</u></p> <p>Further Actions:</p> <ul style="list-style-type: none"> - Completion of review of IS related policies. - Roles and responsibilities around data security in the Corporate Governance Directorate (CGD) to be formally agreed. <p>Revised Implementation</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				date: March 2011 – for policy review April 2010 – for roles and responsibilities
Internal Control Checklist - Environment and Transport	Risk: ICC Reviews There is a risk that ICCs may be completed incorrectly and inaccurate assessments of the current controls are made if ICCs are not properly and independently checked for completeness and compliance with procedures.	Agreed. Meetings have been held with SMT members to further explain the significance and purpose of the ICC process. Further training on risk management has been given by the Corporate Risk Officer as requested by the Directorate. There is now a section within the Team Service Plan which makes provision to continuously monitor the ICCs so that control weaknesses/progress/risks can be followed up by the manager, performance & development team and the relevant AD. SMT members have been asked to review their ICCs and complete the ICC section of the Team Service Plan by the end of December 2009. This will provide a further opportunity to challenge/scrutinise the assessments made.	Interim AD Performance & Development or as delegated	<u>Implemented</u>
Internal Control Checklist -	Risk: Procedures There is a risk of poor control	Procedures will be reviewed and improved where necessary and briefings	Head of Research &	<u>Not implemented</u>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
<p>Children’s Service</p>	<p>assessment and therefore poor internal control environment if procedures are not adequate, clear or communicated to staff, and if officers are not trained or provided with sufficient guidance in management duties/functions/responsibilities.</p>	<p>provided on key responsibilities e.g. data protection, corporate policies etc to be rolled out.</p>	<p>Management Information</p>	<p>The procedures have not been reviewed and improved where necessary.</p> <p>Training/ briefings have not been provided for officers on their key management duties and responsibilities.</p> <p>Reason agreed for actions not being implemented:</p> <ul style="list-style-type: none"> -Restructuring in Children Services -focusing on dealing with a major data loss in the department (Work on ICC not seen as a priority based on focus on the above areas).

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				<p>Further Action:</p> <ul style="list-style-type: none"> - SLT will agree which managers are going to be involved in the ICC exercise going forward. - Procedures will be reviewed, and briefing sessions will be conducted to go through the revised procedures. - Revised briefing notes and procedural notes will be issued to the relevant officers. - Workshops will be held for managers with the Corporate Risk Officer in February 2011. <p>Revised</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				<p>Implementation date: February 2011 (next ICC cycle)</p>
	<p>Risk: Review & Monitoring There is a risk that identified control weaknesses may not be remedied and controls strengthened if the ICC returns are not accurately completed or adequately challenged and reported.</p>	<p>More scrutiny will be exercised when reviewing the ICC return. Incomplete/inaccurate ICCs will be re assessed by officers.</p>	<p>Head of Research & Management Information</p>	<p><u>Not implemented</u></p> <p>Monitoring process of higher level risks (which takes place quarterly) does not include review and monitoring of the ICC returns.</p> <p>No remedial. Follow up actions have been taken were incomplete/ inaccurate ICCs have been identified.</p> <p>Further Action:</p> <p>- ICC's to be monitored and reviewed on a quarterly basis by</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				<p>the Senior Management Team (SMT) - Review of ICC's to be set as a standing item on SMT meeting agenda.</p> <p>- Incomplete /inaccurate ICCs that are identified will be re assessed by officer, and remedial actions taken where necessary.</p> <p>Revised Implementation Date: February 2011</p>
<p>Internal Control Checklist - PHR</p>	<p>Risk: Procedures There is a risk of poor control assessment and therefore poor internal control environment if procedures are not adequate, clear or communicated to staff.</p>	<p>Agreed. Procedures will be reviewed and improved where necessary.</p>	<p>Strategy & Performance Manager (as delegated)</p>	<p><u>Implemented</u></p>
	<p>Risk: Review & Monitoring There is a risk that identified control weaknesses may not be remedied and</p>	<p>Agreed. More scrutiny to be exercised when reviewing the ICC returns.</p>	<p>Strategy & Performance Manager (as</p>	<p><u>Implemented</u></p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	controls strengthened if the ICC returns are not adequately challenged or reported.	Incomplete/inaccurate ICCs will be reassessed by officers.	delegated)	
Remote Access	<p>Risk: Unacceptable level of risk exposure</p> <p>Where risk registers are incomplete, inaccurate or out of date, there is a risk that the Council may be unaware of the key risks in relation to implementing and managing remote access to the Council network.</p>	Risk management training is being organised through the corporate risk officer.	Head of Information Systems	<p>Partly Implemented</p> <p>Further Action required:</p> <ul style="list-style-type: none"> - Review of risks relating to remote working in risk register. - Development of risk identification and assessment process. <p>Revised Implementation Date: TBC</p>
Leisure Management	<p>Risk: Strategic Service Delivery</p> <p>There is a risk that the partnership may not be in line with or meeting Council strategic objectives which may lead to value for money not being achieved and a lack of clarity on the financial approach adopted by the service provider.</p>	<p>Agreed.</p> <p>The Leisure & Arts Programme Board will continue to oversee and set an overall direction for the service.</p> <p>A Partnership Board (consisting of LBB and GLL officers) will be set up to provide a high level forum to discuss strategic issues on a quarterly basis.</p>	AD (Environment & Operations)	<p>December 2010</p> <p>Partly Implemented:</p> <p>Meetings between LBB and GLL have been held, however the final</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		The partnership review will provide further opportunity to clarify strategic issues such as Closed Book approach etc.		<p>reporting template for LBB to receive financial information has not been agreed.</p> <p>Further Action required:</p> <p>Agree the reporting for the open book accounting.</p> <p>Revised Implementation Date agreed:</p> <p>1st March 2011.</p>
	<p>Risk: Operational Service Delivery</p> <p>There is a risk of inappropriate or untrained staff being employed; poor equipment, facilities, support services (e.g. food/cafes) being provided which may compromise health and safety of customers leading to potential legal challenge and reputational damage.</p>	<p>Agreed.</p> <p>A risk log will be drawn up alongside the Action Plan to enable activities to be prioritised and monitored accordingly.</p>	AD (Environment & Operations) & Leisure Contract Manager	<p>December 2010</p> <p>Not Implemented</p> <p>All policies have been reviewed. Compliance will be managed through the monthly audit visits. The Leisure Contracts Manager will include these</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				<p>high risk areas identified in last audit report. Further Action required: The monthly audit visits to incorporate and prioritise high risk areas. Revised Implementation Date agreed: 1st March 2011.</p>
	<p>Risk: Performance Management There is a risk of poor decision making and financial loss if poor performance of the contractor (and therefore service delivery) is not identified or rectified.</p>	<p>Agreed. Key Performance Indicators will be established, monitored, validated where necessary and reported regularly. Poor performance will therefore be identified and rectified.</p>	<p>Leisure Contract Manager</p>	<p>March 2011 Not due for implementation</p>
	<p>Risk: Invoice Payments There is a risk of financial loss if inappropriate invoices are paid.</p>	<p>Agreed. Copies of the variation orders have been requested from GLL and further clarification is being sought to confirm the management fee/variation orders/BAFO calculations to enable enhanced validation of invoices.</p>	<p>Leisure Contract Manager</p>	<p>September 2010</p>
<p>Internal Control</p>	<p>Risk: Review of ICCs</p>	<p>Since completion of the testing in circa</p>	<p>Business</p>	<p>Implemented</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
Checklist - Adult Social Service	There is a risk that the consolidated ICC summary may reflect an inaccurate or incomplete assessment of the risks and weaknesses across the Directorate.	<p>December 2009, there have been a number of changes implemented by management.</p> <p>It is Management's view that these changes significantly reduce the risk originally identified and therefore the Priority 1 classification.</p> <p>These changes are as follows:</p> <p>Further work to tighten up the current ICC to ensure that the consolidation reflects a true and comprehensive view of Adult Social Services.</p> <p>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).</p> <p>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),</p>	Improvement and Performance Officer and Business Continuity and Risk Officer	

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		as well as at the Departmental Senior Management Team meeting. See also related comments for Risks 3 and 4.		
Common Assessment Framework	<p>Risk: CAF review process Without this formal quality review process, there is a risk that that care plan actions (and further actions, if necessary) may not be implemented and agreed outcomes may not be achieved leading to the development of more significant issues later and the need to refer the child to social services when this may have been avoided.</p>	<p>Management Comment and Action to mitigate risk</p> <p>Robust arrangements are required to quality review CAF assessments and assess how expected outcomes have been achieved</p> <p>A workshop has already been held addressing CAF quality assurance and arrangements for the evaluation of outcomes for children. These will be continued in line with needs.</p> <p>From 1 April 2010, refresher training for CAF practitioners will focus on/emphasise effective review of assessments</p> <p>Overall, a model for CAF delivery will be agreed (e.g. a multi-agency panel model involving all agencies ensuring a more strategic focus is being considered)</p> <p>A model for CAF review will be agreed</p>	Common Assessment Framework Co-ordinator	1 July 2010 Implemented

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
		<p>and implemented. The model, for tracking outcomes, is likely to involve either or a combination of the following:</p> <ul style="list-style-type: none"> - practitioner service managers reviewing CAF's against a best practice/guidance checklist - quality reviewing a sample of CAF's against a best practice/guidance checklist by a multi-agency panel made up of service managers <p>Note: Reviews will ensure that the delivery of CAF assessment care plan actions remain on track with a focus on the achievement of expected outcomes.</p>		
<p>Risk Management</p>	<p><u>Risk Management System</u></p> <p>Recommendation</p> <p>As part of the continuous migration of the risk information, 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 	<p>All Directorate Level risks have been input onto the RM System. All services will be reminded to record risks onto the RM System. Risk registers presented to CDG are now being produced from the RM System. Risk management arrangement in relation to Project Management and</p>	<p>Assistant Director of Finance, Audit and Risk Management</p>	<p>Ongoing</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>Management forums.</p> <p>CRMT should ensure that the corporate risks are also recorded onto the system.</p>	<p>Partnerships will be regulated as part of the RMS review.</p>		
	<p><u>Monitoring and reporting risk</u></p> <p>Recommendation</p> <p>CRMT should ensure that data within the Web Based RM System should be used for all reporting purposes</p>	<p>Ongoing rolling out of the risk management strategy.</p>	<p>Assistant Director of Finance, Audit and Risk Management</p>	<p>Ongoing</p>
	<p><u>Partnerships</u></p> <p>Recommendation</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 	<p>Consider resources to the One Barnet Programme. This is an on-going agenda item for the Risk Forum.</p>	<p>Assistant Director of Finance, Audit and Risk Management</p>	<p>Ongoing</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>manage the risk that may interrupt or stop effective service delivery.</p> <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>			

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
Cashless Parking 2010/11	1. Management should obtain the signed contract with the provider, and agree and document the process for ensuring the Council's income is accounted correctly on the SAP financial recording system. Appropriate advice should be obtained from the VAT Manager, Senior Management Accountant and the Cash Book team. The relevant processes should be agreed with Verrus. (Priority M)	We will obtain the signed contract with the provider. We will agree and document the process for ensuring the Council's income is accounted correctly on the SAP financial recording system. Appropriate advice should be obtained from the VAT Manager, Senior Management Accountant and the Cash Book team. The relevant processes will also be agreed with Verrus.	Parking Manager	<p>Due date: Sept 2010 Audit comment: Partly implemented</p> <p>A signed contract has now been obtained. Copy of contract was obtained by the service in November 2 10. It is noted that the service is currently considering an extension of contract for one year from 1st April 2011.</p> <p>However, consideration of formalising processes to ensure that the Council's income is accounted correctly on the SAP financial system will be undertaken</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				<p>when the contract extension is completed.</p> <p>Further Action required: Formalise the arrangements for obtaining services from the provider going forward, and agree processes for ensuring that cashless parking income is correctly accounted on the council's financial system. (Priority M)</p> <p>Revised Implementation date: February 2011</p>
Cashless Parking 2010/11	2. Information on both any fraudulent use of cards and instances of refunds claimed by service users, should be obtained and reported to Management	Information on both any fraudulent use of cards and instances of refunds claimed by service users will be reported to Management and the impact on business	Parking Manager	<p>Due date: Sept 2010</p> <p>Audit comment: partly</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>for identifying any impact on business benefits that may need to be considered in developing and planning the future roll out of the service. (Priority M)</p>	<p>benefits will be considered for informing the further roll out of the service.</p>		<p>implemented Process for a Manager/Team Leader to authorise ALL refund requests in place. (Implemented)</p> <p>However, information relating to fraudulent card use has been requested from the provider hence the process is still to be developed.</p> <p>Further Action required: As above. (Priority M) Revised Implementation date: February 2011</p>
<p>Cashless Parking 2010/11</p>	<p>3. Management should formalise the process for reconciliation of income collected by Verrus, and VAT amounts, deposited into the Council's accounts,</p>	<p>We will formalise the process for reconciliation of income collected by Verrus, and VAT amounts, deposited into the Council's accounts, in conjunction</p>	<p>Parking Manager</p>	<p>Due date: Sept 2010 Audit comment: partly</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
	<p>in conjunction with all relevant parties: Verrus, Finance and Accountancy as well as Cash Book team, to gain the confidence that all incomes collections are banked in full in to the Council's bank account. Reasons for differences identified from such reconciliation, and the level of debtors, should be reported to the Management. A review of VAT accounting for parking income from all off-street sources should be prioritised.</p> <p>(Priority M)</p>	<p>with all relevant parties: Verrus, Finance and Accountancy as well as Cash Book team, for gaining the confidence that collections of income are banked in full in to the Council's Bank account. Reasons for differences identified from such reconciliation will routinely be reported to the Management. A review of VAT accounting for parking income from all-off street sources will be prioritised.</p>		<p>implemented Training undertaken and further meetings scheduled to review reconciliations and differences. According to the service, the implementation date has been extended to facilitate the contract extension and any relevant work which may arise from this, including the format of the data which is received from Verrus.</p> <p>Further Action required: as per action agreed. (Priority M) Revised Implementation date: May 2011</p>

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
Cashless Parking 2010/11	4. Arrangements with the provider should be reviewed routinely to identify improved reporting arrangements, where required, for ensuring that the council is receiving sufficient information for monitoring purposes. (Priority M)	In the light of the Audit, we will review the current reporting arrangements with the provider and identify improvements, where required, for ensuring that the council is receiving sufficient information for the purpose of monitoring the contract.	Parking Manager	Due date: Sept 2010 Audit comment: Partly implemented Additional reports as required by the Finance Officer have been requested. Further Action required: as per actions agreed (Priority M) Revised Implementation date: March 2011
Cashless Parking 2010/11	5. Robust arrangements for verification of the provider's invoices should be implemented to ensure the number of transactions completed, which informs the pay amount, are confirmed directly from the reconciliation produced by Service Accountants from the Council's SAP accounting system. (Priority M)	Robust arrangements for verification of the provider's invoices will be implemented to ensure the number of transactions completed, which inform the pay amount, are confirmed directly from the reconciliation produced by Service Accountants from the Council's SAP accounting system.	Parking Manager	Due date: Sept 2010 Partly implemented Additional reports as required by the Finance Officer have been requested. Further Action required: as per action agreed (Priority M) Revised

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
				Implementation date: March 2011 confirmed
Cashless Parking 2010/11	6. Routine independent checks on the accuracy of the transactions reported (parking spaces sold, and charges levied) by Verrus should be instituted. (Priority M)	Routine independent checks to verify the accuracy of the transactions reported (parking spaces sold, and charges levied) by Verrus will be instituted.	Parking Manager	Due date: Sept 2010 Audit comment: Partly implemented As a part of the work being completed to rationalise P&D machines on street, regular checks and reports on transactions are being completed. Routine checks will be carried out by the Maintenance Manager. Further Action required: as above (Priority M) Revised Implementation date: March 2011
Cashless	7. Management should arrange	Access to Verrus's management	Parking	Due date: Sept

Audit Name	Recommendation/Risk	Management Response	Responsibility	Implementation date
Parking 2010/11	necessary access for an identified officer within the Parking Service and arrange relevant training, to ensure the nominated officers are able to obtain necessary information and reports, as required. (Priority M)	information system will be arranged for the Parking Manager and the Finance Manager. Relevant training will be provided/arranged to ensure the nominated officers are able to obtain necessary information and reports, as required.	Manager	2010 Audit comment: implemented
Independent Provider Performance – BRSI 2010/11	There were no priority 1 recommendations to follow-up with officers.			

Appendix B

No	Recommendation	Priority (high/medium/low)	Agreed	Comments	Action to date
1	The Council develop and agree a business case for the One Barnet programme, incorporating: <ul style="list-style-type: none"> · the planned benefits and outcomes of the programme; · the estimated cost of the programme; · overall timescales of the programme, including key anticipated milestones; and · a high level risk profile. 	H	Yes	The majority of live projects within the programme are still assessing options with regard to the future of our services. It is unlikely that we will have an exact list of benefits until these options have been fully assessed and business cases produced in each case. We are able, however, to articulate the desired outcomes and estimated benefits of the programme, along with costs, timescales and a risk profile	One Barnet Framework signed off by Cabinet 29 th November 2010
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.	M	Yes	A Communication and Engagement Strategy is being produced by the Internal Communications Manager working on the programme. This is to be reviewed by the Operational Group in September 2010. The Internal Communications Manager is already working with project managers to ensure project level communication and engagement plans are in place	Communications and engagement plans are in place for live projects across the programme. Resource requirements have been identified as part of our project / programme planning. This is an ongoing process as new projects are identified. One Barnet Framework (including benefits realisation framework) signed off by Cabinet 29 th November 2010
3	The Council:	M	Yes	HR resources within the programme	A transition strategy has been

Appendix B

No	Recommendation	Priority (high/medium/low)	Agreed	Comments	Action to date
	(a) develops a Transition Plan to ensure business as usual is maintained during the delivery of the programme, and (b) finalise and agrees a programme Communication Strategy.			are responsible for putting a Transition Plan in place for each project. Transition planning at a detailed level cannot begin, however, until projects begin to narrow down options and build business cases. A Transition Strategy can be produced for the programme at this stage. HR will also support the production of the resource strategy to ensure there is resource in the business so that organisational performance is not negatively affected	drafted. This is to be reviewed in March 2011. Communications and engagement plans are in place for live projects across the programme.
4	The Council should consider developing and agreeing a Benefits Realisation Framework	H	Yes	The realisation of benefits is paramount to the success of this programme, therefore a framework will be put in place to support this work stream	One Barnet Framework (including benefits realisation framework) signed off by Cabinet 29 th November 2010
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	M	Yes	There is no budget tolerance for any project in this programme	The programme plan is currently being reviewed for sign off by end of February 2011 Project tolerances are agreed by project boards at each stage of the project.

No	Recommendation	Priority (high/medium/low)	Agreed	Comments	Action to date
	<ul style="list-style-type: none"> Project communication plans are developed and implemented. 				Communications and engagement plans are in place for live projects across the programme.
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	M	Yes	Action: Risk Management Framework , including risk and issue management standards signed off (12 October 2010) . Framework to be communicated to all live and pending projects and stakeholders within one week of sign off	A risk manager has been assisting the programme manager in developing a framework. All projects have individual risk registers with issues escalated to the programme risk register and then to the corporate risk register. The programme manager also attends the quarterly risk forums. The process for programme and project risk management is described within the revised risk management strategy which will be presented to the Audit Committee in March.

AGENDA ITEM: 8

Page nos. 59 - 81

Meeting	Audit Committee
Date	17 February 2011
Subject	Audit Plan 2010/11
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the committee of Grant Thornton's Audit Plan for 2010/11.

Officer Contributors	Maria 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 – Audit Plan 2010/11
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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

1. RECOMMENDATIONS

1.1 That Grant Thornton's Audit Plan for 2010/11 be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Audit Plan 2010/11 will assess fundamental aspects of financial standing and performance management in Barnet, which relates to the council's 'Better Services with Less Money' corporate priority.

4. RISK MANAGEMENT ISSUES

4.1 The Audit Plan 2010/11 highlights the council's responsibility in respect of producing the financial statements and identifies particular areas of risk in producing them. If these risks are not taken into consideration it carries the risk of adverse financial and / or reputational consequences.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Audit Plan 2010/11 covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

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

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

7. LEGAL ISSUES

7.1 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 audit plan for the financial year 2010/11 is to communicate

the work that Grant Thornton will carry out in discharging their responsibilities to give an opinion on the council's financial statements and a conclusion on the council's arrangements for achieving value for money.

- 9.2 The plan is based on Grant Thornton's risk based approach to audit planning and is based on their assessment of the potential business and audit risks that need to be addressed by the audit and the controls the council has in place to mitigate these risks.
- 9.3 The audit plan identifies the council's responsibilities as ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority; maintaining proper accounting records; and preparing accounts which accurately represent the financial position of the council and its expenditure and income in accordance with International Financial Reporting Standards.
- 9.4 The audit plan identifies Grant Thornton's responsibilities as auditing the financial statements and giving an opinion as to whether they give a true and fair view of the financial position of the council and its expenditure and income for the period in question; whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and whether the Annual Governance Statement has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with their knowledge.
- 9.5 Six main audit risks have been identified in the audit plan along with a planned audit response. The risks are drawn to the attention of the Committee below:
- 9.5.1 Accounting under International Financial Reporting Standards (IFRS)
Prior to the main financial accounts audit taking place, restated statements will be reviewed by Grant Thornton to gain assurance over those figures, the accounting policies adopted will be reviewed, specialist technical support will be made available and the implication of any developing issues through reference to IFRS guidance and discussion with the council will be reviewed.
- 9.5.2 Financial performance pressures
Grant Thornton will review the council's financial performance for the year against its agreed budget and will consider the use of general reserves during the year. The council's medium term financial strategy in light of current funding arrangements will also be reviewed.
- 9.5.3 Revaluation of fixed assets
External Audit will review any valuations undertaken and ensure that these are in compliance with the requirements of IFRS. They will also undertake a detailed review of property, plant and equipment accounting to ensure all issues identified in prior year have been addressed, as well as those arising upon adoption of IFRS.

9.5.4 Implementation of new revenues system

Grant Thornton will carry out work, with Internal Audit, to gain assurance that there has been appropriate reconciliation procedures performed to ensure the completeness and integrity of the figures included in the council's financial statements. They will also review the council's overall data conversion arrangements around replacement of the system.

9.5.5 Use of estimates and judgements

All judgements used by the council, including those used by professionals such as property valuers, will need to be clearly documented and evidenced.

9.5.6 Valuation of council dwellings

Grant Thornton will review the documented judgements made by the council in determining which indices and assumptions are used in line with the introduction of the Clarity ISAs (International Standards on Auditing).

9.6 As part of the accounts audit, Grant Thornton, will review the Annual Governance Statement (AGS) to determine if it is consistent with their knowledge of the council.

9.7 Grant Thornton will review the Whole of Government Accounts (WGA) consolidation pack for consistency with the council's accounts.

9.8 The Code requires Grant Thornton to issue a conclusion on whether the council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. From 2010/11 the value for money conclusion will be based on two reporting criteria specified by the Audit Commission:

- The council has proper arrangements in place for securing financial resilience;
- The council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

9.9 In addition to the audit of the council's financial statements and Value for Money, Grant Thornton are required to certify grant claims and returns above predetermined thresholds. Prior to the commencement of this work, a grants plan will be issued and on conclusion of the certification work a report will be issued.

9.10 The audit plan confirms the indicative audit fee for 2010/11 which was presented at Audit Committee (21/06/2010).

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

CFO: MC / JH

London Borough of Barnet

Audit plan 2010/11

December 2010



An overview of your 2010/11 Audit Plan

This is our audit plan for the financial year 2010-11 for the London Borough of Barnet (the Council). It sets out the work that we will deliver in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.

We set an indicative fee in March 2010. In setting this fee, we assumed that, whilst the transition to IFRS is a significant change and challenge, the underlying level of risk in relation to the audit would not be significantly different from that identified for 2009/10. Following the completion of the 2009/10 audit we have updated our accounts audit risk assessment.	See Accounts audit
In August 2010 a new approach to local Value for Money audit work was introduced by the Audit Commission. From 2010/11 we will give our value for money conclusion based on two reporting criteria specified by the Audit Commission.	See Value for money audit
We have introduced some new members to the audit team from 2010-11. As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.	See Engagement team
We have used the Audit Commission scale of fees work programme for 2010/11 to calculate your proposed audit fee which remains unchanged from the indicative fee which we communicated to you in March 2010.	See Audit fee
You will receive a number of reports and other outputs from us throughout the year which will provide you with the detailed conclusions of our work culminating in the issue of our Annual Audit Letter to the Council.	See Outputs and timeline
We have considered our independence and objectivity in respect of the Audit and draw your attention to our approach in placing reliance on the work of internal audit. We comply with the Audit Commission's requirements in respect of independence and objectivity	See Appendix A

Accounts audit

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2010/11 accounts. The plan is based on our risk-based approach to audit planning and is based on our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

The Council's responsibilities

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

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
- maintain proper accounting records
- prepare accounts, which accurately represent the financial position of the Council and its expenditure and income in accordance with International Financial Reporting Standards.

Our responsibilities

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

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



Accounts audit - risk assessment

Accounting risks and planned audit response

Table 1 below summarises the results of our initial risk assessment of significant financial risks facing the Council and our planned response.

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Audit approach
Accounting under IFRS	All areas of the financial statements	<ul style="list-style-type: none"> • Prior to the main financial accounts audit taking place we will agree a programme of work on the restated statements to gain assurance over these figures • We will review the accounting policies used by the Council in its adoption of IFRS for the first time. • Specialist technical IFRS support will be made available to the Council if required. • We will review the implications of any developing issues through reference to IFRS guidance and discuss with the Council accordingly.
Financial performance pressures	All areas of the financial statements	<ul style="list-style-type: none"> • We will review the Council's financial performance for the year against its agreed budget. • We will consider the use of general reserves during the year. • We will review the Council's medium term financial strategy in light of current funding arrangements.
Revaluation of fixed assets	Property, plant and equipment	<ul style="list-style-type: none"> • We will review any valuations undertaken and ensure that these are in compliance with the requirements of IFRS. Where possible, this work will be performed prior to our final accounts audit fieldwork. • We will undertake a detailed review of property, plant and equipment accounting to ensure all issues identified in the prior year have been addressed, as well as those arising upon adoption of IFRS.

Accounts audit - risk assessment

Accounting risks and planned audit response (continued)

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Audit approach
Implementation of new revenues system	Statement of Comprehensive Income, Balance Sheet and Collection Fund	<ul style="list-style-type: none"> We will carry out work, with Internal Audit, to gain assurance that there has been appropriate reconciliation procedures performed to ensure the completeness and integrity of the figures included in the Council's financial statements. We will review the Council's overall data conversion arrangements around replacement of the system.
Use of estimates and judgements	All areas of the financial statements	A project has been completed by the International Auditing and Assurance Standards Board to clarify the International Standards on Auditing. The main area of our work that this is likely to impact on is the use of estimates and judgements within the financial statements. All judgements used by the Council, including those used by professionals such as property valuers, will need to be clearly documented and evidenced.
Valuation of Council dwellings	Property, plant and equipment	<ul style="list-style-type: none"> We will review the documented judgements made by the Council in determining which indices and assumptions to use in line with the introduction of the Clarity ISAs (International Standards on Auditing).

Accounts audit - approach

Audit approach

We will:

- work closely with the Finance Team to ensure that we meet audit deadlines and conduct the audit efficiently
- plan our audit on an individual task basis at the start of the audit, and timetables agreed with all staff involved.
- consider the materiality of transactions when planning our audit and when reporting our findings.

In summary our audit strategy comprises:

Planning	Updating our understanding of the Council through discussions with management and a review of the management accounts
Control evaluation	<ul style="list-style-type: none"> • Reviewing the design and implementation of internal financial controls, including IT, where they impact the accounts • Assessing audit risk and developing and implementing an appropriate audit strategy • Testing the operating effectiveness of selected controls • Updating our assessment of internal audit against the CIPFA Code of Practice
Substantive procedures	<ul style="list-style-type: none"> • Reviewing material disclosures in the financial statements • Performing analytical review • Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate
Completion	<ul style="list-style-type: none"> • Performing overall evaluation of the process • Determining an audit opinion • Reporting to Audit Committee

Accounts audit - other issues

Other issues

Annual Governance statement

As part of our work on the accounts audit, we will review the Annual Governance Statement (AGS) to determine if it is consistent with our knowledge of the Council.

Whole of Government Accounts

We will also review the Whole of Government Accounts (WGA) consolidation pack for consistency with the Council's accounts

Elector challenge

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form a decision on the elector's objection. The additional work may be significant and could result in the requirement to seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors are not part of the audit fee. In the event of costs being incurred as a result of elector's objections we will discuss these with the Council and, where appropriate, charge for this work in accordance with the Audit Commission's fee scales.

Certification of Grants and Returns

In addition to our audit of the Council's financial statements and Value for Money, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commissions 'Work programme and scales of fees 2010-11.

Prior to the commencement of our work we will issue a grants plan and report in full to the Council on conclusion of our certification work.

National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative, the Audit Commission's data-matching exercise designed to prevent and detect fraud in public bodies. We will review the Council's progress and actions in following up the matches identified.

Value for money audit

Introduction

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

2010/11 VFM conclusion

Since we issued our indicative fee letter, a new approach to local Value for Money audit work has been introduced by the Audit Commission. From 2010/11 we will give our value for money conclusion based on two reporting criteria specified by the Audit Commission:

Code criteria 1

The council has proper arrangements in place for securing financial resilience

We will consider whether the Council has robust financial systems and processes to manage effectively financial risks and opportunities and to secure a stable financial position that enables it to continue to operate for the foreseeable future

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- Undertake an in-depth review of the Council's medium term financial plan including considering the anticipated financial impact of the Council's One Barnet programme
- Consider the Council's financial performance against Local Government financial ratios
- Consider the Council's response to the Spending Review and the impact that this will have on the Council's financial planning.

Value for money audit

Code criteria 2

Work to be undertaken

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We will consider whether the Council is prioritising its resources within tighter budgets

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency.

Specifically we will:

- Apply our VfM benchmarking tool to the Council's 2009/10 performance to establish how services performed during the year.
- Carry out a review to assess the adequacy of the Council's arrangements for managing personal budgets in Adult Social Services.
- Perform a review of scrutiny arrangements, following up on our work done in 2008/09 and looking at the effectiveness of the current arrangements.
- Consider the arrangements the Council has in place to ensure effective delivery of a selected One Barnet workstream.

We will tailor our VfM work to ensure that as well as addressing our high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for officers and members. Where we plan to undertake specific reviews to support our VfM conclusion, we will agree brief Terms of Reference with officers.

The results of all our local VfM audit work and key messages will be reported in our Report to Those Charged with Governance (ISA 260 report) and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.



Value for money audit

Other business issues identified

We have identified a number of other business risks as part of our audit planning. Through our regular liaison meetings we will discuss the Council's progress in dealing with these issues and consider the implications for our VfM conclusion. We will keep under consideration whether we determine that, due to increasing risk, there needs to be further assurance work carried out in these areas before we can give our VfM conclusion for 2010-11 or in subsequent years. At the Council's request, we are able to carry out earlier, more in depth work in these areas and would discuss and agree the scope of any such work and the fee implications with officers and the Audit Committee.

Changes in the NHS

The restructuring of the NHS and introduction of GP consortia in place of Primary Care Trusts is likely to significantly impact the Council and its interaction with local NHS partners.

Partnership working

Consider the arrangements put in place by the Council to address the challenges being raised by the Government's "Big Society" agenda.

Performance measurement

Following the abolition of national indicators the Council is establishing a new locally determined framework for understanding performance. It is important that the new framework and performance indicators will help drive the Council's operational decision making processes to improve performance.

One Barnet

The programme, which is fundamental to the Council's organisational development and efficiency agenda, includes a number of workstreams. We would anticipate carrying out further audit work as the programme develops.

Engagement team - key contacts

Your main audit team is based in London and are all public sector specialists. However, we operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



Paul Hughes (CPFA)
Client Relationship Lead
T 020 7728 2256
E paul.hughes@uk.gt.com

Paul will lead our relationship, bringing his extensive local authority expertise to the Council. Paul will be a key contact for the Chief Executive, the Deputy Chief Executive, the ADs of Finance, other senior Council officers and the Audit Committee. Paul is responsible for the overall delivery of the audit including the quality of output.



Tom Foster (ACCA)
Manager
T 020 7728 2085
E thomas.foster@uk.gt.com

Tom is responsible for the audit strategy, planning and liaison with, including liaising closely with the Head of Finance and the AD of Finance – Audit and Risk Management for an effective managed audit approach. Tom ensures the delivery of planned audit outputs including quality of reporting prior to presenting plans and reports to the Council's officers and Members.



Melanie Fox (ACCA)
Assistant Manager
T 020 7728 2419
E melanie.fox@uk.gt.com

Melanie is responsible for managing the audit of the financial statements and is the main contact for the Finance Manager.

Melanie will provide feedback to the Council throughout the audit process and is the first point of contact for resolving technical accounting issues.



Simon Cooke (ACA)
Executive
T 020 7728 2790
E simon.j.cooke@uk.gt.com

Reporting to Melanie, Simon is responsible for the performance of the audit fieldwork and day-to-day liaison with the Council's finance department.

Simon will be supported by a team of audit assistants.

Engagement team - specialist support



Paul Dossett (CPFA)
Supporting Partner
T 020 7728 3180
E paul.dossett@uk.gt.com

Paul will support Paul Hughes in the delivery of the audit, using his wide public sector knowledge and experience of the Council and wider local government. Paul will be available, as needed, to meet and discuss issues with the Chief Executive and Members.



Nick Taylor (ACA)
Grants Manager
T 07500 815 358
E nick.taylor@uk.gt.com

Nick is responsible for the overall management of the grants audit programme and will work with the Council to coordinate the certification of the grant claims.



Denis Thorpe (CPFA)
Technical and Quality Lead
T 077 6832 6514
E denis.thorpe@uk.gt.com

Denis is responsible for ensuring that complex technical issues are dealt with consistently across all our clients. His role will include technical support to the audit team and will be available to support in the resolution of any complex accounting issues with the Council.



David Longbottom
Advisory Specialist
T 020 7728 2996
E david.longbottom@uk.gt.com

David has extensive public sector experience specialising in financial, efficiency and performance reviews and transformation and change management. David's expertise will be used to support our work on the Council's Value for Money conclusion.

Audit fee

What is the scale audit fee?

This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2008.

It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment.

How we calculate your scale audit fee

The Council's audit fee is calculated in accordance with the Audit Commission's scale of audit fees for 2010-11. For the Council, the scale calculation includes a fixed element for a London Borough and a percentage of planned gross expenditure as determined by the Audit Commission.

Variations to the scale audit fee

Based on a thorough review by the audit team which includes discussions with Council officers and Members, we then tailor our work to reflect local circumstances. This may result in a variation upwards or downwards on the scale audit fee. Any variation to the scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the Council.

2010-11 audit fee

As set out in our indicative Audit Fee Letter issued March 2010, the total indicative fee for the audit (excluding the Pension Fund) for 2010/11 is £415,000 (exclusive of VAT), this is in line with the 2009/10 fee.

The scale audit fee for the Council has been calculated at £441,037 which is 6% lower than the suggested scale fee for the Council.

In setting the audit fee below scale, we have made the following assumptions:

- ✓ a good level of proactive joint working with the Council's finance and valuations teams with timely and good quality working papers and records being provided to support the accounts audit
- ✓ no significant issues impacting on our audit with the transition to IFRS
- ✓ internal audit will continue to meet appropriate professional standards and undertake work on all material systems that provide figures in the financial statements, sufficient to support our audit
- ✓ the Council will inform us of significant developments impacting on our audit and prompt responses will be provided to draft reports.

The fee will be subject to review and may be revised if significant new risks are identified or if we are unable to progress the audit as planned due to the timing or quality of information provided by the Council. In the event that we consider it necessary to revise the Council's audit fee upwards, we will discuss this with the Deputy Chief Executive.

Audit fee

A summary of the audit fee is shown in the table below:

Table 2: 2010/11 audit fee

Audit area	Planned fee 2010/11	Actual fee 2009/10
Financial statements#	220,000	170,000
VfM conclusion	195,000	245,000
Total audit fee	^£415,000	£415,000
Certification of claims and returns*	£75,000	£75,000

inclusive of Whole of Government Accounts and the impact of the first year of IFRS accounting, including audit review of the 2009-10 restated accounts

^ we are billing £415,000 for the 2010/11 audit but the Audit Commission will give a rebate of around £15,000, meaning that the net audit fee for the year is £400,000

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

New approach to local VfM work – impact on the audit fee

The Audit Commission wrote to all council chief executives in August 2010 to advise of the new approach to local Value for Money for audit work and the impact of this on the 2010/11 audit fee following the cessation of the Comprehensive Area Assessment. For 2010-11, the Commission has already given a 6% rebate to mitigate the increases in audit fees arising from the transition to IFRS and a further rebate of 3.5% of scale fee (around £15,000) has recently been announced which reflects the cessation of Use of Resources. This has the net effect of reducing the Council's 2010-11 audit fee to £400,000. The Commission has also confirmed that the Council will not be charged for abortive CAA Managing Performance Work which, if billed, would have been in the region of £17,000.

For 2011-12, the scale fee for the Council will be reduced by a further 10%, which, subject to no major movements in the variable elements of the scale fee, would be around £383,000. We will set our 2011-12 fee against the scale based on the assessed level of risk at the Council.

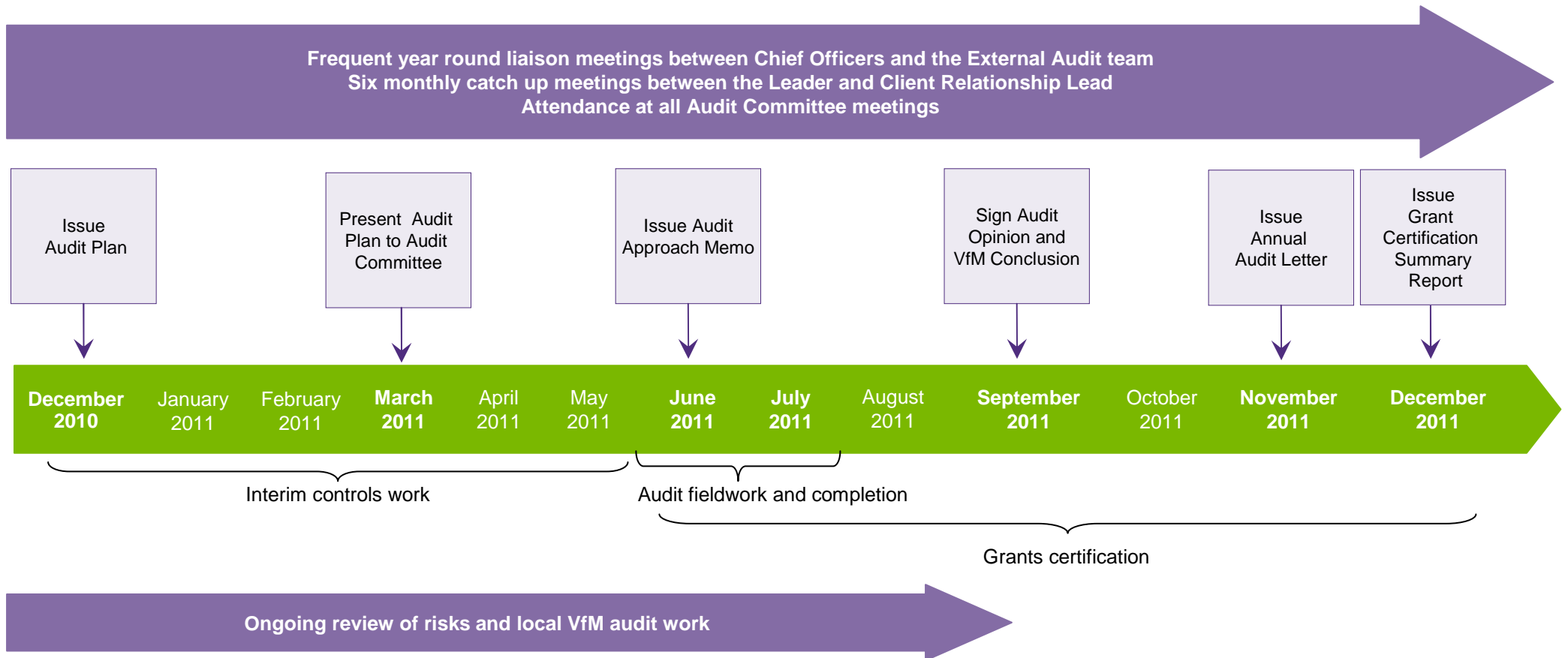
Outputs

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

Reports are addressed to management and the Audit Committee and are prepared for the sole use of the Council, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Output	Purpose	Issue date
Audit Plan	<ul style="list-style-type: none"> • Outline audit approach • Identify initial high risk areas and our planned response • Confirm Plan with Audit Committee 	December 2010
Audit Approach Memorandum	<ul style="list-style-type: none"> • Outline our audit strategy on conclusion of detailed audit planning • Review risks and update planned response accordingly • Highlight focus areas for the audit • Confirm with Senior Officers and Audit Committee 	June 2011
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> • Highlight key issues arising from the audit and their resolution • Communication of adjusted and unadjusted audit differences • Improvement recommendations resulting from audit procedures 	September 2011
Auditor's Reports	<ul style="list-style-type: none"> • Report on financial statements • Report on value for money conclusion 	September 2011
Annual Audit Letter	<ul style="list-style-type: none"> • Summarises the key issues arising from our 2010/11 audit 	November 2011
Grants Claim Certification	<ul style="list-style-type: none"> • Highlights key issues arising from our grants certification work • Recommendations identified for improvement 	December 2011

Timeline



Appendices

Appendix A

Independence and objectivity

We are required to communicate to you an relationships that may affect the independence and objectivity of the audit team. Following the Council's employment of a former Grant Thornton employee as Assistant Director of Internal Audit and in order to comply with ethical standards we will utilise an independent partner and additional resource, as required.

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

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

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

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

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

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

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

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

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



© 2010 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

www.grant-thornton.co.uk

AGENDA ITEM: 9

Page nos. 82 - 102

Meeting	Audit Committee
Date	17 February 2011
Subject	Grants Report 2009/10
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants.

Officer Contributors	Maria Christofi, Assistant Director Financial Services, Finance Directorate Catherine Peters, Head of Finance SAP Systems, Closing and Compliance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Grants Report 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: Catherine Peters, Head of Finance (020 8359 7142)

1. RECOMMENDATIONS

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

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 11 March 2010 (External Audit Report on Grants certification).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Grants Report addresses fundamental aspects of management arrangements in Barnet, which relates to the Council's 'Better Services with Less Money' corporate priority.

4. RISK MANAGEMENT ISSUES

- 4.1 The Grants Report 2009/10 summarises Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process however it also draws attention to significant matters in relation to individual claims. Failure to address these matters can place the receipt of external funding, which the council is entitled to and has budgeted for, at risk.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 The council submitted 11 grant claims and returns from government departments and other bodies requiring external audit certification in 2009/10, representing a claim value in excess of £360 million.
- 9.2 Under Audit Commission guidance, to provide assurance to the grant paying bodies, the Council’s External Auditor reviews and certifies all claims in excess of £125,000 after verifying that all the expenditure incurred by the Council qualifies under the terms and conditions of the grant. Grants under £125,000 do not have to be certified and only limited checks are required for grants between £125,000 and £500,000.
- 9.3 The following performance is drawn to the attention of this Committee. It summarises the Council’s performance against key certification performance targets and prior year’s performance.

Performance measure	Target	Performance 2009/10	Performance 2008/09
Number of claims	N/A	11	12
Claims submitted on time	100%	91%	83%
Claims certified on time	100%	100%	100%
Claims amended by Auditor	0%	45%	33%
Claims qualified by auditor	0%	18%	17%

- 9.3.1 Overall the Council’s performance in preparing claims and returns has slightly deteriorated since 2008/09.
- 9.3.2 In 2009/10 2 claims were qualified, these were the Housing Revenue Account Base Data return and the General Sure Start return. Grant Thornton are required to qualify where they feel that, based on certification work which they have undertaken, the entries within the claim or return are not adequately supported by the Council’s working papers such that they are not satisfied that the claim or return is correct.
- 9.3.3 The Housing Revenue Account Base Data return was qualified because the council was required to include information on shared ownership dwellings. The Council has now received confirmation that these properties do not need to be included in the return going forward. Therefore in future the claim will not be qualified in respect of these shared ownership properties. The Sure Start return was qualified because it included expenditure relating to prepayments despite the guidance stating that this should be excluded.

- 9.3.4 There was an increase in the number of claims and returns that were submitted with amendments or qualifications, with some of the amendments being minor and others as a result of the Council not following the claim guidance.
- 9.4 The grant fee for 2009/10 was £74,760 against a budget of £75,000.
- 9.5 The External Auditors found the quality of working papers to be of a generally good standard. However there were delays in providing additional information and supporting documentation requested in respect of the Teachers Pension Claim and the Disabled Facilities Grants. In addition working papers relating to the Pooling of Capital Housing Receipts were not clearly referenced.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
CFO: MC/JH

London Borough of Barnet

Certification work report 2009/10

3 February 2011

Contents

1	Introduction and approach	1
2	Results of our certification work	3

Appendices

A	Details of claims and returns certified for 2009/10	8
B	Action plan	10
C	Certification work fees	13

1 Introduction and approach

Introduction

- 1.1 Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As London Borough of Barnet's (the Council) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.
- 1.2 The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and they clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

Certification arrangements

- 1.3 The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2009/10 were:
- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;
 - for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but were not required to undertake any testing of the eligibility of expenditure or data; and
 - for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.
 - In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work.

Our certificate

- 1.4 Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:
- without qualification;
 - without qualification but with agreed amendments incorporated by the authority; or
 - with a qualification letter (with or without agreed amendments incorporated by the authority).
- 1.5 Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

2 Results of our certification work

Key messages

- 2.1 For the financial year 2009/10, we have certified eleven claims and returns for the Council, which amounted to £360m. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.
- 2.2 The Council's performance in preparing claims and returns is summarised in the table below.

Exhibit One: Performance against key certification targets

Result	Number in 2009/10	Number in 2008/09	Compared to last year
Without qualification	4	6	Some deterioration
Without qualification but amended	5	4	Some deterioration
Qualified	2	2	Same
Total	11	12	

- 2.3 This demonstrates that overall the Council's performance in preparing claims and returns has slightly deteriorated since 2008/09. There has been an increase in the number of claims and returns that were submitted with amendments or qualifications, with some of amendments being minor and others as a result of the Council not following the claim guidance. The Council should undertake appropriate review of grant claims and returns before submission to ensure greater accuracy.
- 2.4 We qualified two claims this year as we did in the previous year. We are required to qualify whenever we think that, based on the certification work which we have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that we are not satisfied that the claim or return is correct. Government departments are entitled to withhold or withdraw payment to the Council of any monies that they feel, based on our qualification letters, are not adequately supported. The two claims qualified were the Housing Revenue Account Base Data Return and the General Sure Start return.
- 2.5 Details on the certification of all claims and returns are included at Appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

- 2.6 Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan in Appendix B.
- 2.7 The Council's and our performance in meeting deadlines related to the certification of claims and returns is summarised below.

Exhibit Two: Performance against deadlines

Deadline	2009/10	2008/09	Direction of travel
Submitted by deadline	10 (out of 11)	10 (out of 12)	→
Certified by deadline	11 (out of 11)	12 (out of 12)	→

- 2.8 The Council submitted all of its claims and returns on time with the exception of one. This claim related to the grant received from the London Development Agency for the Barnet Youth Offer (RG31). We certified all of the claims and returns within the relevant deadlines set by the Audit Commission.
- 2.9 During the year, we carried out training for key officers to ensure they were aware of the how claims and returns are prepared and the certification process. The Council will need to ensure that all claims and returns are submitted to us within the required deadlines. This will enable us to continue to meet all the certification deadlines.

Certification work fees

- 2.10 Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Exhibit Three: Hourly rates for certifying claims and returns for 2009-10

Role	2009/10	2008/09
Engagement lead	£380	£365
Manager	£210	£200
Senior auditor	£135	£130
Other staff	£105	£100

- 2.11 Our fee for certification work at the Council in 2009/10 was £74,760 compared to £78,890 for 2008/09. Our fee is in line with our estimate of £75,000 included in our Grant Claims and Returns Planning Memorandum 2009/10, dated 23 August 2010. Details of our fee by claim and return and how this compares to last year are included at Appendix C.

Management Arrangements

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

Grants co-ordination

- 2.13 The Council has a grants co-ordinator, based in the Finance Directorate, who is our key point of contact when making arrangements to undertake our certification work, and liaises with key officers on all grants claims and returns. We send the grants co-ordinator the monthly Audit Commission's Certification Instruction index which gives an up to date list of the claims and returns that need to be submitted by each Council and by what date.
- 2.14 There was an action raised in 2008/09 report around communication between the Grants Co-ordinator and the Finance Team. In September 2010 the Council revised its internal reporting structure for grant certification in order to improve the process.

Compilation Procedures

- 2.15 As part of our control environment and testing assessment we reviewed the compilation procedures for each claim or return. We generally found the person compiling the claim has sufficient experience. Key officers have been provided with training in preparation of claims and returns and the certification process.

Quality of working papers

- 2.16 The quality of working papers provided to us were generally of a good standard. However, in respect of the Teachers Pension Claim and the Disabled Facilities Grants we experienced some delays in receiving the additional information and supporting documentation requested.
- 2.17 A further issue was noted in respect of the Pooling of Capital Housing Receipts claim where the compiler of the 2009/10 claim had subsequently left the council. We noted that these working papers were not clearly referenced, which made it difficult to complete the certification work on the claim.
- 2.18 Key officers should ensure that working papers are clearly referenced, and that information requested is provided as soon as is practical. They should also ensure that there are no delays in completing our certification work, which may result in an increase of audit fees charged.

Submission procedures

- 2.19 As agreed within the Grants Plan for 2009/10, the Grants Co-ordinator emails us an electronic copy of the signed claim or return once completed. During 2009/10 all but one claim was submitted to us by the required deadlines (RG31 as mentioned

above). The claim had been identified by the Council and officers were aware that they were required to submit the claim to us by the deadline. However, this was not achieved and the completed claim was submitted after the deadline. The Council will need to ensure that all claims and returns are submitted to us within the required deadlines.

Officer availability

- 2.20 We give the Council as much notice as possible of our proposed dates for the certification of each claim or return. Where these dates are not convenient for the Council, we are as flexible as possible in order to facilitate a successful certification process. For the majority of claims and returns we found officers to be helpful, co-operative and available as planned. However as set out in paragraph 2.16, we experienced delays in receiving information for the Teachers Pension Claim and the Disabled Facilities Grants.

Significant findings in relation to individual claims and returns

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

RG31- Single Programme LDA

- 2.22 The Council submitted the grant return for the London Development Agency relating to the Barnet Youth Officer after the submission deadline. This was due to be submitted to us by the 30 April 2010. It is the Council's responsibility to ensure that the claim is submitted by the deadline. This claim was submitted to us on 6 May 2010 and certification work completed and the claim certified by the deadline of 30 June 2010.
- 2.23 As mentioned above, the Council will need to ensure that all claims and returns are submitted to us within the required deadlines to enable us to certify these claims and returns by the deadline.

CFB-06 Pooling of Capital Housing Receipts

- 2.24 As part of our certification work, there were several instances in the pooling of Capital Receipts whereby guidance from the Department of Communities and Local Government had not been correctly followed. The following are instances in which the Council did not follow the guidance:
- a case was identified where lease extensions had been included as part of the pool but per the CI this is not necessary.
 - a case was identified where income was included as an allowable deduction; this treatment is incorrect as in accordance with the CI, properties sold to buyers who intend to subsequently live in the property do not count as allowable deductions.
 - the capital receipts reduced for the cost of buying back dwellings had also been calculated incorrectly.

- 2.25 The Council should ensure that it makes full use of guidance (including references to further material) provided by the Department of Communities and Local Government and the Audit Commission when preparing all claims and returns.

EYC-02 General Sure Start

- 2.26 As part of our certification work, we noted that expenditure relating to prepayments had been included in 2009/10, despite the guidance stating that this should be excluded when preparing the above claim. Our sample was extended for the test and we identified similar errors. This resulted in the claim being qualified. The Council should ensure that all key staff preparing and compiling claims and returns are aware of the conditions attached to them. This will aim to ensure that claims and returns are not qualified.

HOU-02 - HRA Subsidy Base Data

- 2.27 As noted in previous years the CLG issued a spreadsheet to help authorities calculate certain amounts included in the return. In order to complete the spreadsheet the Council was required to include information on shared ownership dwellings and the shared ownership transitional rent amounts for 2009/10 and previous years. This information is not available and therefore we are unable to verify the accuracy of the figures in fields which were obtained from the CLG spreadsheet. Therefore, the Housing Revenue Account Base Data return has been qualified.

- 2.28 The Council had contacted the CLG to query if this would be an on-going issue. The Council received confirmation, after we had certified the claim, stating that these properties do not need to be included in the return going forward. Therefore in the future, the claim will not be qualified in respect of these shared ownership properties.

LA01 - National Non-Domestic Rates Return

- 2.29 Included within the losses in collections was an amount relating to bad debts written off during the year. The CI requires that all write-offs are properly approved in accordance with the authority's procedures. Write offs included on the claim were authorised by the Director of Finance however not in a timely manner. The claim was prepared and submitted in June 2010 and the write offs were authorised in September 2010.

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

Acknowledgements

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

Grant Thornton UK LLP
3 February 2011

A Details of claims and returns certified for 2009/10

Claim or return	Value (£)	Amended?	Qualified?	Summary
Housing and council tax benefit scheme - BEN01	221,177,067	Y	N	Return fairly stated and in accordance with terms and conditions, except for an amendment. The amendment was relating to the reconciliation and did not have an effect on the amount claimed.
Teachers' pensions return x3 - PEN05	23,016,298	Y	N	The Council prepares three claims relating to the Teachers' Pension of which only one was amended. Returns fairly stated and in accordance with terms and conditions, amendments were required as a result of reconciliation differences noted in respect of pension contributions relating to the Council's claim.
Disabled facilities - HOU21	861,000	Y	N	Return fairly stated and in accordance with terms and conditions, except for an amendment which was due to the Council incorrectly using a 60:40 split for funding of expenditure. This is no longer applicable for 2009/10 as per the certification instruction.
HRA subsidy - HOU01	10,247,061	Y	N	Return fairly stated and in accordance with terms and conditions, except for an amendment to reflect the actual capital expenditure instead of the forecast.

Claim or return	Value (£)	Amended?	Qualified?	Summary
Single Programme LDA - RG31	395,624	N	N	Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.
General Sure Start - EYC02	11,063,811	Y	Y	Return fairly stated and in accordance with terms and conditions, except for qualification and amendment with regard to the incorrect inclusion of prepayments for training courses for 2010/11. As described in paragraph 2.26 above.
Pooling of housing capital receipts - CFB06	889,042	Y	N	Return fairly stated and in accordance with terms and conditions, except for amendments which related to issues noted in paragraph 2.24.
HRA subsidy base data return - HOU02	N/A	Y	Y	Return was qualified and amended as mentioned in paragraph 2.27 and 2.28 above.
National non-domestic rates return - LA01	92,243,706	N	N	Return fairly stated and in accordance with terms and conditions, with no amendments or qualifications required.
Total	359,893,610			

B Action plan

No	Claim or return	Recommendation	Priority	Management response , officer responsible and deadline for implementation
1.	Single Programme (LDA) RG31	The Council should ensure that all claims and returns are submitted to us within the required deadlines.	High	The action taken to ensure that claims are submitted by the deadlines would be for the Finance team to ensure that those submitting claims are notified of the key deadlines Head of Youth & Connexions Service/Claims Co-ordinator Immediate
2.	Capital Housing Receipts CFB-06	The Council should ensure it makes full use of guidance (including references to further material) provided by CLG and Audit Commission when preparing all claims and returns.	High	The action taken is that the Finance team ensures that those completing the claim are clear about the guidance relating to the completing the Pooling return. Finance Manager (PHR & E&O) Immediate

No	Claim or return	Recommendation	Priority	Management response , officer responsible and deadline for implementation
3.	General Sure Start - EYC02	All staff who are involved in compiling and preparing the claim should be made aware of the conditions of the claim. There should also be review of this process so that errors are minimised.	Medium	<p>The Finance team will ensure that officers responsible for compiling and preparing the claim have the grant conditions prior to completing the claim and that this is reviewed independently of the person submitting the claim to minimise any errors prior to submission</p> <p>Finance Officer (BRSI)/Head of BRSI Immediate</p>
4.	National Non-domestic Rates Return - LA01	The Council should ensure bad debts written off are approved in a timely manner, in accordance with the Council's policy.	Medium	<p>The action taken is for the write off report to be prepared around the time that the claim is submitted to ensure that it is approved in a timely manner.</p> <p>Head of Revenues & Benefits Immediate</p>

No	Claim or return	Recommendation	Priority	Management response , officer responsible and deadline for implementation
5.	All Claims	Key officers should ensure that working papers are referenced and that information requested is provided on a timely basis.	Medium	<p>Officers will endeavour to have all relevant files and paperwork referenced and available.</p> <p>With regards to the Teachers' pensions return, external schools will be notified of a deadline for submitting information once the date for the audit of this claim has been agreed.</p> <p>Finance Manager (PHR & E&O)/Pay & Data Services Manager/Environmental Health Manager (Residential)</p> <p>Immediate</p>

C Certification work fees

Claim or return	Fee 2009/10 (£)	Fee 2008/09 (£)	Explanation for significant variances
Housing and council tax benefit scheme - BEN01	25,033	27,735	Slight reduction due to efficiencies.
Teachers' pensions return x3 - PEN05	12,673	8,450	Increase year on year as a result of delays experienced in receiving information requested.
Disabled facilities - HOU21	4,443	4,355	No significant difference year on year.
HRA subsidy - HOU01	5,500	5,785	No significant difference year on year.
Single Programme LDA- RG31	1,037	5,850	The fee in 2008/09 was for two claims whereas in 2009/10 we were only required to certify one. There were also efficiencies made in completing the certification of the claim.
General Sure Start - EYC02	3,813	3,770	No significant difference year on year.
Pooling of housing capital receipts - CFB06	4,285	3,575	Slight increase as a result of issues and delays, resulting in extra required to complete certification of claim.

Claim or return	Fee 2009/10 (£)	Fee 2008/09 (£)	Explanation for significant variances
HRA subsidy base data return - HOU02	9,903	11,350	Slight reduction due to efficiencies.
National non-domestic rates return - LA01	5,840	6,370	Slight reduction due to efficiencies.
Cost of reporting to those charged with governance	2,233	2,730	Slight reduction due to efficiencies.
Total	74,760	79,970	

www.grant-thornton.co.uk

© 2011 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication