MEETING
AUDIT COMMITTEE
DATE AND TIME
THURSDAY 16 JUNE 2011
AT 6.30PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG
PLEASE NOTE START TIME

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Lord Palmer
Vice Chairman: Councillor Brian Schama

Councillors:

Alex Brodkin	Tom Davey	Graham Old
Geof Cooke	Sury Khatri	

Substitutes for Councillor Members:

Jack Cohen	Mark Shooter	Andreas Tambourides
Alan Schneiderman	Agnes Slocombe	Susette Palmer

Independent Members:

Richard Harbord	Debra Lewis

You are requested to attend the above meeting for which an agenda is attached.
Aysen Giritli – Head of Governance

Business Governance 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

CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

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BARNET
LONDON BOROUGH

AGENDA ITEM: 6   Page nos. 1 - 43

Meeting	Audit Committee
Date	16 June 2011
Subject	**MetPro Rapid Response Internal Audit Report**
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the Report and agree recommendations.

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

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

1. RECOMMENDATIONS

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

1.2 That the Committee determine what further report(s), if any, the Committee wishes to be presented to its future meetings in order to provide Members with assurance that the, identified, action are taking place.

2. RELEVANT PREVIOUS DECISIONS

2.1 There are no previous decisions relating to this subject.

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 The Contract Procedure Rules (CPR) provide that the contract framework has three general aims:

       1.3.1 Ensure value for money and propriety in the spending of public money;

       1.3.2 To enable services to be delivered effectively and efficiently without compromising the Council's ability to influence strategic decisions; and

       1.3.3 To ensure that the Council is not exposed to unnecessary risk and likelihood of challenge arising from non compliant tendering activity.

6.2 This report highlights that without an effective procurement capability across the Council the Council will fail to achieve value for money through those arrangements.

7. LEGAL ISSUES

7.1 Contract Procedure Rules (CPRs) incorporate provisions of EU Procurement Rules. Failure to comply with CPRs are likely to result in breach of EU Procurement Rules and Treaty Rules of fairness, non-discrimination and transparency.

7.2 Actions proposed to be taken, in accordance with the Recommendations, do not trigger any, specific, legal issues.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

9.1 This report provides details of the internal audit findings from review of the arrangements surrounding security company MetPro Rapid Response and related companies.

9.2 This report highlights that there are some serious deficiencies in current procurement arrangements that require immediate attention from management. Thorough investigations and enquiries have been made but have not resulted in the identification of, either, a service-based or a corporate contract, suggesting that controls have been ineffective in ensuring that a contract was put in place to record the relationship between the council and, initially, MetPro Rapid Response. More importantly, Officers cannot, on the basis of, existing, procedures, give assurance that this will not happen again, due to the lack of an accurate and complete corporate contract register and effective monitoring arrangements for contracts during their, respective, terms.

9.3 Management have given responses to the report and the Committee is asked to comment on the adequacy of these responses and the timing.

10. LIST OF BACKGROUND PAPERS

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

Legal: MAM
Finance: JH/ MC

London Borough of Barnet

Draft Internal Audit Report

MetPro Rapid Response Ltd (MetPro)
May 2011

Timetable	
Terms of reference	4 May 2011
Fieldwork completed	25 May 2011
Draft report issued	27 May 2011
Management responses received	2 June 2011
Final Report Issued	6 June 2011

Internal Audit Service, Finance Directorate

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Appendices:

A: Statement of Responsibilities
B: Guide to Priority
C: Action Plan
D: Terms of Reference
E: Interview Schedule

1. Executive Summary

Introduction	Internal Audit has reviewed the adequacy and effectiveness of the management controls and procedures for the procurement and contract management arrangements of MetPro Rapid Response Limited (MetPro). MetPro had been providing security services to the Council.
Background	The Council's Financial Regulations, Contract Procedure Rules (CPR) and the Procurement Code of Practice govern the way day to day procurement activity and financial administration is conducted and exercised. The CPR, last updated April 2010, provide the framework within which the Council may procure works, supplies and services. These rules aim to: 1.3.1 Ensure value for money and propriety in the spending of public money; 1.3.2 To enable services to be delivered effectively and efficiently without compromising the Council's ability to influence strategic decisions; and 1.3.3 To ensure that the Council is not exposed to unnecessary risk and likelihood of challenge arising from non compliant tendering activity. The Council's Corporate Procurement Team (CPT) maintain, renew and manage all corporate contracts and provide best practice advice to service areas on all aspects of procurement. Directors and Heads of Service are responsible for all contracts tendered and let by their service areas. They should ensure effective contract management, contract reviews and monitoring during the lifetime of all contracts in their areas in accordance with CPR items 4.1 to 4.1.16. At the time in which services were first rendered by MetPro in 2006 the arrangements were considered a devolved responsibility, with Barnet House being monitored by Facilities Management and Barbara Langstone House being monitored by Housing Services. From the limited records made available, the need for a corporate contract was recognised by the Strategic Procurement Team (SPT) in late 2006. Services areas across the Council were contacted by SPT to confirm their current security arrangements with a view of putting together a tender for a corporate contract in 2007. A business case was prepared recommending a Framework Agreement (where there are range of suppliers offering different types of security services from which managers are able to utilise at the agreed negotiated rates) to represent all of the main Council Buildings rather than to continue procuring individual suppliers for individual Service Areas. CPT have confirmed that this procurement exercise did not progress. The reasons for this exercise not progressing were not known. In June 2009, the then Head of Property Services through an officer DPR, commissioned Samwell Associates to review the Council's security arrangements, including the number of contractors performing security services under different contracts and arrangements. The outcome of this review has resulted in the production of a security specification for all of the Council's requirements and CPT were in the process of procuring a corporate contract. However, to date this procurement exercise has not progressed.

MetPro started rendering security services for the Council at the Barnet House in April 2006. Terms and services were specified in the draft document *Barnet House – Security Requirements* and *Barnet House On-site security specification* (cost centre: Commercial services).

In December 2007 MetPro also started operating at Barbara Langstone House. Services were specified in *Barbara Langstone House: Security and Health and Safety Provision,* drafted in December 2007 (cost centre: Housing)

Whilst most services were rendered at Barnet House and Barbara Langstone House, MetPro also undertook minor services in Graham Park Library, Chipping Barnet Library, Osidge Library, Hendon Library, Hendon Town Hall (recent) and Fenella House. Barnet House recharged the expenditure to the relevant cost centres.

Over the course of their involvement with the Council, three different MetPro have been involved and operating under the following names:

1. MetPro Rapid Response Ltd: from 1/7/2005 to 14/3/2011

2. MetPro Group(2007-2008) and MetPro Group Ltd: came into effect 5/12/2008 to 13/7/2010

3. MetPro Emergency Response Ltd: created 13/1/2011

The total spend net of VAT on MetPro for the period April 2006 until March 2011 amounted to £1,361K. Spend was as follows:

Services	2006-7 ('000)	2007-8 ('000)	2008-9 ('000)	2009-10 ('000)	2010-11 ('000)	Total ('000)
Barnet House	90	122	174	170	172	728
- Hendon Town Hall			7	15	22	44
- Fenella	7	23				30
- Libraries					3	3
- Education		13	20			33
Total	**97**	**158**	**201**	**185**	**197**	**838**
Barbara Langstone	0	34	173	172	144	523
Total	**97**	**192**	**374**	**357**	**341**	**1,361**

Scope and Method	The audit work assessed and evaluated the controls in the following areas (see Appendix D for full Terms of Reference): • Award of contract • Review of the Contract Service Specification • Roles and Responsibilities of key officers in the procurement and contract management arrangements • Vendor Set-up • Authorisation for contract extension and variations • Raising of Orders, Goods Receipting and Payment of Invoices • Contract Monitoring Arrangements and Management Information Our method of review included: • interviews with key officers (Appendix E) who had knowledge or working arrangements with MetPro; • examining relevant documentation pertaining to MetPro; • assessing compliance with the CPR and Financial Regulations, which form part of the Council's Constitution.
Overall message	• The Council has failed to comply with its CPR and Financial Regulations, exposing the Council to significant reputational and financial risks. • Internal Audit cannot give assurance that this non-compliance is an isolated incident, due to a lack of an accurate and complete centrally held contracts register and effective monitoring arrangements. • We recommend that all spend over the stated threshold in the CPR be reviewed and matched to a central contracts register (in development) in a timely basis.

Key Findings

Our work has concluded the following:

Award of contract and review of contract service specification
No procurement exercise had been undertaken to appoint MetPro, in accordance with the Council's CPR.

No written contract between the Council and MetPro could be found.

There is no record of an approval and authorisation for the use of MetPro for providing security services.

In the absence of a formal procurement exercise, we could not locate the following documents/confirmation for MetPro, which the CPR require:
- Financial viability of the company
- Equal Opportunities Assessment
- Criminal Records Bureau checks
- Confirmation of company's Public Liability Insurance arrangements
- Confirmation of the company's Health and Safety registration
- Confirmation on the SIA licence status of the Company Officers
- An agreed specification which outlined the service to be provided
- An agreed schedule of rates for payment of invoices
- A process for monitoring performance of service delivery to establish if the Council was receiving value for money

There has been a failure to comply with the Council's Policies and Procedures with regards to roles and responsibilities. Officers interviewed had assumed a corporate contract was in place and relevant checks on MetPro had therefore been undertaken. Recently, from September 2010, assurance was given to officers we interviewed that a corporate contract was being procured by the CPT as they were aware at that time that no contract was in place with MetPro. At the time of writing this report this procurement exercise had not started, however a detailed specification existed.

Roles and Responsibilities of key officers in the procurement and contract management arrangements – vendor spend analysis
Council spend with MetPro between 2007 and 2011 exceeded the relevant thresholds for which a term or annual contract should have been established. Monitoring arrangements centrally, as documented within the CPR, were not designed effectively to identify all vendors that exceed tender limits. The control implemented within the CPT monitored the top 10 spend of vendors per service. However, this was not sufficient to identify the MetPro spend, which was above the relevant threshold during 2007-2011. This resulted in a failure to comply with the CPR.

Vendor Set-up and VAT compliance
There was no record of standard approval checks being undertaken by Corporate Procurement, and of the standard Vendor Request Form, to confirm the adequacy of the approval process required for accepting the vendor and to confirm the set up information on SAP Financial System.

Our sample testing of invoices highlighted there had been payments of invoices in the names of MetPro Group and MetPro Emergency Response Ltd where a valid VAT number had not been quoted. However a full review of all payments of invoices should be completed to identify all instances where a valid VAT number had not been quoted and the implications discussed with HMRC.

There were inappropriate changes to bank account details on SAP Financial System resulting in payments to an unauthorised vendor - MetPro Emergency Response.

Raising of Orders, Goods Receipting and Payment of Invoices
There was a failure by service officers responsible for authorising Purchase Orders to comply with the Financial Regulations requirement for Purchase Orders to be raised before the service is executed and delivered.

Within our sample testing there was a lack of documentary evidence retained by Officers approving invoices for payment.

Contract Monitoring Arrangements and Management Information
Contract monitoring arrangements were ineffective to monitor all aspects of service delivery, including compliance with the required licence arrangements.

General
Inadequate controls, monitoring and record keeping were in place by officers responsible for procuring services from MetPro at a local level.

Although we cannot rule out fraud, there have been no allegations of fraud and there is no evidence to suggest that there should be a fraud investigation.

Our review of the Register of Members' Interest forms (which Members and Co-opted Members are required by law to declare if they have any beneficial, financial or other interest which may constitute a potential conflict of interest with Council business) from 2002 to the latest update in 2010 found that MetPro was not declared during this period as a party in which any of the Members and Co-opted Members had an interest.

We have set out a number of recommendations for strengthening the procurement and contract procedures.

Acknowledgement	We would like to thank the management and staff for their time and co-operation during the course of the internal audit.

Findings and Conclusions

2.1 Procurement and Contract Award

P	Detailed finding	Risk	Recommendation
1	MetPro Rapid Response (MetPro) was not commissioned in line with the relevant Contract Procedure Rules (CPR). Our analysis covered those two areas whereby security services were employed (costs were then re-charged to other services): **Barnet House** Corporate Procurement could not identify evidence of a formal procurement tender (and evaluation process) for commissioning the services of MetPro and the required approval since April 2006. Contract procedure rules state that contract values above £150,000 require a tendering process. Spend levels with MetPro during this period should have triggered a procurement exercise (in 2007/8) as they exceeded the relevant CPR threshold for tender of £150,000. A site instruction (informal specification), issued in April 2006 by the Facilities Manager stating work to be undertaken, hours of work and hourly rate for Barnet House, stipulated an initial term of 3 months. The related vendor set-up request only estimated an annual value for the contract of £32,760. Although this amounted to £98,280 for a typical 3 year contract period (less than the tender threshold) the Contract Procedure Rules in place in March 2006 would have required quotations to be obtained for evaluation prior to selection. We could not find evidence of this exercise being undertaken. We confirmed that towards the end of 2005 and in early 2006 a need was identified for more effective security and better protection for Council staff at Barnet House, particularly in	The council could be exposed to unnecessary risk, financial loss and likelihood of challenge arising from non compliant tendering activity. Non-approved or vetted contractors/suppliers could expose the Council to financial loss and reputation damage.	**Recommendation 1** Contract Procedure rules should be followed by all services to procure works, supplies and services. A SAP solution should be explored by Corporate Procurement team to enter vendor limits in accordance with contract procedure rules annual thresholds.

Housing. There was evidence that a process to commission security services, involving Strategic Procurement, Housing, Children's Service and Facilities Management, (services located at Barnet House) had started. However, there was no evidence that this was concluded to reach a decision on the selection of MetPro in April 2006.

Barbara Langstone House
In December 2007, the then Head of Housing authorised entering into an interim agreement with MetPro Rapid Response for security services at Barbara Langstone House (BLH) over the Christmas period. It was evident from legal documentation advising on the termination of the Magenta contract at BLH that it was expected that related emergency services would be provided there from December 2007 to May 2008.

We could not identify evidence of a formal tender (and evaluation process) for commissioning the services of MetPro and the required approval. According to the Contract Procedure Rules in place at that time (January 2007) spend levels with MetPro should have triggered a procurement exercise (in 2008/9) as they exceeded the £144,000 threshold. MetPro supplied services to BLH until January 2011 amounting to £523K.

General
A proper tender process requires an evaluation of how applicants comply with Health and Safety regulations.

The Council's Health and Safety Consultant confirmed that MetPro was not registered with CHAS (Contractors Health and Safety Assessment Scheme). A CHAS compliant supplier meets acceptable standards of health and safety and relevant H&S regulations. The lack of compliance would have been

addressed had MetPro been commissioned as part of an effective tender evaluation process.

The risks to the council from employing a non competent contractor could leave the council exposed to prosecution or civil claims.

Management Response	Responsible Officer	Deadline
This recommendation is accepted. A process of training and familiarisation of the Contract Procedure Rules (CPR) is to be put in place to address these deficiencies.	Directors & Heads of Service as set out in CPRs	June 2011
A process will be put in place and limits imposed and monitored.	AD Commercial Assurance	1/9/11

2.2. Contract Award (Contract Formalities)

P	Detailed finding	Risk	Recommendation
1	A formal written contract for services rendered at Barnet House from April 2006 and Barbara Langstone House from December 2007 in line with CPR and Legal requirements could not be located. The Council's CPR are revised regularly, and as such three different versions were in place during the period of the MetPro arrangements. The Council's CPR covering the entire period of review required that: 1. all contracts should be in writing 2. all contracts above £25,000 should have stipulated clauses, including defective performance, breach and cancellation. 3. all contracts specify various delivery terms, including services and price. Draft service specifications for Barnet House and Barbara Langstone House stipulated aspects of service delivery but no clauses covering defective performance, breach or cancellation as required for contracts above £25,000, for instance.	There is a risk that the Council may not receive the service required or will be unable to recover damages for works not carried out or for breach in the event of the dispute if terms are not formally agreed and clearly defined contracts are not in place The absence of a written contract results in more resource intensive efforts to understand contract arrangements in place. The lack of a contract means that there is no contractual obligation for the Contractor to comply with legislative requirements, including Health and Safety and Equal Opportunities. If council is found liable to third party, Council may not be able to seek redress from Contractor on the basis that the liability to the council arose as a result of an act or omission by the Contractor. The lack of a contract and defined termination date hampers appropriate planning for new contract/provision of service.	**Recommendation 2** Formal written contracts should be established for all services commissioned by the Council as required by the Contract Procedure Rules.

Management Response	Responsible Officer	Deadline
Accepted. A review of the CPR will evaluate the appropriate thresholds for contracts, this will be formalised in a Vendor Management Strategy.	Directors & Heads of Service as set out in CPRs	Ongoing

2.3 Contract Register

P	Detailed finding	Risk	Recommendation
1	The Council's Contract Procedure Rules (CPR) required Directors to keep a register of contracts over £5,000 (April 2010). The Council's CPR in place in March 2006 and January 2007 required all individual Directors to keep a register of contracts over £25,000 for their service area. Housing was not in full compliance with the CPR requirements relating to maintaining contract registers. As part of the budget preparation process Corporate Procurement initiate a process for the completion of contracts registers by Services. The register completed and provided by Housing for 2011-2015 as part of this process did not refer to MetPro and was therefore incomplete notwithstanding that it had been sent to their Housing managers for them to confirm and update. As an earlier Housing register completed in 2008 did identify MetPro, the process in Housing for ensuring the accuracy and completeness of contracts registers is not robust and consistent. We could not locate Housing contract registers for 2006, 2007 and 2009. Corporate Procurement Team (CPT) confirmed that there is no complete Corporate Contract Register which captures all contracts across the Council. Work is underway to have a complete Contracts Register in place.	There is a risk that failures to with comply CPR may not be identified, that the Council may not be able to work collaboratively with other local authorities on procurement initiatives and ineffective budget planning.	**Recommendation 3** All directors should maintain a complete register of contracts as required by the current Contract Procedure Rules (CPR). This should assist with the completion of a Corporate contract register, which should be placed on the Council's internet to meet the transparency agenda. Corporate Procurement should undertake an oversight function to ensure that contracts are in place where expenditure in Services exceeds the stipulated CPR thresholds. Complete and accurate Directorate contract registers should enable this monitoring to take place.

Management Response	Responsible Officer	Deadline
Accepted. Directors will be asked to routinely monitor contract activities and report progress.	Directors & Heads of Service as set out in CPRs	June 2011
Accepted. This work is underway. A process of monitoring compliance will be established.	AD Commercial Assurance	1 September 2011

2.4. Contract specification

P	Detailed finding	Risk	Recommendation
1	Owing to the lack of formal procurement exercise and a formal contract, a formal contract service specification for MetPro was not available. There was no evidence of an effective process for the development of a robust specification against which tenders could be evaluated and service delivery monitored. An informal draft service specification (site instruction) was provided for Barnet House dated 18 April 2006. The contents of this document referred to hours of work, rates and responsibilities and did stipulate regulatory requirements e.g. licensing requirements. An informal draft service specification was provided for Barbara Langstone House. This set out responsibilities but did not stipulate any regulatory requirements e.g. licensing requirements.	The lack of comprehensive contract specification increases the risk of ineffective contract management as responsible officers may not be aware of all relevant monitoring requirements e.g. licences.	**Recommendation 4** A fit for purpose contract service specification should be developed for tender evaluation purposes and monitoring service delivery.

Management Response		Responsible Officer	Deadline
Accepted. This work is underway. A review has been conducted of the Council's security requirements. A specification has been prepared and a tender exercise will be carried out.		AD Commercial Assurance	31 July 2011

2.5. Roles and Responsibilities (vendor spend analysis)

P	Detailed finding	Risk	Recommendation
1	The Contract Procedure Rules (CPR) stated that if the aggregate cost across all Council services in a financial year for either works, supplies or services of a similar type or contracts with a single supplier is expected to exceed tender limits, then an annual or term contract must be established following the appropriate contractor selection procedures detailed in the Procurement Code of Practice. The tender limits were: • CPR March 2006 -£150,000 • CPR January 2007 -£144.000 • CPR April 2010 -£156,442 The CPR requires expenditure to be monitored by category by service across the Council to ensure these levels are not exceeded. Responsibility for monitoring was as follows: • CPR March 2006 - The Assistant Chief Executive • CPR January 2007 - The Executive Director for Resources • CPR April 2010 - The Commercial Director There was evidence that analysis of vendor spend is undertaken by Corporate Procurement Team to identify top 10 spend by vendors per service. However this process does not identify all vendors that exceed tender limits as required by CPR and therefore does not ensure compliance with CPR.	In the absence of an effective monitoring and analysis process there is a risk of non compliance with the Council's procurement policies which may then prevent the Council from achieving value for money.	**Recommendation 5** The Corporate Procurement Team should establish a process for identifying and monitoring expenditure by category by service across the Council to ensure that current levels do not exceed Contract Procedure Rule limits.

Management Response	Responsible Officer	Deadline
Accepted. This work is underway. A proposal as defined in recommendation 3 will be established.	AD Commercial Assurance	September 2011

2.6. Vendor Set-up

P	Detailed finding	Risk	Recommendation
1	**Vendor set up** 1. MetPro Rapid Response (MetPro) was set up as a new Vendor in March 2006. The relevant Vendor set-up form could not be found by the Accounts Payable Team, although it was noted that this had been logged as received by the Corporate Procurement Team (CPT) prior to being submitted to the Accounts Payable Team for entering to SAP. 2. No evidence was found to confirm that the standard approval checks were undertaken by CPT to confirm the adequacy of the approval process implemented for accepting the vendor (MetPro); this normally includes verification of the company's incorporation, bank details, and VAT. 3. In March 2011, the Accounts Payable Team received a change request directly from the Vendor, this requested factoring be taken off the MetPro Rapid Response bank account and payments being made to the account of MetPro Emergency Response Ltd. The standard practice is for such requests to be obtained directly from the factoring organisation. This effectively resulted in the payment of invoices in the name of MetPro Emergency Response Ltd – a new company not recorded as an approved Vendor on the Council's records. 4. The Council then received a further two invoices in March 2011 the name of MetPro Rapid Response however the payment went to the bank account of MetPro Emergency Response Ltd. 5. The names changes were not noted by service officers who had responsibility of ordering and receipting delivery.	Without evidencing the checks necessary for setting up new Vendors, and without following the standard practices for verifying change requests, there is a significant risk of inappropriate payments to an invalid vendor resulting in financial losses to the council.	**Recommendation 6** Independent checks of amendments to key Vendor Master Data records, such as bank data, should be undertaken routinely for an appropriate number of records. Checks should ensure that appropriate checks are made to confirm details and validity of the requested changes from related parties. Management should retain all supporting data for vendor set-up and amendment checks. In particular, necessary records to confirm the checks undertaken for amendments for key data fields, such as Bank details, should be retained.

Management Response	Responsible Officer	Deadline
Vendor changes will be validated by Corporate Procurement Team as received.	AD Commercial Assurance	Immediately
As above		
This action is accepted and will be implemented through a Vendor Management Strategy.	AD Commercial Assurance	Strategy in place 31 March 2012

P	Detailed finding	Risk	Recommendation
2	We sampled 50 paid invoices out of 156 invoices paid for MetPro Rapid Response, including those for the changed names, for the period since Vendor set-up in April 2006 to current. On the basis of advice from the VAT officer, it was established that invoices should incorporate a valid VAT number for the VAT claimed on the invoices, however, where there is a valid VAT number on the invoices, it relates to MetPro Rapid Response for the sampled invoices in the name of MetPro Group and invoices for MetPro Emergency Response. The Council is currently seeking HMRC advice on the implications of these invoices.	Non-compliance with the Financial Regulations requirement to pay valid VAT invoices can result in the Council facing penalties for the over-recovery of output VAT.	**Recommendation 7** There should be a review carried out to calculate the exact figure the Council has overpaid VAT on this vendor, and immediately contact HMRC. Officers should, as standard, refer all name changes on supplier's invoices to the Central Procurement Team who should obtain the advice of the VAT officer for confirming compliance with the VAT regulations before a change can be processed. Training provided to officers should focus on the implications of name and company changes on supplier's invoices and how those should be addressed for the purpose of compliance with the HMRC's VAT requirements.

Management Response		Responsible Officer	Deadline
This action is accepted, work is underway with the assistance of Finance.		AD Commercial Assurance	Immediately

2.7. Authorisation for contract extension and variations

P	Detailed finding	Risk	Recommendation
1	The Contract Procedure Rules (CPR) sets out clear requirements for extending and varying contracts. There was no evidence that CPR was followed. The absence of a formal contract with a clear termination date and the lack of effective monitoring arrangements, meant that the security arrangement simply continued until March 2011 when the agreement with MetPro was terminated. A review of invoices for services charged to Facilities Management confirmed service delivery on terms different to those referred to in the initial service specification. Changes to conditions of service and rate have been agreed between the Facilities Manager (Barnet House) and the service provider but these were not accessible to all parties who may be required to certify payment.	In the absence of formal extensions to contracts, value for money opportunities may be lost. The lack of formal records of variation to terms increases the risk that incorrect charging may not be identified and addressed.	**Recommendation 8** Contract extensions and variations should be undertaken in line with Contract Procedure Rules (CPR) requirements. Changes to conditions of service should be formally documented for referral by all parties who may be required to certify delivery and payment.

Management Response	Responsible Officer	Deadline
Accepted. Extensions should only be permitted when this delivers value for money.	Directors & Heads of Service as set out in CPRs	September 2011
Accepted. The Council will establish a single Contracts Repository where all amendments to contracts are to be placed.	Directors & Heads of Service as set out in CPRs	June 2011

2.8. Raising of orders, goods receipting and payment of invoices

P	Detailed finding	Risk	Recommendation
1	<u>Barnet House</u> An audit sample of 15 invoices selected over the period from 2006 to current was checked for accuracy, to agreed terms and supporting documentation. The invoices sampled highlighted that invoices specified the service delivery and rate. Discussions with officers highlighted that the officer certifying the invoice confirmed delivery with the appropriate officer through observation on site and weekly/day to day engagement with the contractor and that they checked calculations on the invoice. However there was no supporting documentation evidencing actual delivery, for example we would expect timesheets to be signed off by officers. In addition, there was no formal sign-off on the invoice to confirm delivery and accuracy of calculations, although our checks confirmed the accuracy of calculations on the invoice. Initial terms and conditions were specified on an informal site specification. Invoices reviewed: 1. referred to a different rate (8 out of 15 had rates different to the £16 per hour specified in the site instruction), 2. different numbers of officers were referred to on invoices (the site instruction referred to 2 officers but 8 out of 15 invoices referred to the use of more than 2 officers), and 3. referred to service delivery at sites other than Barnet House e.g. Fenella, Graham Park Library (6 out of 15	There is a risk that invoices may be paid which are not in line with authorised service conditions and that have not been confirmed as being a liability of the Council.	**Recommendation 9** Standard practice should be re-enforced through-out the Council, specifically: • Changes to contract terms should be formally approved and documented for referral by those involved in certifying delivery per invoice; • Invoices should be initiated as evidence of confirmation of service delivery in line with current terms and calculation check; • Supporting documentation should be provided to evidence service delivery; • Delivery should be confirmed with officers who are able to comment on delivery as part of their respective role; and • Purchase orders should be approved and before delivery of the service to ensure that expenditure is valid and in line with agreed terms.

invoices referred to sites other than Barnet House)

Some documentation provided, supported changes to conditions of service and rates. However a formal record of all changes was not available for referral where necessary.

Barbara Langstone House
Invoices specified the service delivery and rate. Discussions identified that the officers certifying the invoice did not routinely confirm delivery with the appropriate officer.

There was no formal sign-off on the invoice to confirm delivery and accuracy of calculations. Our checks however confirmed their accuracy. There was no supporting documentation evidencing actual delivery (e.g. timesheets).

Initial terms and conditions were specified on site specification describing hours of work but not the rate. Invoices reviewed indicated that conditions of service had remained essentially the same since the start of the service delivery by MetPro. Delivery times were consistent with the initial informal site specification and rates were similar to those charged at Barnet House. Discussion confirmed that at some stage, terms as specified on the invoice had been confirmed verbally by the relevant officer involved with the engagement of MetPro but there was no evidence that this was done routinely.

General
According to the Accounting Manual procedures, and best practice, pre-authorisation of purchase orders should occur. In respect of the management of the MetPro contractor purchase orders were approved monthly following the receipt of the invoice. Although purchase order approval is controlled automatically in SAP.

Management Response	Responsible Officer	Deadline
Accepted	AD Commercial Assurance	June 2011.

2.9. Contract Monitoring

P	Detailed finding	Risk	Recommendation
1	The Contract Procedure Rules (CPR) requires that during the life of the contract Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts. Contract Monitoring arrangements were ineffective to evaluate all aspects of service delivery, including ensuring compliance with the Security Industry Authority (SIA) licensing arrangements. SIA licences certify that security operatives are fit and proper persons correctly trained and qualified to undertake security tasks. Licenses are required for various security tasks (e.g. static security/on site guarding). A check by the Barnet House Facilities Management, following the incident at Full Council in March 2011, of the security licence status of officers working for MetPro, revealed that a number of their employees working at the Council did not have active licences. There was no evidence of routine checks to ensure that officers had valid licenses relevant to security tasks. There was no evidence of expected formal contract monitoring arrangements/ structures for routinely engaging all relevant officers using MetPro security services and with agendas covering all aspects of delivery, including confirming licensing arrangements, undertaking criminal records bureau checks and assessing performance against key performance indicators.	The lack of contract monitoring arrangements generally increases the risk that failures in service delivery may not be identified, that service delivery may not be optimised and failures in regulatory compliance which may expose the council to financial and reputation risk may not be identified.	**Recommendation 10** Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts

Although the draft specification for Barnet House did stipulate a requirement for SIA licensed officers, responsible officers at Barnet House and Barbara Langstone House indicated that they had queried the licence position with the contract representative who had confirmed verbally that they were compliant. They had not however confirmed the status independently and there was an admission that one officer did not know how to do so.

Discussion with the relevant officers and review of available documentation confirmed periodic meetings with the contractor with a focus on service delivery (reporting incidents, issues, uniform issues, eviction processes and changes to terms and conditions), with overall performance delivery reflected on monthly invoices being validated through observation on a day to day basis of security officers undertaking operations on site.

Generally, officers interviewed were of the opinion that MetPro's service delivery was satisfactory and met their needs.

A clear issue was that officers responsible for contract monitoring on a devolved basis in Services viewed monitoring compliance with SIA and CRB as a central role as their understanding was that the arrangements had been commissioned Corporately.

The main cause of the failure to ensure that all officers were properly licensed was the lack of a formal tender process and the resulting development of a fit for purpose service specification against which any tender could be evaluated and the subsequent contract could be monitored.

Management Response	Responsible Officer	Deadline
Accepted, actions established to address recommendations 1 to 9 in this report will enable effective management and monitoring of contracts.	Directors & Heads of Service as set out in CPRs.	June 2011.

Appendix A: Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that 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. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix B: Guide to priority

Priorities assigned to recommendations are based on the following criteria:

High (1) – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 month.

Medium (2) – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 months.

Low (3) – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.

Appendix C: Action plan – to be updated following management response

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
1	MetPro Rapid Response (MetPro) was not commissioned in line with the relevant CPR.	**Recommendation 1** Contract Procedure rules should be followed by all services to procure works, supplies and services.	This recommendation is accepted. A process of training and familiarisation of contract procedure rules is to be put in place.	Directors & Heads of Service as set out in CPRs	June 2011
		A SAP solution should be explored by Corporate Procurement team to enter vendor limits in accordance with the contract procedure rules thresholds.	A process will be put in place and limits imposed and monitored.	AD Commercial Assurance	1/9/11
1	We could not identify a formal written contract (for services rendered at Barnet House from April 2006 and Barbara Langstone House from December 2007) in line with CPR and Legal requirements.	**Recommendation 2** Formal written contracts should be established for all services commissioned by the Council as required by the Contract Procedure Rules.	Accepted. A review of the CPR will evaluate the appropriate thresholds for contracts, this will be formalised in a vendor management strategy.	Directors & Heads of Service as set out in CPRs	Ongoing

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
1	Council contract registers were not complete in line with CPR.	**Recommendation 3** All directors should maintain a complete register of contracts as required by the current Contract Procedure Rules (CPR). This should assist with the completion of a Corporate contract register, which should be placed on the Council's internet to meet the transparency agenda.	Accepted. Directors will be asked to routinely monitor contract activities and report progress.	Directors & Heads of Service as set out in CPRs	June 2011
		Corporate Procurement should undertake an oversight function to ensure that contracts are in place where expenditure in Services exceeds the stipulated CPR thresholds. Complete and accurate Directorate contract registers should enable this monitoring to take place.	Accepted. This work is underway, and a process of monitoring compliance will be established.	AD Commercial Assurance	1 September 2011
1	Owing to the lack of formal procurement exercise and a formal contract, a formal contract service specification was not available. There was therefore no evidence of an effective process for the development of a robust specification against which tenders could be evaluated.	**Recommendation 4** A fit for purpose contract service specification should be developed for tender evaluation purposes and monitoring service delivery.	Accepted. This work is underway. A review has been conducted of the Council's security requirements. A specification has been prepared and a tender exercise will be carried out.	AD Commercial Assurance	31 July 2011

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
1	There was evidence that analysis of vendor spend is undertaken by Corporate Procurement Team to identify top 10 spend by vendors. However this process does not identify all vendors that exceed tender limits and therefore does not ensure compliance with CPR.	**Recommendation 5** The Corporate Procurement Team should establish a process for identifying and monitoring expenditure by category by service across the Council to ensure that current levels do not exceed Contract Procedure Rule limits.	Accepted. This work is underway. A proposal as defined in recommendation 3 will be established.	AD Commercial Assurance	September 2011
1	A lack of checks undertaken to ensure the vendor for MetPro Rapid Response was valid and bank account changes were duly evidenced and approved.	**Recommendation 6** Independent checks of amendments to key Vendor Master Data records, such as bank data, should be undertaken routinely for an appropriate number of records. Checks should ensure that appropriate checks are made to confirm details and validity of the requested changes from related parties. Management should retain all supporting data for vendor set-up and amendment checks In particular, necessary records to confirm the checks undertaken for amendments for key data fields, such as Bank details, should be retained.	Vendor changes will be validated by Corporate Procurement Team as received. As above This action is accepted and will be implemented through a Vendor Management Strategy.	AD Commercial Assurance AD Commercial Assurance	June 2011 Strategy in place 31 March 2012

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
2	Payment of invoices without VAT numbers noted in contravention of Financial Regulations.	**Recommendation 7** There should be review carried out to calculate the exact figure the Council has overpaid VAT on this vendor, and immediately contact HMRC. Officers should, as standard, refer all name changes on supplier's invoices to the Central Procurement Team who should obtain the advice of the VAT officer for confirming compliance with the VAT regulations before a change can be processed. Training provided to officers should focus on the implications of name changes on supplier's invoices and how those should be addressed for the purpose of compliance with the HMRC's VAT requirements.	Accepted	AD Commercial Assurance	June 2011

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
1	The Contract Procedure Rules (CPR) sets out clear requirements for extending contracts. However, due to a lack of completed contract at the outset there is no evidence that these were followed. The award of contract did not follow CPR and the lack of a written contract with a clear termination date and the lack of effective monitoring arrangements meant that the arrangement simply continued until March 2011 when the agreement with MetPro was terminated.	**Recommendation 8** Contract extensions should be undertaken in line with CPR requirements. Changes to conditions of service should be formally documented for referral by all parties who may be required to certify delivery and payment.	Accepted. Extensions should only be permitted when this delivers value for money. Accepted. The Council will establish a single contracts repository where all amendments are to be maintained in this place.	Directors & Heads of Service as set out in CPRs Directors & Heads of Service as set out in CPRs	1 September 2011 June 2011

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
2	There was a failure by service officers responsible for authorising Purchase Orders to comply with the Financial Regulations requirement for Purchase Orders to be raised before the service is executed and delivered. There was scope for improving processes for confirming delivery and the accuracy of calculation as reflected on invoices, including the retention of documentary evidence retained by Officers approving invoices for payment.	**Recommendation 9** Standard practice should be re-enforced through-out the Council, specifically: • Changes to contract terms should be formally approved and documented for referral by those involved in certifying delivery per invoice. • Invoices should be initialed as evidence of confirmation of service delivery in line with current terms and calculation check. • Supporting documentation should be provided to evidence service delivery. • Delivery should be confirmed with officers who are able to comment on delivery as part of their respective role. • Purchase orders should be approved and before delivery of the service to ensure that expenditure is valid and in line with agreed terms.	Accepted.	AD Commercial Assurance	June 2011.

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
1	Contract Monitoring arrangements were ineffective to evaluate all aspects of service delivery, including ensuring compliance with the Security Industry Authority (SIA) licensing arrangements.	**Recommendation 10** Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts	Accepted, actions as set out in recommendations 1 to 9 will enable effective management and monitoring of contracts.	Directors & Heads of Service as set out in CPRs	June 2011

Appendix D: Terms of Reference

Procurement and Contract Management arrangements for MetPro Rapid Response

1. Background

The review will assess the adequacy and effectiveness of the management controls and procedures in relation to the procurement and contract management arrangements for MetPro Rapid Response for providing security services to the Council.

2. Audit Scope

The audit work will asses and evaluate the controls in the following areas:

- **Award of contract**

Whether the process for appointing and procuring services from MetPro Rapid Response was in accordance with the Council's Contract Procedure Rules, Financial Regulations and Scheme of Delegation.

Confirm that a procurement process, award and letting of the contract were undertaken in accordance with the Council's Contract Procedures Rules (CPR) and Financial Regulations.

Confirm that approval and authorisation process outlined within the CPR, and recording of Delegated Powers Report, was followed correctly.

Confirm the correct process for evaluation of offers was undertaken and sufficiently evidenced to confirm that the Council had obtained value for money.

Confirm that the contract was awarded correctly, and the correct contractor's details were recorded in the Council's Contracts Register.

Establish whether there is a robust process for identifying and addressing risks, such as financial and non-financial failures and change of name of contractors, and that mitigating actions were undertaken effectively.

- **Review of the Contract Service Specification**

Whether a robust Contract Service Specification was in place to monitor service delivery and how it was:
- confirmed that service standards were in line with the expected industry standards;
- established that the contractor was in compliance with the expected industry standards for example the company had appropriate Security Industry Authority licences.

- **Roles and Responsibilities of key officers in the procurement and contract management arrangements**

Establish the role and responsibilities of procurement and service officers involved in the procurement, setting of the service specification, letting and monitoring of the contract, and how it was:

- confirmed that officer decisions were clearly documented and communicated to all relevant parties.
- confirmed that a named officer had been delegated the responsibility of monitoring the contract.

- **Vendor Set-up**

Establish that the vendor (MetPro Rapid Response) was correctly created and registered on SAP. Confirm that changes to the vendor details during the term of the contract were authorised through the correct procedures.

- **Authorisation for contract extension and variations**

Confirm the procedures in place that ensure that all extensions and variations e.g. price changes, to the contract were recorded and addressed in an approved manner.

Confirm the mechanisms by which management were assured that all extensions and variations were treated consistently and in an approved manner.

- **Raising of Orders, Goods Receipting and Payment of Invoices**

Determine the procedures for raising orders and checking of invoices before these were passed for payment.

Confirm the legality of payments to the contractor.

- **Contract Monitoring Arrangements and Management Information**

Confirm that adequate and effective monitoring processes were in place to ensure that services were being delivered according to the contract specification e.g. monitoring the contractors' compliance with Security Industry Authority, licensing requirements, authorisation for covert filming, staff training, insurance and health and safety.

Confirm that contract monitoring was being undertaken and there was a robust process to trigger prompt action if non-compliance was detected and respective responsibilities assigned for corrective action.

Establish whether performance of the contract was being reported periodically to senior management and there was Member oversight of the contract.

Appendix E: Interview Schedule

Initial Scoping:
  Chief Executive
  Chairman of the Audit Committee

Audit Review process:
  Head of Corporate Procurement
  Acting Assistant Director (Housing)
  Strategic Facilities Manager
  Procurement Manager
  Major Capital Programmes Deputy Director
  Interim Head of Building Services
  Accommodation Manager
  Deputy Director Children's Service
  Acting Assistant Director – Children's Social Care
  Public Sector Leasing Manager
  Operations Manager, Facilities Management
  Housing Needs Manager
  Homelessness Reduction Co-ordinator
  Director for Commercial Services
  Divisional Manager - Commercial Division
  CAFT – Corporate Investigation Officer
  Manager for Accounts payable
  Senior Management Accountant – VAT
  Tax and Treasury Manager

AGENDA ITEM: 7 Page nos. 44 - 89

Meeting	Audit Committee
Date	16 June 2011
Subject	**Internal Audit Annual Opinion**
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	The Committee is asked to note the 2010-11 Annual Report and Opinion

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A: Internal Audit Annual Opinion
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 Annual Opinion/Report.

2. RELEVANT PREVIOUS DECISIONS

2.1   The Audit Committee Work Programme which was approved at the Meeting on 24th March 2011 included the Internal Audit Annual opinion for inclusion at this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1   All internal audit planned activity is aligned with the Council's objectives and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

3.2   The Annual Assurance Opinion forms part of the Annual Governance Statement that is presented to this Committee.

4. RISK MANAGEMENT ISSUES

4.1   All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement.

4.2   Internal Audit work contributes significantly to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

6.1   None directly as a result of this Report but it is for management to determine whether any resources should be used to enhance the management of risks in the identified deficient areas.

7. LEGAL ISSUES

7.1   None in the context of this report.

8.   CONSTITUTIONAL POWERS

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

9   BACKGROUND INFORMATION

9.1   This report provides details of all of the audits carried out during 2010-11 and the strengths and weaknesses of each area we have reviewed. This report also provides the statistics on what level of assurance was given in each service.

9.2   The Committee has been provided with detail of all reports issued as either 'no' or 'limited' assurance with progress reports from internal audit throughout the year and as such the detail has not been replicated in this document.

9.3   The Committee should note a slight decline in the amount of satisfactory reports issued and this has led to a 'limited' assurance on the Council's internal control environment.

9.4   In order to improve the individual services will need to make improvements against those high priority areas and this will be reported back to the Committee on a quarterly basis.

10.   LIST OF BACKGROUND PAPERS

10.1   None.

Legal: MAM
CFO: JH

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London Borough of Barnet

Internal Audit Annual Opinion 2010-11 - Draft

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

Table of Contents

1. Introduction and Overview

Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2010-11 and the key internal control environment strengths and weaknesses identified within each directorate during the year.

Overview of our approach

In line with CIPFA Best Practice, the 2010 Internal Audit plan was risk based, which has been formulated by:
- Linking with the Directorates' plans;
- Risk Management meetings with officers from all Directorates;
- Building on the Risk Management Audit carried out in February/March 2010; and
- Internal Audit's 'Cumulative Audit Knowledge and Experience'

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's governance processes, risk management and control environment – the 'system of internal control'.

In broad terms our Internal Audit approach takes into account the following (according to 2009/10 accounts):

- **Annual revenues of approximately £702m** - There has been a move in the past few years by the Council to ensure that the majority of revenue is collected by an electronic payment system so that there is minimal 'cash' collection. Internal Audit perform key fundamental audits of all major income systems each year (for example council tax, NNDR, parking, Housing Benefits). Our work is focused on the system controls (including interfaces) and manual controls such as performance of reconciliations and clearing of suspense accounts.
- **Annual expenditure of approximately £1.008bn** – Each we year we perform key financial system audits around the Councils devolved accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend e.g. payroll, grants, corporate procurement.

- **Fixed assets of approximately £2.08bn** - The majority of assets are property and so pose less risk to the Council. We generally undertake one review in this area each year.
- **Other assets of approximately £269.8m** - We annually review treasury controls and the Councils administration of investments.

Overview of our work

The Annual Internal Audit Plan for 2010-11 highlighted that a total of 44 systems based audits and 38 school audits were planned. We have communicated closely with senior management throughout the year to ensure that the audit reviews actually undertaken continue to represent a focus on high risk areas, in the light of new and ongoing developments in the Authority to ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some projects have been added to or deleted from the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed. Consequently, the total number of audit undertaken in 2010/11 was actually 45 systems based audits and 34 school based audits compared with the 51 and 38 respectively in the prior year. See Section Overall Summary.

We generally undertake individual audits with one of two objectives in mind. The majority of audits are geared towards providing assurance to management on the operation of the Council's internal control environment. Other audits are geared towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible.

All audit reports include our recommendations and actions agreed with management that will, if implemented, further enhance the control environment and the operation of the controls in practice.

This report sets out the results of the work performed as follows:

• **Overall summary** of work performed by Internal Audit including an analysis of report ratings and priority of recommendations

• **Key themes identified** during our work in 2010-11

• **Service Summaries** providing an overview of audit work done in each department and key findings.

In this report, we have drawn on the findings and assessments included in all of the reports issued, including those that, at this time, remain in draft. It should, therefore, be noted that the comments made in respect of any draft reports are still subject to management response.

2. Overall Summary

Overall, as illustrated in the tables below, we have noted a slight decline in the percentage of satisfactory assurance reports issued during the year, however it is pleasing to note that there were only 2 'no' assurance reports issued in the year compared to 11 in the previous year. 72% of audit reports were rated as limited or no assurance in 2010-11, compared with 67% of report in the prior year.

The two 'No' assurance reports were in relation to parking and environmental health compliance, of these parking is of concern given the issues we have encountered historically in implementing agreed actions within the service.

Based on the internal audit work completed in 2010/11 I can give limited assurance on the Council's overall internal control environment.

Report ratings

Assurance opinions	No of Projects/Audits				
	2010-11			2009-10*	
	No.	%		No.	%
Substantial	1	2		1	2
Satisfactory	11	26		16	31
Limited	29	67		23	45
No	2	5		11	22
Sub-total	43			51	
Schools audits**	34			38	
Merged audits/no opinions	2			-	
Total Audits	79			89	
Deferred/Cancelled	3			-	
Total	82	100		89**	100

* For the purposes of this table we have excluded follow-up audits from the total from the 2009-10 year due to a change in the way in which follow-up audits are completed.
** During 2009-10 schools audits did not have an assurance given, for the purposes of this analysis they have been excluded from the systems based audits to allow for comparison year on year

Analysis of School audit assurances

The Scheme for Financing Schools states that "the Chief Finance Officer shall arrange an adequate and effective internal audit, under his/her independent control, to examine the schools' accounting, financial and other operations." The table below outlines the assurances given for those 34 schools reviewed. There is no comparable data available as schools were not given an assurance rating in subsequent accounting periods. The results highlight that there is consistent degree of financial management capability within Schools.

Assurance opinions	2010-11	
	No.	%
Substantial	-	
Satisfactory	31	91
Limited	2	6
No	1	3
Total	34	100

Based on the school audits carried out during 2010-11 I am able to give satisfactory assurance that there is an adequate system for financial management processes and controls among the Council's schools.

3. Key themes

There are a small number of areas that are cross-cutting included within our Internal Audit Plan. By pulling together all summaries for all the directorates for the year it enables us to draw out key themes that require attention by the Council.

Internal Control and Governance

Contract Management/Procurement – there is an absence of signed contracts and sound contract management generally across the Council. In addition to individual service areas we reviewed corporate procurement and found that the devolved process has not been successful due to the lack of monitoring of compliance with contract procedural rules and a lack of a complete and accurate contracts register.

Data Quality - arrangements to have reliable, accurate, timely, complete, relevant and valid data vary across the Council. In the absence of good quality data it can weaken senior management's ability to make well informed decisions. There is a need for services to consider their quality assurance processes.

Oversight of devolved processes – a number of functions across the Council are devolved, these include (but not limited to) Finance, HR, procurement, and Business continuity. There are responsibility and accountability issues within a number of services who assume that internal controls are being carried out at a corporate level, which they are not. It is important that there remains an oversight at a corporate level to ensure policy and procedures are being adopted at a service level as expected.

Measuring success of strategies – across the Council there are a number of strategies that require review, updating and assessment as to their success and relevance.

Data protection – the Council has completed a large scale review to address concerns raised by the Information Commissioner in respects of personal data which has largely addressed major concerns, however the messages cascaded by management in respect of paper documentation has not been addressed in some key areas where data protection is crucial.

IT functionality – a number of reviews revealed that services are relying on IT solutions to transform some of their business processes and thereby address areas of internal control weakness. A way of systematically addressing service priorities needs to be developed within the IT department, for example adequate project management arrangements to ensure internal control improvement is not inhibited.

Partnerships – there is some work to do to make the best use of partnerships by agreeing mutual responsibilities, accountabilities and expectations.

Risk Management

Following an internal audit in the 2009/10 audit plan that was reported in October 2010 an action plan was developed to improve and embed risk management arrangements. There have been improvements in the documentation of Risk Management Strategy and Policy which have set out key criteria for rating and assessing risks, there has also been an improvement in reporting of risks internally and externally. We will review arrangements in 2010-11 to assess progress against the improvement plans and report back to the Audit Committee.

From our internal work carried out within services it is clear that a risk management framework is in place, however our findings suggest that there is an ability to articulate strategic risks and mitigating actions but less so on an operational level.

Fundamental and Key Financial Systems

Fundamental and key financial systems	2010/11		2009/10*	
	No.	%	No.	%
Substantial	1	9	-	-
Satisfactory	4	33	1	25
Limited	7	58	2	50
No	-	-	1	25
Total Assurance ratings	12	100	4	100

* 2009/10 fundamental audits are included on full systems based audits only, the IA service operated on a different basis in that not all fundamental systems had a full audit, some were follow-ups. All fundamental systems were subject to a full audit in 2010/11 hence the dramatic change in numbers and therefore limited comparison can be made to the previous year.

Positively there were no 'No' assurance reports issued in the period for fundamental and key financial systems. The majority of the key financial systems however were issued limited assurance ratings (58%). Some common themes were in relation to the clearance of suspense accounts, timely reconciliations, updating procedures to reflect current practices, oversight of devolved functions, and access rights in line with roles and responsibilities.

Performance of Internal Audit

Of the 82 reviews carried out in the year 94% of these were completed in time with only four reports in draft stage at the time of drafting this report. During the year the Internal Audit service has made some improvements to its performance including:

- Appointing a permanent Head of Internal Audit to lead the service;
- Ensuring that the 2011-12 Audit Plan is based on the organisational risks;
- Assessing risk management arrangements to ensure they can be relied upon;
- Starting a joint procurement process with London Borough Enfield for a strategic partner for implementation of IA Strategy;
- Determining training needs of the current in-house team;
- Improving reporting formats both internally and to Member's;
- Implementing a follow-up procedure on all priority 1 'high' recommendations for updating the Audit Committee on a timely basis;
- An overall assurance on the internal control environment;
- Monitoring of performance of the Internal Audit service quarterly; and
- Establishing better relationships with Directors and Assistant Directors.

We continually request feedback from senior management and service managers to ensure we address any perceived or actual weaknesses. This year we received 25 performance questionnaires back following completion of audits. These questionnaires gave a rating from 1 (Excellent) to 5 (Unacceptable), we set a target for the Internal Audit Service to achieve 90% of those to be rated over 3. This year the service achieved 88% rated satisfactory or above. Some of the negative feedback included:

- The level of communication through-out the audit could be improved

- The reporting style (prior to improvements made) did not enable management to understand the significant issues
- Some reports were not received in a timely basis
- There was some evidence that the auditor did not understand the service they were auditing

There continues to be a need to review the Internal Audit Service and seek to improve the arrangements further. This year we will focus on the audit approach and seek to make efficiencies as to how these audits are carried out and carry out more work around the key risks to the organisation. We also expect to see changes following our joint procurement exercise with Enfield.

4. Service Summaries

The number of audits completed by department and the overall report ratings given is summarised in the table below:

Directorate	Substantial	Satisfactory	Limited	No	No opinion	Total
Fundamental and key financial systems	1	4	7			12
Cross cutting			2			2
Corporate Governance			3			3
Planning, Housing and Regeneration		2		1		3
Environment and Operations		1	2	1		4
Commercial Services		1	2		1	4
Adults Social Services			2		1	3
Children's Services		1	5			6
Chief Executive Service			2			2
Deputy Chief Executive Service		2	4			6
Total	**1**	**11**	**29**	**2**	**2**	**45**

The number of recommendations raised by directorate is noted below and the number of recommendations accepted:

Directorate	High (Priority 1)	Medium (Priority 2)	Low (Priority 3)	Total	Total Priority 1 Accepted (No.)
Fundamental and key financial systems	9	38	10	57	9
Cross Cutting	3	6	0	9	3
Corporate Governance	4	11	7	22	4
Planning, Housing and Regeneration	3	9	1	13	3
Environment and Operations	5	21	0	26	5
Commercial Services	5	14	0	19	5
Adults Social Services	2	15	0	17	2
Children's Service	7	19	1	27	7
Chief Executive Service	2	4	1	7	2
Deputy Chief Executive Service	5	29	3	37	5
Total	45	166	23	234	45

As at the end of April the priority 1 recommendations were 83% implemented, the only area of concern with implementing our recommendations were within the Parking Service.

Fundamental and key financial systems

Each year Internal Audit carries out reviews of the council's fundamental financial systems, to provide the council with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment.
The reviews undertaken during the year are listed below along with a summary of key strengths or weaknesses noted:
- Housing Benefits
- Council tax
- NNDR
- Capital programme
- Treasury Management
- Accounts payable
- Recruitment/HR payroll
- LG Pension Administration
- Cash book control
- Income and debt management
- Debit and credit cards
- Compliance with Financial Regulations

Key themes identified from an overview of our findings arising from fundamental and key financial systems.

Strengths	Areas for development
✓ Comprehensive policies and procedures have been developed for Housing Benefits ✓ Staff structure, roles and responsibilities have been defined, which has facilitated adequate segregation of duties ✓ Service Level Agreements are in place to govern arrangements between the Council's HB section and key partners	

Strengths	Areas for development
✓ Appropriate reconciliations between the Housing Benefit system to key financial systems are performed on a monthly basis by independent officers ✓ Back up and disaster recovery arrangements are in place ✓ There is monthly, quarterly and annual performance/management information reporting where appropriate	
✓ Procedure notes exist for some of the key collection procedures within the Council Tax system ✓ Training is provided to new and existing staff to ensure guidelines are followed ✓ There is periodic reconciliation of the Council Tax systems to SAP (main accounting system) ✓ Appropriate access rights are in place for staff ✓ Collection rate is monitored on a regular basis and performance information produced	✗ The Council Tax suspense account is not always promptly cleared if unallocated payments ✗ Arrears analysis does not always include debt broken down into main recovery stages to assist in approving the recovery process
✓ Procedure notes for many of the key procedures for the NNDR system have been developed and are available to staff ✓ Training is available to new and existing staff ✓ The collection rate is monitored on a regular basis and performance information is produced ✓ There are appropriate access rights to the NNDR system for staff ✓ There are effective back up and recovery processes in place	✗ For some suspense items there was no indication of what actions were being taken to investigate and clear them ✗ Some reconciliations were not evidenced on who completed them and who independently checked them

Strengths	Areas for development
✓ There are clear and allocated roles and responsibilities for co-ordinating the preparation of annual Capital Programme and validating and evaluating proposed capital funding streams ✓ There are clear roles and responsibilities for evaluating the revenue impact of additional borrowing requirements stemming from the capital programme ✓ There are clear roles and responsibilities for effective arrangements for capturing, quality reviewing and approving variations to the capital programme during the year ✓ There is evidence of risk documentation associated with various capital funding streams ✓ There are year-end reconciliation processes to confirm receipt of capital funding streams included in the Capital Programme	✗ The Capital, Assets and Property Strategy requires updating to reflect current structures ✗ The Investment Appraisal Board (IAB), responsible for the scrutiny of capital scheme budgets, assessing how schemes support corporate priorities and assessing project governance arrangements, had not operated since late 2010 ✗ There could be some improvement in identifying operational risks and recording those within the risk management system (JCAD)
✓ The Council has adopted within its Financial Regulations the Chartered Institute of Public Finance and Accountancy's (CIPFA) Public Services: Code of Practice and Cross Sectoral Guidance Notes 2009 (The Code) for its Treasury Management Practices ✓ The Council has formalised its annual Treasury Management Strategy and Annual Investment Plan for 2010-11; these were formalised prior to the commencement of the year, in March 2010 ✓ Roles and responsibilities for the Chief Finance Officer are clearly identified ✓ Arrangements for separation of duties exist. ✓ Monitoring reports are provided routinely to the Cabinet Resources Committee, and compliance reports are provided to senior officers on a weekly basis.	✗ There are two unencrypted laptops currently being used within the Treasury Management department which is in contravention of the Information Commissioner's requirements ✗ Action is required to formalise governance arrangements for scrutinising the Treasury Management functions and approving the Treasury Management Practices ✗ Processes should be improved and implemented to obtain an effective control environment in the following areas: - produce timely reconciliations between the SAP financial system and Logotech (investment system); - ensure reporting to Members contains information for monitoring the security and liquidity benchmarks of the investment portfolio.

Strengths	Areas for development
✓ Roles and responsibilities within the Accounts payable team have been clearly defined ✓ There is adequate segregation of duties in place ✓ Additional approval processes exist for payments over £35k ✓ Access rights to the SAP (main accounting system) by the Accounts Payable team is commensurate with their roles and responsibilities	✗ Procedure notes require revision for changes in working practices ✗ Independent checks should be undertaken to confirm the validity of amendments to Vendor Master Data records within SAP (main accounting system) ✗ Some weaknesses in the process exist at a service/directorate level for review of purchase orders late and invoices not processed promptly, within the due date recorded on SAP
✓ There is a clear allocation of roles and responsibilities according to experience and knowledge for HR, payroll and Recruitment processes ✓ There is independent checking of input of HR and pay information ✓ There was good attendance by officers at the Data Protection Act training to ensure awareness of data security for confidential information ✓ There is prompt processing of related HR and Payroll data	✗ There is a need to review SAP access to ensure that officers only had access in line with their role requirements ✗ Procedures should be updated to include new processes ✗ Key documentation should be retained in line with procedures ✗ There are ineffective processes in place to ensure that P45 certificates for leavers are sent to Inland Revenue ✗ Ineffective processes to prevent unauthorised access to HR data through ongoing enforcement of a clear desk policy, and a policy to keep cabinets with related information locked
✓ Pension Fund administration procedural notes have been developed ✓ Transfer processes are in place and effective ✓ Pension payments are checked independently and there is appropriate segregation of duties ✓ There are effective reconciliation of scheme members between the AXIS system and the payroll system	✗ A robust performance management/management information framework is not currently in place which allows all parties/officers/committee's to assess the performance of the Council as administrating authority of the Pension Scheme and take remedial actions where issues are identified ✗ Payments are not suspended if life certificates are returned after the stated deadline by the Pensions Administration Team ✗ Processes for new starters to the pension scheme need to be

Strengths	Areas for development
	improved, along with payroll identifying members who are ineligible to join ✗ Roles and responsibilities for payroll officers have not been clearly defined in relation to setting up of new starters ✗ Transfers into the scheme are not always recorded accurately ✗ Contribution rates are not always applied in accordance to statutory requirements
✓ Systematic reconciliations are performed for all the Council's main bank accounts ✓ Reconciliations for the general account and expenditure accounts are subject to independent review from a senior officer ✓ Roles and responsibilities have been clearly defined ✓ There is adequate segregation of duties in place	✗ Cashbook reconciliations have not been performed on a timely basis ✗ A number of procedure notes have not been compiled ✗ Independent reviews of reconciliations have not always been carried out on a timely basis ✗ Bank statements/files are not stored securely ✗ Suspense accounts are not always promptly cleared of unallocated payments
✓ Persons responsible for raising the invoice is independent of the income receipting function ✓ A debt collection agent has been appointed to chase outstanding debts to maximise the likelihood of recovery ✓ Access to Accounts Receivable functions on SAP is restricted to only officers who require access to perform their operational duties ✓ Corporate performance indicators/targets in respect of debt management are reported to the Cabinet Resources Committee on a quarterly basis in accordance to the Council's Constitution	✗ Credit notes and refunds were being signed off by staff who were not on the authorised signatories list ✗ Policies and procedures for income and debt management need to be reviewed and revised ✗ Sample testing found that invoices were often being raised after the goods or services had been rendered ✗ Suspense accounts were not being cleared on a timely basis ✗ There are a number of old disputed items dating back to 1999

Strengths	Areas for development
	✗ The Debit/credit card policy needs to be developed to distinguish between a control environment for staff handling debit/credit card transactions where the cardholder is present, as well as, where the cardholder is not present ✗ Contracts/Agreements between the Council and debit/credit card services and equipment could not be found ✗ There was no evidence of monitoring of debit/credit card machines to identify redundant machines. Some machines were incurring charges but were not in use ✗ The policy statement on usage of credit and debit cards requires review ✗ Roles and responsibilities for the administration of debit and credit cards are not up to date and do not reflect current practice
✓ The Council's Financial Regulations are generally consistent with the model promoted by CIPFA ✓ Reporting is undertaken in line with the policy, no non-compliance was identified and reported in the period ✓ There are effective processes for the review and update of the Financial Regulations	✗ There are some best practice clauses within CIPFA guidance that could be updated within the current Financial Regulations, in addition some changes in the Financial Regulations have not been updated in the Accounts procedure Manual ✗ The delegated authority assigned to the Manager for Accounts Payable and Accounts Receivable were not identified by the Scheme of Delegation ✗ Some access rights need to be reviewed

Cross Cutting

The reviews undertaken during the year as listed below are cross cutting in that they cross over more than one service. These two cross cutting audits cover both Planning, Housing and Regeneration and Environment and Operations priorities and objectives. The strengths and weaknesses identified from these reviews are noted below:

- Waste Prevention
- Sustainability

Strengths	Areas for development
✓ There are robust monitoring and performance management framework in place, and there are mechanisms for collecting and reporting performance data ✓ Timely, accurate and complete management reports are produced and reviewed	✗ The Waste Prevention Strategy has been ineffective in delivery of outcomes ✗ The Waste Prevention Strategy has not been reviewed since 2005 to ensure that it remains fit for purpose or current ✗ There are no governance arrangements in place to scrutinise, oversee and challenge the Waste Prevention Strategy ✗ The Waste Project Board does not have a terms of reference and focuses mainly on project management issues not strategic issues ✗ Partnership arrangements have not been established and documented which clearly identify responsibility and liability of each party
✓ Significant activity undertaken to address carbon emission reduction delivered by various teams in Planning, Environment, Housing and Asset Management ✓ Corporate review of related delivery for the Carbon Emission Reduction agenda as part of FirstStat Corporate Performance arrangements	✗ A lack of agreement as to future approach and the lack of overall co-ordination of the various activities undertaken in the Council to maximise impact ✗ A lack of formal comprehensive risk management specifically related to carbon emission reduction operational delivery and engagement with Strategic partners to address energy consumption levels ✗ A lack of robust performance management arrangements and performance measures for the various activities to monitor progress and effectiveness of carbon emission reduction delivery.

Corporate Governance

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Business Continuity
- Freedom of Information
- Member allowances

Strengths	Areas for development
✓ The existence of, and accessibility to, a Business Continuity Strategy for the Council ✓ Effective arrangements, structures, support and available guidance to support the development of Business Continuity Plans in services ✓ Existence of a Council Business Impact Analysis (BIA) identifying all critical activities	✗ The Business Continuity Strategy was approved in 2008 and needs to be re-assessed for priorities ✗ There were no support Business Continuity Plans for IT provision and Accommodation (facilities) as required by the Strategy ✗ Formal testing of Business Continuity Plans for BIA critical activities had not been undertaken as required by the Strategy ✗ The feedback from all service Business Continuity leads for confirmation of accuracy of BIA critical activities was outstanding as at March 2011
✓ The Council's publication scheme has been revised to meet the requirements of Section 19 of the Freedom of Information (FOI) Act, the scheme is also available to members of the public ✓ Link Officers have been established in each service area and are responsible for ensuring the request is compliant with legislation ✓ A disclosures log has been launched on the internet which lists requests made under the FOI Act 2000 and the Environmental Information Regulations (EIR) 2004 which are of a wider public interest	✗ There are instances whereby the FOI requests have been completed outside of the statutory 20 day target, in addition some requests are logged on the day the officer receives the request rather than when the Council receives it ✗ There is a need to review the FOI policy and staff guidance, which has not been updated from November 2004 ✗ There is no formal mechanism in place to ensure that council staff have been made aware of the FOI Act ✗ There is no formal framework developed to report on an agreed suite of performance indicators relating to FOI and EIR requests ✗ The database used to log and maintain a history of FOI requests has limited functionality and flexibility to allow for

Strengths	Areas for development
	sufficient monitoring of response times and outstanding FOI requests
✓ The Council publishes details of it's Member Allowances Scheme as required by the Local Authorities (Members' Allowances) Regulations 2003 and the amounts paid to each member under the Scheme ✓ The Council's Constitution incorporates the current Members' Allowance Scheme	✗ There is no in year check to ensure payment of allowances are fully compliant with all necessary allowance requirements ✗ Members' role descriptions have not been developed since the approval of the Scheme in July 2010 ✗ There is no dedicated central file for staff to save documentation pertaining to members allowances and changes to their committee responsibilities ✗ Established processes are not in place to confirm some requirements of the Scheme

Planning, Housing and Regeneration

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Environmental Health – income process
- Fire Safety
- Environment Health – compliance

Strengths	Areas for development
✓ Managers have a good overview of the service ✓ There is good use of the Acolaid system ✓ Staff understand their roles and responsibilities	
✓ An effective strategy/approach exists to address fire safety concerns in Council Homes and hostels ✓ Arrangements exist to identify and address risks/issues relating to fire safety through the undertaking of fire risk assessments on blocks with communal areas and hostels ✓ The Council and Barnet Homes have undertaken activities which demonstrate the lessons from the Southwark fire have been learnt ✓ Arrangements exist to undertake gas, electrical, Portable Appliance Testing (PAT) testing and smoke detector testing	✗ Some improvement required to contract monitoring to ensure the ongoing quality of fire risk assessments and to enhance other processes supporting fire safety ✗ Progress should be monitored as part of the monitoring arrangements between Barnet Council and Barnet Homes under the Arms Length Management Organisation (ALMO) agreement ✗ There is scope to improve the communications between Barnet Homes and the Council's insurance section to ensure the Council's ability to make a successful insurance claim
	✗ Environmental Health Management have not carried out a full risk assessment as required under Section 18 Standard of the Health and Safety at Work Act (1974). Management do not consider that they have capacity to achieve full compliance will by the March 2011 deadline ✗ The web based licence application and payment process is not yet fully functional for the Special Treatment Licences, hence the service is not fully compliant with the Provisions of Services Regulations (2009) ✗ As required by Regulation 18 of the Provisions of Services

Strengths	Areas for development
	Regulations 2009, the service has made a simple assessment of the level of fee charged for licences to confirm the fees are proportionate to the cost of the process; however the analysis is not comprehensive, and would need refinement, for setting the level of fees realistically

Environment and Operations

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Cashless Parking
- Street Lighting - PFI
- Parking Service
- Project Governance of the Pothole Elimination scheme

Strengths	Areas for development
	✖ The service did not have a signed contract in place with the provider of cashless parking ✖ There were incorrect accounting for and depositing of VAT monies and there is not sufficient checks in place to identify shortcomings in the VAT collection and reconciliation process ✖ The parking service did not properly understand or document how the contractor was following up on fraudulent credit cards used in cashless parking transactions ✖ Adequate processes do not exist to ensure routine reconciliations of amounts collected with amounts banked ✖ Arrangements with the contractor were not reviewed ✖ Management did not have a process for checking the accuracy of charges applied by the contractor on individual transactions ✖ Staff did not have the necessary training to review data provided against the contractor's website for monitoring purposes
✓ Evidence of monthly provision of monitoring reports of service delivery by the contractor and monthly discussions between these parties in relation to the PFI contract ✓ Available management information showing the level of	✖ There was a lack of evidence of formal proactive arrangements to routinely monitor contractor delivery against each of the contract performance standards to assess whether the contractor representations about delivery are correct

Strengths	Areas for development
adjustments, the level of relief and the level of adjustment which would have been applicable without relief to assess whether the approach for providing relief results in improvement to service delivery ✓ Evidence of the identification of strategic risks associated with the contractor and the implementation of arrangements to mitigate risks	✖ There were delays (in excess of target times) between when street light service requests were received by the Council (including through Fix-My-Street route) and when they were submitted to the contractor ✖ The contractor failed to undertake a significant number of customer satisfaction surveys resulted in under performance, and the analysis of responses by residents to these surveys ceased in April 2010. Officers did not seek adjustment relief from the contractor in light of this. ✖ There in not a formal business continuity plan in place in the event of the contractor unexpectedly withdrawing from the contract
	✖ The Parking Service has had limited success at implementing its overall Strategy ✖ Significant issues within financial planning arrangements due to the lack of forward planning, and robust recovery plans to resolve the current shortfalls in income levels ✖ Establishment costs are not currently aligned with the budget, a number of restructures have failed to realise efficiencies noted within committee papers ✖ Arrangements with outsourced providers have lacked effective controls, due to a lack of formal contracts and effective monitoring to attain value for money ✖ There is work to be done to understand key drivers of costs within the service ✖ The service has not developed an asset management strategy that supports the delivery of objectives ✖ The service needs to develop more effective risk management arrangements and action recommendations from prior internal

Strengths	Areas for development
	audit reports ✖ There is a lack of fraud awareness by staff ✖ Officers had not been thorough in documenting their communications with members ✖ The service does not currently have a productive workforce which has a significant financial impact ✖ Staff morale is low and an effective communication plan needs to be implemented
✓ The PRINCE2 methodology for project management was adopted for the Pothole Elimination Project ✓ A resource plan was developed and the completion of the project was achieved within tight timescales ✓ Financial controls around the project were adequate ✓ Negotiations with the two term contractors undertaking the pothole elimination programme resulted in agreeing composite rates instead of current term contract schedule of rates resulting in savings ✓ A communications plan was put in place to deal with enquiries and complaints from residents, Members and staff.	✖ Key projects were put on hold to ensure that the Pothole Elimination Project went forward, the risks of these scheme's not going forward within Footway Maintenance and Traffic Management were not assessed or measured for impact ✖ A quality Control plan was not developed on how the Monitoring team would undertake and document the 'random selection equating to 10-15% of completed works'

Commercial

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- DRS Project
- Corporate Procurement
- IS Business Continuity
- Estates Strategy

Strengths	Areas for development
✓ The strategic context around the Development and Regulatory Services (DRS) One Barnet Project has been strongly developed ✓ Options have been identified and explained through-out the Business case	✗ The Business case needs to include all relevant information pertinent to the approval decision, at the moment all aspects of the Business Care are not completely signposted and some information is contained in separate documents ✗ The approach taken, i.e. project methodology, for the Business Case needs to be clearly documented
	✗ With the exception of Adults, the role and responsibilities of devolved procurement teams/officers are unclear ✗ There is no process in place to ascertain the performance of devolved procurement teams and if/where these teams add value to the Council's procurement objectives ✗ There are not effective oversight arrangements in place to ensure that monitoring complies with Contract Procedure Rules ✗ The Procurement Code of Practice (PCOP) has not been reviewed since June 2009 and there is evidence of out of date information within the document ✗ A complete and accurate contracts register is not in place corporately
	✗ There is currently no overarching Information Services (IS) level plan in place. Furthermore, in most cases, the service level business continuity /disaster recovery plans are incomplete or

Strengths	Areas for development
	out-of-date
	× There are at least three single points of failure located within the IT network that, if realised, may have a severe impact on the continued availability of the network
	× Although the Council has identified 51 key business activities across the Council, the requirements for IT support for these activities have not yet been formally identified and documented
	× There is no formal process defined for the regular testing of the IS business continuity / disaster recovery arrangements. Furthermore, the IS service area business continuity / disaster recovery plans have not been tested
✓ The Estates Strategy has appropriate links to both the Corporate Plan 2010-13 and the core principles of One Barnet ✓ The Strategy met good practice requirements of CIPFA ✓ Evidence of identification of related strategic risks at a Corporate and Directorate level ✓ Reference to a performance management framework and performance measures	× The Estates Strategy did not specifically refer to the Sustainable Community Strategy and the Capital Assets and Property Strategy and other Service Strategies × The CIPFA framework referred to having clear objectives and options for each asset. This detail was not referred to as a deliverable × Operational risks relating to the delivery of the Estates Strategy Action Plan had not been documented for review and monitoring × There is a suggested suite of performance indictors for Strategic Asset Management however currently only four had been determined

Adults Social Services

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Reviewing in Learning Disabilities
- Data Quality for self directed support and safeguarding indicators
- Residential Nursing Care

Strengths	Areas for development
✓ The 'Move on Project' has secured move-on from residential care for 19 Learning Disability and 18 Mental Health clients, which provided in year savings of approx £372,000 ✓ The Service works closely with MyCareCosts to understand the cost breakdown of placements to ensure the service is maximising value for money ✓ Information is compiled on a monthly basis by the Performance and Information Team for review and evaluation by Senior Leadership Team	✗ The Care Funding Calculator (CFC) is not being used consistently to: capture the changing needs of service users and improve their outcomes/promote independent living; and obtain value for money ✗ Where CFCs had been completed, there is limited process for these to be followed up for negotiating with providers ✗ Quality Assurance processes are not robust to ensure that annual reviews are undertaken in a timely manner ✗ The processing and recording on annual reviews in SWIFT and WISDOM is not consistent with service guidelines and local procedures
✓ There is a range of policies for recording and saving information in key systems and these have been made available to staff ✓ Senior Management Team receives quarterly performance reports containing a variety of performance indicators, with a short narrative to explain current position for review and evaluation ✓ Service Teams receive weekly progress performance reports and these are followed up by meetings with the Information Team to discuss any data quality issues, which then flows to the Monthly Leadership Team meetings	✗ There are significant gaps in the completeness and accuracy of information held in key systems for the generation of National Indicator (NI) 130: Self Directed Support and Safeguarding local indicator ✗ There are some weaknesses in validation procedures for the safeguarding indicator, where management checks are not in place to identify any possible errors in the data ✗ There is some awareness raising that needs to be carried out with staff to ensure they understand that the data will be used in key decision making across the Council ✗ There are no operational data quality guides for the generation of specific national and local indicators

Strengths	Areas for development
	✖ There was a lack of local controls over the input of data to ensure data is entered directly at source ✖ Local procedures developed for recording personal budgets in SWIFT and saving relevant information in WISDOM are not being followed
✓ Focus on value for money within key strategic and planning documents ✓ Fair knowledge (baseline and comparators) of demand drivers across all care groups ✓ Budget savings are aimed at preventative measures, and increasing choice in line with their business plan and overall vision for the service ✓ Improvement in timeliness of customer billing , and debt monitoring arrangements	✖ Some improvement required to performance monitoring arrangements in terms of developing targets for brokerage procurement ✖ Some improvement required to invoice payments for contracts as some invoices were paid in advance of receipt of service ✖ There are some inefficiencies in processes noted such as high degree of manual intervention in invoice processing ✖ SWIFT is not fit for purpose ✖ Some detailed action plans were not developed to confirm how budget savings would be achieved (however these were achieved by end of March) ✖ Business plans should have a stronger focus on outcomes as a key method of assessing value for money ✖ There should be a streamlining of the requirement for multiple referrals and requests

Children's Service

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Independent Provider Performance – BRSI
- Independent Provider Performance – SEN
- Budgetary Control
- Special Education Needs Placements
- Data Quality
- Risk Management
- Schools audits – see section 2

Strengths	Areas for development
	✖ There is scope for improving contract monitoring processes for confirming and monitoring arrangements for data security at and CRB checking by external contractors (BRSI) as part of the Strategy ✖ Scope to improve arrangements for linking contractor delivery to performance measures and targets related to desired outcomes for children and for validating the information, submitted by contractors as part of the contract monitoring process, as evidence of their performance ✖ The Council's contract procedure rules were not complied with for contracts in excess of £25k ✖ The existence of sub-contractor arrangements were not included within grant funding applications
✓ Satisfactory arrangements were in place to ensure that payments are made for valid invoices	✖ There were no formal contracts in place for all contractors of SEN meaning monitoring against identifiable and specified contractual obligations was not possible. This practice was outside of the Contract Procedure Rules. ✖ A spreadsheet of SEN contracts existed but was not complete

Strengths	Areas for development
✓ Some procedure notes were in place for budgetary control processes ✓ Overspends have been reported to the Chief Finance Officer, Cabinet Resources Committee, and monitored through the Statutory Officer Group on a monthly basis ✓ There is a clear timetable in place for budget setting	✗ Appropriate budget estimates were not produced in all areas ✗ The scheme of delegation is in draft and not yet in place ✗ Responsibilities for budget management are not well understood by some budget holders ✗ Variances have not always been identified promptly ✗ A recovery plan was drafted initially without key actions to reduce the overspend
	✗ Non compliance with the Data Protection Act in relation to personal data held in hard copy in relation to SEN placements ✗ Current procedures are not robust enough to ensure that annual reviews are undertaken on a timely basis ✗ There are gaps in the completeness and accuracy of information held in service users' files and data recorded on the 'tribal' database ✗ Information is currently being kept both in paper format and electronically
✓ Senior managers have an overview of performance management arrangements ✓ Responsibility for data quality is assigned, and everyone understands their role ✓ Staff recognise why data quality is important and it is seen as 'part of the day job'	

Strengths	Areas for development
✓ Identification of key strategic risks and mitigating action ✓ Evidence of implementation of actions to mitigate the risks ✓ Escalation and reporting of risks from the Service to the Corporate Risk Register	✕ The risk analysis process did not include a comprehensive identification of all risks which could compromise operational delivery ✕ The mechanism for the evaluation of risks for their significance was not undertaken against standard evaluation criteria ✕ The lack of availability of all necessary information for decisions on the treatment of risks ✕ A need for risk management training to improve understanding and implementation of sound risk management practice

Chief Executive's Service

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Equalities
- LAA grant

Strengths	Areas for development
✓ A corporate forum to steer the equalities agenda is in operation ✓ Senior officers provide leadership in the corporate forum for equality ✓ Directorate equalities groups are in place to coordinate/develop the equalities agenda locally ✓ There is some scrutiny of performance by key stakeholders and collaboration with stakeholders, for example the equalities 'First Stat' workshop in October 2009	✗ The Equalities Scheme should be reviewed on a regular basis ✗ The process for scrutinising and challenging the Delegated Powers Reports (DPR's) could be better evidenced ✗ A equalities competency/skills framework for Members and officers should be developed ✗ The equality delivery plan should be monitored and reviewed for performance on an annual basis ✗ An appropriate Committee had not been given the opportunity to discuss or scrutinise progress in respect of the Council's equalities agenda within the last year
	✗ Data sharing protocols in relation to indicators for the Local Area Agreement (LAA) grant not being put in place to ensure that all data collected, especially through partners, is of good quality as well as being accurate, complete and in line with the reward definitions document. ✗ Action plans not being put in place to monitor the targets throughout the three year period, and therefore financial opportunities may have been lost.

Deputy Chief Executive's Service

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Council Tax, NNDR and Housing Benefit system replacement – Pericles
- Grants
- Safer Recruitment
- CRB checks
- Value for money data quality
- Stroke grant

Strengths	Areas for development
✓ A risk and issues register existed for the delivery of the Council Tax, NNDR and Housing Tax project (Pericles replacement) ✓ Training was undertaken on the new Open Revenues System	✗ Concerns and issues with the overall quality of the conversion outputs should be resolved, including agreeing the required percentage matching that needs to be achieved ✗ Conversion reconciliation exercises between agreed key OpenRevenues and Pericles data should be formally undertaken and signed off ✗ Incompatible access group functions should be separated or should only be allocated to staff for limited periods
✓ A grants procedure note has been developed and made available to staff ✓ Grants training has been provided in the year ✓ A 'grants co-ordinator' role has been established as a dedicated role for managing the grant claim process ✓ Working papers are generated to support grant claims	✗ The grants database/register was found not to be complete, accurate and up-to-date ✗ The grant conditions have not always been recorded and updated in the grants register ✗ There could be further development of performance information to determine the success of the grants process ✗ Some directorates did not display a good understanding of their responsibilities in relation to compiling grants

Strengths	Areas for development
✓ Job evaluations are carried out to determine the level of security checks for each post ✓ HR produces a list of staff whose CRB checks are due for renewal/expiry	✗ There were gaps in the scope and content of existing policies and procedures at the time of the audit and there was no robust monitoring process to assess compliance with these procedures ✗ There is a lack of clarity in terms of application/interview questions that recruitment officers should adopt for safer recruitment purposes ✗ There is a lack of an audit trail to substantiate pre-employment checks
✓ Guidance notes for some of the key CRB processes are available to staff on the intranet ✓ There is a dedicated CRB Team in place within HR which has resulted in better accountability for the CRB process ✓ Within HR there was compliance with data retention and destruction of all personal information and documentation ✓ The Social Care Placement Team as part of their contracting monitoring visits, confirm provider CRB arrangements (Children's Service) ✓ Contract documentation contain relevant clauses for contractors to undertake CRB checks for their staff (Adults Social Care) ✓ Procedures exists at an Agency worker level for posts which involve contact with children and/or young people and vulnerable adults	✗ There is no common process at a corporate level to confirm compliance to the CRB requirements across all service areas ✗ Some CRB procedural processes have not been fully complied with ✗ Only limited site inspections are being carried out to confirm CRB arrangements within supply management in Adults Social Care and Children's Services, no policy exists setting out the approach to those contractors not visited ✗ There are differing approaches to CRB checks within HR, Adults Social Care and Children's Services and as inefficiencies exist ✗ Within Children's Services disclosure notes in relation to CRB's are being retained for more than 6 months, this is in contravention with the Data Protection Act ✗ For agency staff who start employment before their CRB clearance is received there has been no evidence of a risk assessment being completed as required by the HR protocol

Strengths	Areas for development
✓ Planned efficiency savings are tied directly to the budget setting process to evidence value for money ✓ Commentary in terms of progress on savings are documented in quarterly monitoring reports to the Cabinet Resources Committee ✓ Section 151 officer signs off the NI179 return before submission ✓ NI179 is submitted securely	✗ Policies and procedures for identifying, calculating, certifying, scrutinising and monitoring efficiency gains had not been developed ✗ Roles and responsibilities had not been formally documented ✗ The audit trail could be improved for the generation of the National indicator
✓ Sufficient processes exist around the generation of the Stroke grant ✓ Eligibility criteria of the Stroke grant had been complied with ✓ An expenditure plan exists for the carry forward of surplus grant monies ✓ There is appropriate administration and management of the grant	

## Appendix A: Audits with No Assurance or Limited Assurance 2010/11

Audit Opinions on Completed Audits for the year 2010/11

	Systems Audits	Assurance
1.	Cashless Parking	Limited
2.	Debit/Credit cards	Limited
3.	Council Tax, NNDR and Housing Benefit replacement	Limited
4.	Independent Provider Performance – BRSI	Limited
5.	Independent Provider Performance – SEN	Limited
6.	Business Continuity (Council wide)	Limited
7.	Reviewing (learning disabilities)	Limited
8.	Safer Recruitment	Limited
9.	Special Education Needs Placements	Limited
10.	Cash book control and reconciliation	Limited
11.	Equalities	Limited
12.	Grant arrangements	Limited
13.	LG Pension Administration	Limited
14.	Budgetary Control (Children's Service)	Limited
15.	Capital Programme/funding	Limited
16.	Freedom of Information	Limited
17.	Corporate Procurement	Limited
18.	Data Quality (Adults Social Services)	Limited
19.	Recruitment, HR, Payroll	Limited
20.	Sustainability	Limited
21.	Treasury Management	Limited
22.	Waste Prevention	Limited
23.	Income and Debt management	Limited
24.	Business Continuity/Disaster Recovery (Information Services)	Limited
25.	Member Allowances	Limited
26.	Street Lighting – PFI	Limited
27.	CRB checks	Limited
28.	LAA Grant	Limited
29.	Risk Management – Children's Services	Limited
30.	Parking Service	No
31.	Environmental Health – compliance	No

	School Audits	Assurance
1.	Goldbeaters	No
2.	St Mary's and St John's	Limited
3.	Holickwood	Limited

Appendix B: Guide to assurance and priority

For each audit, we arrive at a conclusion that assesses the audit assurance in one of four categories. These arise from our assessment of the system of controls, which are in place to achieve the system objectives, and our testing opinion: we check whether the controls said to be in place are being consistently applied.

○	Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. The control processes tested are being consistently applied.
●	Satisfactory Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the system objectives at risk.
●	Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the system objectives at risk.
●	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Priorities assigned to recommendations are based on the following criteria:

High (1) – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 month.

Medium (2) – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 months.

Low (3) – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.

Appendix C: Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.   This report is a summarisation of the 2010-11 and individual reports for each area should be reviewed in detail. Recommendations for improvements should be assessed by management for their full impact before they are implemented.

The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.   We emphasise that 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. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities.   Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.   Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.   Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix D: List of Satisfactory or Substantial Audit Opinions

Audit Opinions on Completed Audits for the year 2010/11

	Systems Audits	Assurance
1.	Housing Benefits	Substantial
2.	Performance Management – Children's Services	Satisfactory
3.	National Indicator (NI) 179 – Value for money	Satisfactory
4.	Stroke Grant	Satisfactory
5.	Project Governance – Pothole Elimination Scheme	Satisfactory
6.	Council Tax	Satisfactory
7.	NNDR Business Rates	Satisfactory
8.	Compliance with Financial Regulations	Satisfactory
9.	Environmental Health	Satisfactory
10.	Fire Safety	Satisfactory

	School Audits	Assurance
1.	Claremont	Satisfactory
2.	Livingstone	Satisfactory
3.	Menorah	Satisfactory
4.	Oak Lodge	Satisfactory
5.	Oakleigh	Satisfactory
6.	Osidge	Satisfactory
7.	Queenswell Junction	Satisfactory
8.	Rosh Pinah	Satisfactory
9.	Sacred Heart	Satisfactory
10.	Holy Trinity	Satisfactory
11.	Coppetts Wood	Satisfactory
12.	Beis Yaakov	Satisfactory
13.	St Paul's N11	Satisfactory
14.	Parkfield	Satisfactory
15.	St Agnes	Satisfactory
16.	Courtyard	Satisfactory
17.	Deansbrook Infant	Satisfactory
18.	Garden Suburb	Satisfactory
19.	Tudor	Satisfactory
20.	Northside	Satisfactory
21.	Moss Hall Infant	Satisfactory
22.	Our Lady of Lourdes	Satisfactory
23.	St Vincent's	Satisfactory
24.	Blessed Dominic	Satisfactory
25.	Brookland Infant	Satisfactory
26.	Brookland Junior	Satisfactory
27.	All Saints' N20	Satisfactory

Audit Opinions on Completed Audits for the year 2010/11	
28. St John's N20	Satisfactory
29. Christ Church CE Primary	Satisfactory
30. Woodrige	Satisfactory
31. Pardes house	Satisfactory

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Meeting	Audit Committee
Date	16 June 2011
Subject	**Internal Audit Progress Report – Quarter 4**
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendices.

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

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

1. RECOMMENDATIONS

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

2. RELEVANT PREVIOUS DECISIONS

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

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 All internal audit planned activity is aligned with the Council's objectives, particularly the "Better Services with Less Money" priority, and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

4. RISK MANAGEMENT ISSUES

4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

4.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess as appropriate the differential aspects on different groups of individuals.

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

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

7.   LEGAL ISSUES

7.1   No legal issues in the context of this report.
.
8.   CONSTITUTIONAL POWERS

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

9   BACKGROUND INFORMATION

9.1   This report provides details of the audits carried out during February to May 2011 and also gives the assurance level for each audit. This is the last quarter of the financial year and as such these reports have been finalised and included within the Annual Governance Statement. These have also been included within the overall assurance opinion for the year.

9.2   The recommendations not implemented carried forward from last quarter are included within this report and also those high priority 1 recommendations that were due for implementation up to May 2011.

10.   LIST OF BACKGROUND PAPERS

10.1   None.

Legal: MAM
Finance: JH/MC

London Borough of Barnet

Internal Audit & Risk Management

Progress Report 2010-11– Quarter 4

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

Table of Contents

Appendices:

A: 2010/11 Work during quarter including assurance levels
B: Work in progress
C: Internal Audit Effectiveness Indicators

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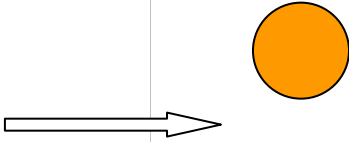
The Internal Audit Plan was agreed by the Audit Committee on the 11th March 2010. This report follows the principles previously accepted by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail. Information is also presented regarding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

2. Final Reports Issued

This report covers the period from 1st February to 31st April 2011. The Internal Audit service has over this period issued 29 reports in accordance with the 2010-11 Internal Audit Plan. The full list of completed audits during this period is included within Appendix A. Of the 29, only 7 were graded at satisfactory or substantial assurance and the details of which are included within section 3 of this report.

There were only 3 systems based audits where the results were not finalised in time for this progress report, these reports will be finalised for the Committee to review in September. All reports fed into the Annual Audit Opinion separately reported to the Committee.

3. Key Findings from Internal Audit Work

Title	Business Continuity (Corporate Governance)			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Last reviewed 2007/08				
Date final report issued	12th May 2011			
Background	Business Continuity (business continuity) should seek to ensure that in the event of disruption (and following the defusing of the situation by the Emergency Services, if applicable) temporary arrangements to support critical services (as identified in a Business Impact Analysis (BIA)) and to ensure ongoing service delivery are established within agreed timeframes.			

Summary of Findings	The following positive findings, supporting the objectives, were noted:
	• The existence of, and accessibility to, a Business Continuity Strategy (Strategy) for the Council
	• Effective arrangements, structures, support and available guidance to support the development of Business Continuity Plans in Services
	• The existence of a Council Business Impact Analysis (BIA) identifying all Corporate (Council) critical activities i.e. activities which, following disruption, need to be resumed within 1-14 days
	• Effective arrangements for ensuring that the Council BIA critical activities were accurate (current) and that each critical activity linked to a business continuity Plan.
	The following issues were noted:
	• The Business Continuity Strategy had not been reviewed since 2008 and re-assessed for priorities;
	• There were no Corporate support Business Continuity Plans for IT provision and Accommodation (facilities) as required by the Strategy;
	• Formal testing of Business Continuity Plans for the Corporate BIA critical activities had not been undertaken as required by the Strategy;
	• There was scope for further embedding business continuity arrangements across the Council be driving the development of business continuity plans for activities other than those related to the Corporate BIA critical activities;
	• The Risk Forum highlighted Service risks arising from the lack of confidence around business continuity arrangements
	• Although there are business continuity leads with accessible business continuity plans responsible for co-ordinating the implementation of business continuity arrangements in their Service, in the absence of the Head of Insurance, there is no nominated, back-up officer to undertake the operational, central co-ordination of business continuity arrangements and to provide support to Service business continuity leads in the event of disruption
	• The feedback from all Service business continuity Leads, in response to information requested from Corporate business continuity, for confirmation of accuracy of BIA critical activities and the link to / existence of business continuity plans was outstanding at March 2011 and did not require confirmation of all business impact analysis critical task information necessary to ensure the appropriate Corporate support in the event of disruption.

Priority 1 recommendations	There were two priority one recommendations as a result of this audit: The Head of Insurance should co-ordinate the preparation and finalisation of Corporate Support IT and Accommodation business continuity Plans. The Head of Insurance should co-ordinate and undertake testing of business continuity Plans for critical activities and report testing outcomes (for lessons learned purposes) to the relevant Service business continuity Leads
Management Responses and agreed action dates	Management has agreed the following action in relation to above recommendations: Agreed to be implemented by September 2011. Agreed to be implemented over a phased period with final completion by January 2012.

Title	Debit and Credit cards (Deputy Chief Executive – Finance)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No audit in past 5 years		🟠		
Date final report issued	March 2011			
Background	The London Borough of Barnet decided in 1999 that it would accept payments from customers using visa credit, visa debit, switch, solo, and master card in order to provide its customers and clients with alternative payment methods. However, the council does not accept payments from customers using American Express or electron cards To facilitate these payment methods, various sites and groups were provided with credit card machines commonly called PDQs. Additionally, systems for accepting card payments by telephone and over the internet were also introduced in 2001, and Parking Process use a system called Cobalt and Xenco for their card payments. Planning have also opened a link on the LBB home page to the Planning Portal so that customers can pay for their planning applications online. The total value of income received by the Council via the Debit/Credit Cards Method of Payment for the financial year 2009/10 (1st April 2009 to 31st March 2010) amounted to approximately £26m. 76% (£19.8m) of income from Debit/Credit Cards payments were processed Online, Touchtone and Paye.Net; these payments systems are hosted by Capita. 19% (£4.8m) of income from Debit/Credit Cards payments were from Parking income management provider Verrus, with the remaining 5% (£1.4m) processed via PDQ machines (hosted by Elavon). PDQ machines are in various locations across the Council, with the majority in Library centres.			

Summary of Findings	Significant areas for development identified during this audit were: • It is Council's policy that debit/credit personal and confidential information are safe from misuse. However, the policy needs to distinguish between control environment for staff handling debit/credit card transactions where cardholder is present, as well as, where cardholder is not present; and • Contracts/Agreements between the Council and debit/credit card services and equipment providers such as Capita, Verrus, and Elavon of could not be found. Therefore, Audit was unable to ascertain if service provided Capita, Verrus, and Elavon is in accordance to contractual agreement. Other areas for development identified during this audit were: • There was no evidence of monitoring of PDQ machines in operation to identify redundant PDQ machines. For example, as at the time of our review, 4 out of the 27 PDQ machines in operation were found not to have take any payments in that period but, the Council incurred usage/rental fees; • The policy statement for the usage of credit and debit cards has not been reviewed recently; and Allocated roles and responsibilities of staff/departments responsible for the management and administration of credit and debit card income are not up to date and do not reflect working practice.
Priority 1 recommendations	There were 2 priority 1 recommendations: 1) Management should clearly define the control environment that should be in place for staff operating the debit/credit card systems where cardholder is present, as well as, cardholder information that should be retained where cardholder is not present. 2) Management should ensure that there are written contractual agreements which sets out terms and conditions, responsibilities of both parties, service specification etc. Contractual agreements should be readily available for review in the event of a query

Management Responses and agreed action dates	The following responses were received in respect of the recommendations raised:
	1) Agreed to be implemented by 30 June 2011 - guidance will be clarified so that it is clear, robust and defines the control environment that should be in place for staff operating the debit/credit card systems both for where cardholder is present and where cardholder is not present. These will be issued to all services that operate the PDQ machines, it will then be their responsibility to ensure that their staff operate within the guidance.
	2) Agreed to be implemented by June 2011 – a copy of the contract to be received from the supplier

Title	Learning Disabilities Reviews (Adults Social Services)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No review in the past 5 years		🟠		

Date final report issued	19th April 2011
Background	The Council has a statutory duty, under the National Assistance Act 1948, to undertake assessment of need for social care services and to provide appropriate and adequate support to people who meet the local eligibility criteria. Councils therefore have a responsibility to routinely and regularly review service users' needs and circumstances as required by policy guidance documents such as "Caring for People", "Better Care, Higher Standards"; and "Fair Access to Care Services".

The Service in responding to both the developing agenda for increasing choice and independence for service users and the unsustainable pressure to meet current and expected demand for services within existing budgets.

The objective of the review process is to maximise VFM outcomes for Learning Disabilities service users and the Council, by maintaining the appropriate service provision in line with the service user needs, promoting independence and current commissioning strategy.

There are currently 800 service users of which 54% are in residential care and 46% living independently. |

Summary of Findings	The following issues were identified during this audit:
	
	• The Care Funding Calculator (CFC) is not being used consistently to:
	  - capture the changing needs of service users and improve their outcomes / promote independent living;
	  - obtain value for money in procurement of residential (and supported living) services from the assessment of a fair price, determined by the application of the CFC.
	• Where CFCs had been completed, there is a limited process for these to be followed up for negotiating with providers;
	• Quality assuarance processes are not robust to ensure that annual reviews are undertaken in a timely manner;
	• The processing and recording of annual reviews in SWIFT and WISDOM is not consistent with service guidelines and local procedures;
	• Supervision of case files is not robust to ensure that annual reviews are undertaken in accordance with departmental polices and procedures.
	
	We noted the following areas of good practice during the audit:
	
	• The 'Move on Project' is a two-year project which has secured move-on from residential care for 19 Learning Disabilities and 18 Mental Health clients, providing in year savings of approximately £372,000;
	• The Service is working closely with MyCareCosts in order to better understand the cost breakdown of placements and to apply a cost calculator for high cost placements to ensure the services maximising the value for money being achieved through residential placements. This partnership working has achieved £84K in year savings;
	• A CFC project has been set up to systematically apply the CFC in reviews. Some negotiation with providers is taking place involving senior managers. The process needs to be strengthened to ensure that negotiation following changes takes place.
	• Information is compiled on a monthly basis by the Performance and Information team, for review and evaluation by the Senior Leadership Management team; and
	• Guidance notes for recording reviews in Swift and saving documentation in WISDOM have been made available to all staff.

Priority 1 recommendations	There was one priority 1 (high) recommendation from this audit: (1) Management should: - ensure that annual reviews are undertaken and completed in a timely manner. - identify and prioritise the backlog of reviews. Strengthen quality assurance checks for ensuring that annual reviews are undertaken - for example, management should regularly extract and review a report of the outstanding annual reviews to be undertaken.
Management Responses and agreed action dates	The following response was received as a result of this audit: Information team provides regular information of reviews outstanding. A tracking system is in place to follow-up outstanding reviews and this will ensure that annual reviews are being completed in a timely manner. A report will be produced to identity overdue reviews and these will be carried out as a priority if required. Reviews are prioritised and carried out relating to the project work which is still going on. All allocated cases will reviewed by social workers and completion of these will be checked by the Team Manager during supervision. To be completed by June 2011.

Title	Special Education Needs Placements (Children's Service)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No review in past 5 years		🟠		

Date final report issued	21st March 2011
Background	The Local Authority (LA) has a responsibility to promote high standards for all pupils, including those who have special educational needs (SEN). A key feature of this provision is a commitment to the principles of inclusive education by giving more children with SEN the opportunity to participate in educational experiences in mainstream schools. The Special Educational Needs and Disability Act (2001), which amended the Disability Discrimination Act (1995) to make it unlawful for education providers to discriminate against disabled pupils, students and adult learners. As a result, education providers must make reasonable adjustments to ensure that disabled people in education do not suffer a substantial disadvantage in comparison to their peers who are not disabled. Part 1 of the Act strengthens the rights of children and young people with special educational needs to be educated in mainstream settings. The Act also requires schools and LAs to plan strategically to increase access to education. The revised SEN Code of Practice (effective from January 2002), which takes account of the Special Educational Needs and Disability Act (2001) and "provides practical advice to Local Authorities, maintained schools, early education settings and others on carrying out their statutory duties to identify, assess and make provision for pupil's special educational needs There are over 1600 children with Special Educational Needs that the LA supports.

Summary of Findings	The following issues were identified during this audit: - Non-compliance to the following Data Protection Act principle : Secure - Personal data held in hard copy. - Current business processes are not robust to ensure that annual reviews are undertaken in a timely manner and that reports received are recorded correctly onto the Tribal database. - There are gaps with regards to the completeness and accuracy of the information held in service users' files and with data recorded on the Tribal database. - SEN information is currently being kept both in paper format and electronically.
Priority 1 recommendations	One priority 1 recommendation has been made: **Governance Arrangements – Compliance with Data Protection Requirements** – Management should take immediate action to review current documents held within the office and storage area to ensure that these are kept 'secure' as required under the DP Act 1988. Action is required to develop and implement an action plan to improve current business processes by: • clearly setting out actions to implement the recommendations and mitigate the risks reported; • ensuring that the adequate resources and effective systems are in place to meet and deliver the service objectives; • taking into account that the service is able to keep pace with any policy / legislatives changes and the increasing demand for the service. • Ensuring there are auditable business processes.
Management Responses and agreed action dates	The following response was received for this audit: A needs analysis has started with policy and planning officers to review the required human and storage resources to enable secure placement of files and observation over files which are out of drawers or cupboards during the day, acquire resources and implement sweep and tidy process over four weeks starting 01.02.11 Strengthen AMO management prior to implementation through additional temporary post. Action to be implemented by June 2011.

Title	Grants - Finance (Deputy Chief Executive)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel This area has not been audited for the past 5 years				
Date final report issued	29th March 2011			

Background	The Council claims large sums of public money in grants from central government and other organisations (grant-paying bodies). As a result, the Council is required to complete returns providing financial information to Government departments.

The Council is responsible for ensuring that its grant claims and returns are:

- completed accurately and in accordance with the scheme terms and conditions;

- supported by systems of internal control, including systems of internal financial control and internal audit, which are both adequate and effective in practice (including proper arrangements to prevent and detect fraud);

- completed in a timely fashion so that deadlines are met;

- supported by adequate working papers; and

- subject to proper supervision and review prior to completion of the authority's certificate.

The 'Grants Co-ordinator' role has been established as a dedicated role assigned to oversee the grants management process. The role is currently performed by a Senior Management Accountant based in the Finance Directorate who has been in the role since March 2010. Service area Grant Compilers have been assigned to each grant. Each Grant Compiler also has a Finance contact, who they liaise with for financial assistance when compiling supporting documentation for the claim.

Irrespective of who may complete grant claims and returns for the Authority, grant-paying bodies require the authority's certificate to be given by an appropriate senior officer. This is typically the Chief Finance Officer or an officer authorised by written delegated powers. The Council requires that a S151 Chief Finance Officer Signature Request Form is completed and signed for all grant claims/ returns that require Chief Finance Officer certification.

We identified that the Council submitted 11 grant claims and returns from government departments and other bodies requiring external audit certification in relation to the 2009/10 audit year (issued in 2010/11 year end).

External audit completed their review of the 2009/10 grants process and reported their findings to the Audit Committee on the 17th February 2011. To avoid duplication of recommendations we have not included those recommendations that have been previously reported by External Audit, however the results of this audit was taken into consideration for the assurance given. |

Summary of Findings	One significant issue was highlighted during the audit: • The grants database/register has not been kept complete, accurate and up to date (for example, the Local Area Assessment grant was not recorded in the grants register). Furthermore, the grant conditions have not always been recorded and updated in the grants register. The following other issues were identified during this audit: • Some performance information had been collected and reported regarding the success or otherwise of the grants process, however this could be further developed and cascaded to services/directorates to gain more ownership by grant compilers; • There is evidence to suggest that responsibilities are not well understood by the grant compilers within directorates. Some areas were identified that could be enhanced for the purposes of establishing a good audit trail: • The grants procedure note was reviewed in June 2010; however, there was no evidence of this review on the document; and • Independent review of grant could not be evidenced in accordance with the procedures in place. We noted the following areas of good practice during the audit: • A Grants Procedure note has been developed and has been made available to relevant officers; • Grants training is conducted annually for grants compilers, inexperienced grant compilers who do not attend training are given one to one sessions as a follow-up procedure; • A formalised grants register has been developed to record sources of grant income received by the Authority; • A 'Grants Co-ordinator' role has been established as a dedicated role for managing the grants claims process; • Service areas engage in grant schemes which are in line with the Directorate and Corporate objectives; • Finance is consulted to ensure that proper financial management arrangements are in place to enable accounting records to be maintained; • Working Papers have been generated to support grant claims; • Incorrect/ incomplete grant claims are queried directly with the Grant Compilers; • Certification arrangements have been explicitly set out in the procedure note and protocols have been agreed with the External Auditors; and • External Audit certification has been given to grant claims in line with Audit Commission guidelines.
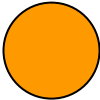
Priority 1 recommendations	There were two priority 1 (high) recommendation from this audit: (1) The roll out and implementation of the purchased Grant Finder tool should be actioned and a process devised by which services use the facility. This process would also require services to monitor the grants included within the register which would allow for the detection of any errors with the grant itself/ or the grants management and administration process.
Management Responses and agreed action dates	The following responses were received for this audit: (1) Agreed to be implemented by April 2011 – a process will be devised that will enable services to use the Grant Finder Tool and to use this to update the grants register. This should also clarify the process for administering and managing the grants.

Title	Budgetary Control – Children's Service			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No review in the last five years				

Date final report issued	29th March 2011

Background

Within Children Services priorities, objectives and activities, five initiatives have been selected as top improvement initiatives within the corporate plan. Progress on each of these five improvement initiatives is monitored throughout the year and reported to Cabinet as part of the quarterly performance monitor. The key initiatives are:

- Launch new foster carer recruitment campaign to increase opportunities for stable, local placements
- Strengthen multi-disciplinary support for vulnerable families
- Use video technology to empower families to effectively participate in child protection planning
- Ensure sufficient primary school places are available in the right places

Children Services is responsible for helping those children most at risk of social exclusion to have the best opportunities and chances in life as well as planning and coordinating work to improve standards in education to meet the needs of all learners.

It is therefore important that Children Services budget reflects accurately and adequately its requirements and forecasted levels of provision as well as the Council and Service specific priorities having regard to resources available and taxation consequences of spending decisions at the beginning and throughout the year.

Summary of Findings	The following significant issues were identified during this audit: • Appropriate budget estimates were not produced in all areas. The budget estimates in social care did not sufficiently take account of changes in trends and spending patterns. • The production of a monthly budget service summary was implemented in month 8; prior to this a service summary position was only produced for the Senior Leadership Team on a quarterly basis in line with corporate procedure. In view of the overspend, the Children's Service and corporate finance agreed a process to collate a service wide position each month for reporting to the Senior Leadership Team and this is now in place. • The Children Service has developed a new draft Scheme of Delegation but this is not yet in place • Responsibilities are not well understood by some budget holders within the service, as budget monitoring reports are not always completed as required, and when they are completed there are gaps and inaccuracies in the information reported. • Variances have not always been identified promptly. • A recovery plan was drafted in December 2010. However, it was unclear in the plan how the Children's Service intended to resolve the overspend. There were some other issues that should be considered by management: • Procedure notes do not exist for *some* key budgetary control processes • Finance training (which included budgetary control training) was not well attended by budget holders and this may have impacted their ability to manage their budget and report the budget monitoring information to Finance in a timely manner as required. We noted the following areas of good practice during the audit: • Service-based procedure notes for *some* of the key budgetary control processes exist • Profit/ cost centres have been assigned to the correct budget holders within Children's Service. • The cost centre hierarchy is appropriate and only relevant general ledger codes have been assigned to the correct profit centres. • Service area budgets within Children's Services are linked to the strategic objectives of the Council and Service Area; • There is a clear timetable for budget setting in place, although as noted some issues with compliance against this timetable. • Revisions/ virements are approved in line with the scheme of virements. • Budget amendments are accurately and promptly updated in SAP. • Corrective journals are processed by an appropriate officer and for valid reasons. • Overspends have been reported to the Chief Finance Officer, Cabinet Resources Committee, and monitored through the Statutory Officer Group on a monthly basis.

Priority 1 recommendations	The following priority 1 recommendations were made: (1) There should be a robust process in Children Service's to ensure that appropriate, reliable, accurate and timely budget estimates are constructed in line with the Council and Service strategies /policies/ priorities. Budget setting should be based on reasonable and reliable data and assumptions. Furthermore, growth, contingencies, reserves, provisions and efficiency savings options should be reliably costed and reported. The budgets set should be reported to senior management, and any significant issues should be brought to their attention, to ensure that effective and timely management decisions can be made. (2) Children's Service should develop a Scheme of Delegation, to formally document financially delegated powers within the Directorate. The Scheme should be developed in line with the Council's Financial Regulations. The Scheme should also indicate which officers will be delegated the financial delegated powers in the absence of key officers. The Scheme should be approved and reviewed periodically. Furthermore, relevant staff within Children Services should have access to and an awareness of the Scheme of Delegation. (3) Variances should be identified accurately and promptly by both budget holders and the Finance Accountancy team. There should be increased coordination and communication between the Finance Accountancy team and budget holders, to ensure that variances are promptly detected and reported. The Children's Service should determine a way in which responsibility for budget monitoring is effectively assigned and acknowledged by the budget holders, so that budget monitoring is completed accurately and there is a greater rate of return of the budget monitoring reports. (4) The recovery plan should be developed further to outline clearly how it is intended that the overspend will be resolved, and going forward how forecast variances will be addressed. The plan should contain the value of savings as well as the remedial action that will be taken. Furthermore, the plan should be monitored and progress against each action in the plan should be recorded and updated as necessary.

Management Responses and agreed action dates	(1) We will re-base all of the social care budget for 2011/12 to allocate the available funds within the areas of pressure. New budget estimates for many of the other Children's Service significant budget areas (Youth and Connexions, schools and learning and early intervention and prevention have been re-set as part of the budget setting process for 2011/12 as they have experienced significant reductions in their budgets. A priority for the service in 2011/12 is to conduct a similar exercise for Special Educational Need funding.
	(2) A draft scheme of delegation has been prepared and this is now being put in place. Advice will be sought from legal service about the steps necessary to confirm the scheme in place in order to have the scheme in place and available to all staff.
	(3) For 2011/12 we are reviewing the appropriate level of budget delegation within our social care service. SLT will continue to be advised of all budget holders who fail to complete the monthly budget projection.
	(4) For 2011/12, SLT will receive monthly collated service position from month 1 and will identify a portfolio of measures ready to be taken should budgetary pressures again begin to emerge in 2011/12.
	These actions will take place by April 2011.

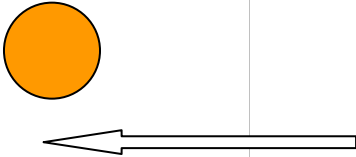| Title	Capital Funding – Finance and Commercial Services (Deputy Chief Executive)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel				
Date final report issued	10th May 2011			
Background	The Capital Programme includes the programme of work, and the plan of Capital Expenditure, of the Council. The Programme normally covers a number of years and is produced in line with the capital strategy, and with adherence to the Prudential Code. Capital Programmes need to be regularly monitored in terms of cost and physical work against an approved Programme to help ensure objectives of the Council in respect of Capital Expenditure and value for money are achieved.			

Summary of Findings	The following positive findings, supporting the objectives, were noted: • The Capital, Assets and Property Strategy and Medium Term Financial Strategy emphasise the need for Capital projects/programmes to support corporate priorities, effective project governance, maximising the use of external funding and to borrow prudently to optimise the revenue position. • There are clear and allocated roles and responsibilities for co-ordinating the preparation of the annual Capital Programme and validating and evaluating proposed capital funding streams applied to capital schemes included in the Capital Programme. • Management information of capital funding streams to validate and challenge inclusions in the Capital Programme is available to Strategic Finance. • There is scrutiny of the Capital Programme at Senior Management and Member level (at various stages of its development and following variations to the Programme). • There are clear roles and responsibilities for evaluating the revenue impact of additional borrowing requirements stemming from the Capital Programme to ensure that capital financing costs are contained within acceptable, budgeted limits i.e. to ensure that the Council could afford to service the debt without government support. • There are clear roles and responsibilities and effective arrangements for capturing, quality reviewing and approving variations to the Capital Programme during the year. • There is evidence of documentation of risks associated with various capital funding streams, and a logical and consistent approach to substituting capital funding streams where necessary in order to maximise the use of external funding and minimise external borrowing in line with the Strategy. • There is evidence of capital funding substitutions to prevent the loss of time limited grant and minimise the use of external borrowing. • There are year-end reconciliation processes to confirm receipt of capital funding streams included in the Capital Programme. The following areas were noted for improvement: • The Capital, Assets and Property Strategy had not been updated to reflect new structures for capital monitoring. • The Investment Appraisal Board (IAB), responsible for the scrutiny of capital scheme budgets, assessing how schemes support corporate priorities and assessing project governance arrangements, had not operated since late 2010. • There were no documented procedures for referral for quality review of variations to the Capital Programme. • There was scope for improving support to Services through the identification of grant funding streams. Pathfinder training was recently undertaken by officers in Strategic Finance and it was understood that this would be applied for identifying sources of grant funding. • An operational risk was identified which had not been recorded in the Strategic Finance JCAD risk register.

Priority 1 recommendations	There was one 'High' priority recommendations that are summarised as follows: (1) A decision on the ongoing operation of the IAB should be taken and implemented so that future / new and approved capital schemes are subject to the appropriate scrutiny
Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations: (1) All schemes are subject to the relevant scrutiny. Some capital schemes will be scrutinised by the One Barnet and Regeneration Programme Boards with the residue schemes being scrutinised by the Investment Appraisal Board (IAB). IAB reviews will continue as before. To be implemented by July 2011

Title	Data Quality – Adults Social Service			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No audits in the past 5 years to compare to		🟠		
Date final report issued	20th May 2011			
Background	Public Services need reliable, accurate and timely information with which to manage services, inform users and account for performance. Good quality data is the essential ingredient for reliable performance, if the council is to meet the varied needs of its communities, to plan and invest for the future and to account for the use of resources to all its stakeholders. Strategic decision making by the council and its partners must be based on robust and reliable performance and financial information. The data used to report on performance must be fit for purpose and present an organisation's activity in an accurate and timely manner. High quality data also enables informed judgements made by both internal and external assessors (extract from the Data Quality Policy). The Council reports on Performance Indicators and key initiatives relating to Community Safety. It is important that the information is accurate and can be relied on both in terms of performance management and public perception.			

Summary of Findings	The following key findings were reported: **Policy and Procedures:** • There are no internal operational data quality guides, which provide an overview e.g. which document and evidences the data behind the calculations and checks that have been taken place to meet the requirements for both indicators. • Despite Quality Assurance procedures in place for managers to review cases files our review found a lack of local controls over the input of data to ensure that data is correctly entered at source and to detect any errors incurred during the input process. • Local procedures for recording Personal Budgets in SWIFT / and saving relevant documentation in WISDOM are not being followed. • Although there are a range of safeguarding polices and procedures, there are no formal procedures in place for the collection, recording and dissemination of information. **Systems and processes:** • There are significant gaps with regards to the completeness and accuracy of information for NI 130 held in key systems. This made it difficult to follow the sequence of the personal budget process, resulting in an inadequate audit trail to support the numbers counted in the indicator from our selected sample. • We found no issues with regards to working practices, but some weaknesses in validation procedures for the safeguarding indicator have been identified where management checks are not in place to identify possible errors in data submissions. Responsibility has not been assigned to independently confirm the accuracy of the information received from services teams. As a result, our review found omission of five LBB cases from the count and one case incorrectly being included and the omission of 1 Mental Health Trust (MHT) case. **People and Skills** • Although training was provided to staff with a 'Quick Reference Guide and complemented by briefings / coaching to individual teams with regards to the roll out of personal budgets, there is still work to be done to create an awareness of the importance of accurate data recording by staff to support the data quality arrangements for NI 130. **Data Use** • Data output is not checked by the Information Team prior to upward reporting to Senior Management Team (SMT) and to the Corporate Information Team (CPT) to ensure that the reported information reflects actual performance. The Information Team undertakes "dip sampling" of data and related PI and because of the large number and volume of the national data set relating to Adult Social Care, quality sampling is done on a rolling basis i.e. cover approximately 70 indicators over a period of 2 years.

Priority 1 recommendations	There was one 'High' priority recommendations that is summarised as follows: (1) Management should ensure that all relevant information is recorded and documentation saved in key systems. This should ensure that there is a complete documentary management trail to support the personal budget / safeguarding processes and provide evidence to support the calculations and checks that have been taken place to meet the requirements for both indicators.
Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations: (1) Care Services Delivery (CSD) Service Managers will ensure through their Team Managers that a proper audit trail is maintained for all such cases. The Directorate will also implement any relevant actions arising from the pan London agreement This recommendation will be implemented immediately.

Title	Recruitment, HR and Payroll – Human Resources (Deputy Chief Executive's Service)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel Last audit 2007/08		🟠 ⬅		

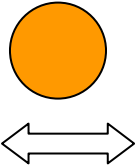|	
Date final report issued	8th March 2011
Background	HR Service Delivery is responsible for the provision of human resources to the Council, and in order to assist the Council in achievement of its aims and objectives.
	The Payroll function is responsible for making payments to staff promptly and accurately.
	Recruitment, HR and Payroll are key services within the Council, and the internal audit will inform the overall annual Head of Internal Audit Opinion; for inclusion in the Annual Governance Statement (which reports on the effectiveness of the Council's governance framework).

Summary of Findings	We noted the following areas of good practice during the audit: • The clear allocation of roles and responsibilities to staff with the experience and knowledge to undertake processing for HR, payroll and payroll run processes. • The independent checking of input of HR and pay information to ensure accuracy of HR and payroll processing. • The attendance by officers of Data Protection Act training to ensure awareness of data security for the significant confidential data processed in the area. • Prompt and accurate processing of related HR and Payroll data. We noted the following issues: • Instances where procedures had not been updated to include new processes. • A failure to retain certain key documentation in line with procedures. • Instances of a lack of evidence of independent checks on starter information input. • Ineffective processes to ensure that P45 certificates for leavers are sent to the Inland Revenue. • A lack of a formal process to confirm that officers in Services authorising HR/Payroll actions had the required authority. • The lack of independent checks on certain HR/Payroll input. • The need to review SAP access to ensure that officers only had access in line with their role requirements. • Ineffective processes to prevent unauthorised access to HR data through ongoing enforcement of a clear desk policy, and a policy to keep cabinets with related information locked. It is to be noted that fraud training requirements were being considered during the audit by management. No formal recommendation has been raised, however management are reminded to make sure that assessment of requirements is performed promptly, and as appropriate for need.
Priority 1 recommendations	There was one 'High' priority recommendations that is summarised as follows: (1) SAP access should be reviewed to ensure that officers only have access to the tasks required for their role. Where this is not possible, exception reporting should be introduced, on a risk basis, to detect and challenge related processing actions or inappropriate access.

Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations:
	(1) Agreed. This area is already under review as part of the engagement with the SAP Optimisation project which would include a focus on SAP access, user roles and responsibilities. Head of HR Service Delivery will engage with SAP Optimisation Team and SAP Support Team to prioritise this action.
	A bank changes report had recently been developed which would be subject to a 10% check.
	This recommendation will be implemented by June 2011.

Title	Sustainability (Carbon Emission Reduction) – Planning Housing & Regeneration and Environment & Operations			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No audits in the last 5 years		🟠		

Date final report issued	8th February 2011
Background	The Sustainability area is governed by environmental legislation and protocols and key to achieving the goal is to embed and provide the means to embed good practices in workplaces/homes with employee/residents/communities across the borough following processes to contribute to outcomes. Activities/initiatives in Housing, Planning, Environment and Asset Management seek to address carbon emission reduction and to introduce arrangements to facilitate minimising the impact of service delivery on the environment. Related operation will be informed by various strategies for example, Housing Strategy, Planning frameworks and Asset Management (Estate) strategies. The area is governed by legislation/protocols such as the Climate Change Act 2008, the Environment and Protection Act and the Kyoto Protocol.

Summary of Findings	The following positive findings, supporting the objectives, were noted:
	
	1. Significant activity undertaken in the Council Services to address carbon emission reduction delivered by various teams in Planning, Environment, Housing and Asset Management, for example:
	   • activity supporting more energy efficient new and existing property stock,
	   • activity supporting more energy efficient Council buildings,
	   • activity stemming from the London Borough of Barnet Carbon Emissions Reduction Action Plan (the Plan) developed by Environment and Operations and Asset Management in consultation with the Energy Saving Trust).
	2. A Corporate focus through identification of the financial risk associated with the Carbon Reduction Commitment Energy Efficient Scheme in Corporate and Service Risk registers and the implementation of mitigating actions
	3. A Corporate focus through the review of related delivery for the carbon emission reduction agenda as part of FirstStat Corporate Performance arrangements in 2010.
	
	The following issues were noted as areas for improvement:
	
	1. A lack of agreement as to future approach and the lack of overall co-ordination of the various activities undertaken in the Council to maximise impact;
	2. A lack of formal comprehensive risk management specifically related to carbon emission reduction operational delivery and engagement with Strategic Partners to address energy consumption issues (referred to in the Corporate Plan), essential to ensure that tasks are completed and to mitigate against any significant financial outcome not being realised and
	3. A lack of robust performance management arrangements and performance measures for the various activities to monitor progress and effectiveness of carbon emission reduction delivery.

Priority 1 recommendations	There was one 'High' priority recommendations that is summarised as follows: (1) Arrangements should be implemented for ensuring that identified lead officers, responsible for sustainability and carbon emission reduction initiatives in respective Service areas, have identified and addressed risks (linked to activity) which may compromise carbon emission reduction objectives/ delivery outcomes.

Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations: (1) Risk management should be adopted as part of any key delivery to mitigate against related objectives not being achieved. Once strategy and delivery plans have been formalised, the use of effective risk management will be emphasised to officers responsible for delivery to facilitate embedding it in day to day operation. Its ongoing use will be assessed as part of the performance management framework agreed. This recommendation will be implemented by June 2011.

Title	Waste Prevention – Planning Housing & Regeneration and Environment & Operations			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel Last audit Waste Prevention 2006/07		⬤ ⟺		
Date final report issued	18th February 2011			

Background	All local authorities are required to put in place appropriate measures to enable compliance with the EU Landfill Directive (1999/31/EC). The EU Landfill Directive sets targets to reduce the amount of land filled biodegradable municipal waste. Furthermore, since 2007, local authorities are also responsible for implementing the "Waste Electrical and Electronic Equipment (WEEE) Directive." Waste prevention is at the top of the waste hierarchy (based on the *DEFRA: Waste Not Want Not 2002* model). The role of the council is usually limited to education, promotion and facilitation of waste minimisation initiatives although the Waste Minimisation Act 1998 enables local authorities in England to take whatever steps it may consider appropriate to facilitate waste reduction. Waste minimisation has been identified as a top improvement initiative within the Council's 2010-2013 Corporate Plan and the reduction of the amount of waste being sent to landfill will be measured through: • reducing the amount of residual household waste sent for disposal per household to 625kgs (NI191) • increasing the percentage of household waste sent for re-use, recycling and composting to 40% (NI192) A Waste Prevention Strategy (WPS) was approved by Cabinet on the 5th December 2005. The vision in the WPS is "To prevent waste by working together and sharing responsibility for a cleaner, greener Barnet". The objectives stated in the WPS are to: • Reduce the overall amount of waste from households • Increase participation in waste prevention activities. Barnet Council is responsible for collecting the waste that its residents produce. The responsibility for disposing of this waste is held by the North London Waste Authority (NLWA), of which Barnet is a member, along with six other north London boroughs. The NLWA has produced a North London Joint Waste Strategy; Barnet has taken this strategy into consideration when formulating its own strategic direction.

Summary of Findings	The following significant issues were identified during this audit: • Duplicate content is contained in the Waste Strategy and Waste Prevention Strategy; and having both strategies does not add value to the Waste Management process. • The Waste Prevention Strategy is not fit for purpose. There is currently no process in place to ensure periodic review and update of the Strategy and to ensure that it remains current and fit for purpose. • There are a lack of clear policies and procedures in place to support the overall implementation of the Strategy, and delivery of individual component projects/initiatives. • Partnership arrangements which should include details covering the nature of the relationship and which clearly identify the responsibility and liability of each partner have not been established and documented. • Governance arrangements to scrutinise, oversee and challenge the Waste Prevention Strategy are inadequate. • Risk management procedures have not been applied to project components. We noted the following areas of good practice during the audit: • The Waste Prevention Strategy is accessible to staff within the Waste and Sustainability team. • The Strategy has been approved and developed in consultation with services and stakeholders. • The Strategy takes into account the objectives/strategies/business plans/priorities of the organisation. • Value for money is being considered and maximised. • Roles and responsibilities for preparing the Strategy have been clearly defined. • Risk management procedures are in place; Directorate and team risk registers are maintained. • Project management techniques are being used to ensure effective delivery of projects/ initiatives • Adequate resources (including staff and budget) are allocated so that projects/changes to project plans are managed effectively and efficiently. • There is a robust monitoring and performance management framework in place, and there are effective mechanisms for collecting and reporting performance data. • Timely, accurate and complete management reports are produced and reviewed.
Priority 1 recommendations	There were two 'High' priority recommendations that is summarised as follows: **Waste Prevention Strategy** – Management should put a process into place to ensure there is periodic review of the Waste Prevention Strategy and that the Strategy is fit for purpose and remains current. **Governance arrangements** – Adequate governance arrangements should be put in place to scrutinise, oversee and challenge the Waste Prevention Strategy.

Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations:
	(1) We agree with this. We will be re-writing the Waste Prevention Strategy, to pull to together both the Waste Strategy and Waste Prevention Strategy. The Strategy will be an overarching waste strategy which will cover other areas as well as Waste Prevention, and will take into account the latest population and behavioural trends. The re-writing of the Strategy is a key objective for Environment and Operations for 2011. We envisage that the Waste Strategy will have headline areas and actions under each headline. The actions will tie in with decisions on with future Waste Collection. The revised Strategy will be reviewed regularly, at a minimum it will be reviewed annually; the actions within the Strategy will be reviewed more regularly and this will be determined by the content. The deadline for scoping of the revised Strategy is March 2011. (2) Terms of Reference will be developed for the Waste Project Board. The Waste Project Board is set to continue going forward, but we are unsure whether it will be the Board's responsibility to oversee and scrutinise the Strategy. There is a possibility that the Environment and Operation's Senior Management Board will have overall responsibility for scrutinising the Waste Strategy. The governance arrangements going forward will be discussed with the Director of Environment and Operations, and the responsibility for scrutinising, challenging and overseeing the Waste Strategy will be defined. This will be delivered by March 2011.

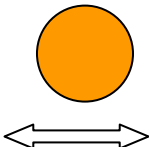| Title	Risk Management – Children's Services			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No audit in this area for the past 5 years		🟠		
Date final report issued	22nd March 2011			
Background	Effective risk management is required to identify threats which could compromise the achievement of objectives and to ensure that the appropriate action, including the correct allocation of resources, is undertaken within agreed timeframes to mitigating the likelihood of the threat arising and/or the impact should it arise. The focus of the review was to assess how risk management was undertaken/embedded at a team level in the Children's Service. While risk management at Service and Corporate level in the Council is more visible, it is essential that it is exercised at all management levels in the Service as part of day-to-day operation. The audit reviewed how risks were identified, documented, treated and monitored. Internal Audit reviewed the risk management processes in the following areas: 1. Referral and Assessment Team 2. School Place Planning 3. Data Governance Group			

Summary of Findings	The following positive findings, supporting the objectives, were noted: • An understanding of the Business areas • The identification and documentation of some risks • Identified risks were significant and relevant to the Business • The identification of actions to mitigate identified risks • Evidence of implementation of actions to mitigate risks • The escalation and reporting of key risks to the Service and Corporate level and for social care cases deemed to be high risk owing to changing circumstances, their escalation to a Risk Management Panel for review, documentation and further action. • The monitoring of delivery of actions to mitigate identified risks by senior management through review of risk logs, through their involvement in implementation of mitigating actions, through communication to them of implementation of mitigating actions and the centralised monitoring (facilitated through automated reminders and reports in JCAD) of Service Risks. Issues as follows were noted which demonstrate scope for improving risk management application to start embedding sound risk management practice at team level; • The risk analysis process did not include a comprehensive identification of all risks which could compromise delivery or create negative outcomes • The mechanism for the evaluation of risks for their significance was not undertaken against standard evaluation criteria • The lack of availability of all necessary information necessary for decisions on the treatment (mitigation) of risks. • The need for risk management training to improve understanding and implementation of sound risk management practice.
Priority 1 recommendations	There was one 'High' priority recommendation that is summarised as follows: The comprehensive identification of all risks which could compromise service delivery should be undertaken as part of annual Business Planning and on an ongoing basis thereafter as appropriate. Ongoing reviews of the risk register should be undertaken to ensure the inclusion of all relevant risks.

Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations: (1) The current risk register has been updated to include the missing risks identified during the audit. All service risks are monitored by SLT quarterly. (June, Sep, Dec & Mar) The last review was on 14/3/2011. Risk management briefing sessions will be organised for all managers after April 2011 when the new Children's Service management structure has been implemented (the briefing sessions will emphasize the need for Assistant Directors / managers to monitor the identification and management of risks by teams reporting to them). Monitoring will be undertaken to ensure such identification and management of risks. This is to be implemented for April 2011.
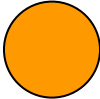
Title	Street Lighting – Environment and Operations			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel No audit in this area for the past 5 years		🟠		
Date final report issued	9th May 2011			
Background	The Council operates a street lighting PFI (Private Finance Initiative) contract for the replacement, maintenance and repair of its street lighting. The contract commenced May 2006 for a term of 25 years. The contractor is required to meet 8 performance standards specified in the contract. Identified failures result in adjustments (reductions) to the monthly unitary charge payable to the contractor. The contractor is responsible for reporting the level of service delivery and service failures which informs the amount to be invoiced by the contractor. The Council is responsible for monitoring the contractor to ensure effective service delivery and to ensure that service delivery assertions reported by the contractor are correct. Initially, the level of failures reported by the contractor resulted in adjustments which impacted negatively on the financial viability of the contract risking contractor withdrawal from contract. At the beginning of 2010 therefore, a management decision was taken to offer relief for adjustments in a controlled manner and where appropriate with a view to working with the contractor to optimise service delivery. The contract is approaching a critical period where the costs of withdrawal by the contractor will be significantly reduced.			

Summary of Findings	The following positive findings, supporting the objectives, were noted: • Clear allocation of responsibilities for contract monitoring to officers who demonstrated an understanding of contract requirements; • Evidence of monthly provision of monitoring reports of service delivery by the contractor and monthly discussions on performance between contractor and responsible officers in the Council; • Evidence of a re-active light touch approach to contract monitoring; • Evidence of the identification of strategic risks associated with the contract and the implementation of arrangements to mitigate risks (to ensure the sustainability of the contract and optimise contract delivery); • Available management information showing the level of adjustments, the level of relief and the level of adjustment which would have been applicable without relief to assess whether the approach for providing relief results in an improvement in service delivery; and • Evidence of effective arrangements for ensuring that the invoice payments to the contractor reflected the agreed position in line with the rates and terms specified in the contract. The following issues were noted: • The lack of evidence of formal proactive arrangements to routinely monitor contractor delivery against each of the contract performance standards to assess whether the contractor representations about delivery are correct and the effectiveness of the policy of allowing adjustment relief; • There were delays (in excess of target times) between when street light service requests were received by the Council (including through the Fix-My-Street route) and when they were submitted to the contractor; • The process for reporting outstanding service requests to the Street Lighting Team had ceased owing to the service requests backlog; • The failure by the contractor to undertake a significant number of customer satisfaction surveys as required under performance standard 5 in the contract; • The analysis of responses by residents to customer satisfaction surveys (where undertaken) had ceased in April 2010; and • The lack of a formal business continuity plan in the event of the contractor unexpectedly withdrawing from the contract.

Priority 1 recommendations	There was one 'High' priority recommendation that is summarised as follows: (1) Part 1 - Monitoring arrangements should include ensuring that the contractor undertakes all customer satisfaction surveys and assessing the extent of relief in the light of ongoing non-performance by the contractor. Part 2 - Resident feedback should be analysed and issues addressed as necessary.
Management Responses and agreed action dates	Management has agreed the following responses in relation to above recommendations: (1) PS5, Target D, is already included in the Monitoring Schedule. There is a current challenge to the Contractual position as the Service Provider has suggested that early in the Contract term the Network Board agreed that CSS would only be carried out by request of the Authority rather than automatically – this is currently being checked for validity in the form of formal minutes of the appropriate meeting. On-going, the council did request the Annual CSS for this year be completed. The 500 recipients of the survey forms were agreed and the forms were delivered during April 2011. The Council has received completed forms from some of the recipients. The monitoring arrangements will ensure that agreed customer satisfaction surveys are undertaken. Part of the reason for the failure to distribute the surveys in 2010 was the council's requirement to re-draft the survey forms, twice in the last year, to take account of its own revised Diversity Monitoring Protocol. This resulted in delays at the Service Provider's printers on two occasions in the past year. The process for analysing returns from the customer satisfaction surveys will not feature as a priority task for the monitoring team. This role will be undertaken by E & O once the need has been identified by the Monitoring Team, subject to discussion and available resources within the Business Support Team. The Business Improvement team will be approached with the view to undertaking the analysis of customer satisfaction surveys returned and investigating the relevant issues. This is to be implemented by June 2011.

Title	CRB checks – Human Resources (Deputy Chief Executive's Service)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel Safer Recruitment 2010-11		⬤ ⟺		

Date final report issued	21st March 2011
Background	CRB checks are required for any person who through the course of their work (paid or voluntary) is in a position that involves regular contact with children or vulnerable adults or who are employed in one of the excepted professions/occupations listed in the Rehabilitation of Offenders Act 1974 (Exceptions) (Amendment) (England and Wales) Order 2003. Barnet Council is a "Registered Body" responsible for ensuring that all staff, volunteers and the staff of contractors engaged by the authority, who come into regular direct contact with vulnerable adults in care or children and young persons in schools, are all subject to CRB checks. The Lead Signatory for the Council is the Head of HR Service Delivery. There are two levels of CRB check available: "Standard" and "Enhanced", the primary difference being that the latter includes a check against local police records. The CRB process, from the completion of the application form to the production of the final certificate, involves three main parties: the Registered Body; the CRB and, in the case of Enhanced CRB checks, police forces.

Summary of Findings	**Corporate Arrangements** • There is no common process at a corporate level to confirm compliance to the CRB requirements across services areas. **HR** • There are some CRB procedural processes that have not been fully compiled with. • There is no up to date Lead & Countersignatories list. • Formal agreements are not in place where the Council undertakes CRB checks on behalf of other organisations to ensure these organisations are fully compliant with all the necessary CRB requirements and those of the Council. • There is no Council protocol for undertaking CRB for members'. • There is no local performance indicator to reduce the number of incomplete applications returned from CRB, which is currently at a rejection rate of 13.95%. • Four teaching posts for three School advertised in November 2010 did not clearly state that applicants will be required to undergo a CRB check prior to the post being offered. **Supply Management – Adults Social Services** • Only limited site inspections are being carried out to confirm CRB arrangements. A service policy is required setting out how confirmation of CRB arrangements will be obtained from those contractors not visited. • There are no local procedures in place for assessing contractors CRB arrangements. • There is no process for training relevant staff to assist with the types of checks to be undertaken when reviewing CRB arrangements and checking documentation. • Category Managers were not aware of the Human Resources CRB Protocols on the Intranet. **Children's Social Care** • There are some CRB procedural processes that have not been fully compiled with. • Disclosure notices are being retained for more than 6 months as recommended by CRB and this is in contravention with the Data Protection Act - Principle 5 - Retaining Personal Data. • There is no local performance indicator to reduce the number of incomplete applications returned from CRB, which is currently at a rejection rate of 13.95%. • Although CRB arrangements are checked during contract monitoring visits, there is no service policy setting out how confirmation of CRB arrangements will be obtained from those providers not visited. **Temp Desk** • There is no completion of a risk assessment as required by the Council's HR Protocol for Criminal Record Bureau Checks, where agency staff start employment before their CRB clearance is received.

Priority 1 recommendations	There were no 'High' priority recommendations as a part of this review, the limited assurance was given due to 16 priority 2 recommendations.
Management Responses and agreed action dates	As above.

Title	Local Area Agreement (LAA) Grant (Chief Executive's Service)			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				

Date final report issued

23rd March 2011

Background

The 'Local government and involvement in public health Act' (2007) provides a statutory basis for Local Area Agreements (LAA). The first LAA covered a 3 year period from 2007 to 2010. It is an agreement between Central Government and the Council to deliver a set of agreed outcomes and targets over a three year period. The priorities in Barnet's LAA reflect those in the Council's Sustainable Community Strategy. A series of 20 **stretch targets** (see Appendix C) were agreed and each target was eligible for a financial reward grant, totalling £9,737,940. The Performance Reward Grant (PRG) is 2.5% of the authority's net budget requirement and is paid on achievement of 60% of the stretched target.

The Barnet LAA has been developed in collaboration with all the key statutory and voluntary organisations represented on Barnet's Local Strategic Partnership (LSP). The decision making body of the LSP, the Executive, which is comprised of the police, local authority, Barnet College, the PCT, Middlesex University and the Barnet Voluntary Service Council, has been responsible for overseeing the process.

Summary of Findings

Following our discussions with key officers and review of supporting documentation pertaining to the reward targets we found that of the 20 reward indicators, 15 achieved the target without reward and 11 achieved the target with reward.

Following the change in government, there was an announcement made in May 2010 that Local Authorities would only be awarded half the original agreement amount, i.e. for LBB this amount would be £4,868,970.

Where indicators were tested, we found to be significant issues in respect of the following:
  ➢ Data sharing protocols not being put in place to ensure that all data collected, especially through partners, is of good quality as well as being accurate, complete and in line with the reward definitions document.
  ➢ Action plans not being put in place to monitor the targets throughout the three year period, and therefore financial opportunities have been lost.

Priority 1 recommendations	There were no 'High' priority recommendations as a part of this review.
Management Responses and agreed action dates	As above.

Title	Parking Service (Environment and Operations)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel	🔴			
Date final report issued	23rd March 2011			
Background	Parking in the Borough is limited and in high demand. The parking service enforces parking rules to ensure there is a balance of parking provision for all motorists who want to park in the Borough. To help maintain this balance the service utilises a combination of permitting and enforcement to ensure parking rules are followed. Local Authorities are governed by the following legislations: a) The Road Traffic Act 1991 is the primary legislation for Decriminalised Parking Enforcement (DPE) and, b) The Traffic Management Act 2004 is the primary legislation for Civil Parking Enforcement (CPE). More recently parking income has dramatically decreased which has prompted review internally.			

Summary of Findings	**Strategy (Priority High)** Overall the Parking Service has had limited success in implementing its overall strategy. The current strategy, which is considered to be the Parking and Enforcement Plan (P&EP) contained within the Local Improvement Plan (LIP) (2005/06 – 2010/11) has not been effectively implemented due to a lack reliable and up-to-date information to enable monitoring of local targets. The absence of robust monitoring against the strategy has had the overall impact of an inability to understand and readily assess whether the parking service provides good value for money or achieves its objectives. The delivery of the P&EP has been further hampered by communications problems between the Parking Team and the Design Team within the Highways Service. The Parking team is responsible for operational matters only, and the enforcement of parking, whereas the Design team within Highways is responsible for consulting with stakeholders and addressing parking and congestion needs. The planning between these two teams for the delivery of the strategy is not well communicated, leading to inefficiencies, and though positive efforts have been initiated, there is still some progress required. There has been however recognition by senior management and the Cabinet member for Environment and Operations that the parking service requires transformation. On the 29th November 2010 Cabinet agreed to initiate procurement for an alterative service delivery model to overcome the number of high level challenges that the service faces. **Financial Planning (Priority High)** Our review of the service's financial planning arrangements identified significant issues resulting from the lack of strategic forward planning, and robust recovery plans to resolve the current shortfalls in income levels. There is some evidence to suggest that the service was not sufficiently engaged with the budget planning process for 2010/11, with a disparity by £2.3M noted between the Council's Medium Term Financial Budget (MTFB) and the expected contribution to the General Fund from the Specialist Parking Account recorded in the service plan. As at the end of Quarter Two for 2010/11, the service was anticipating a shortfall of £1.3M from the Specialist Parking Account. Notably the service's initial estimate of the shortfall, was much higher, at £1.6M, which was rejected after due challenge by members and Senior Management. A series of measures aimed at containing the shortfall to the level of £1.3M, have been initiated by the service, though, there is still some progress required to accomplish the target as details of financial impact, milestones and timescales are still being worked out. There is concern whether the actions will gain sufficient impetus during the last quarter of 2010/11 when the full impact will be felt.

Historically, the service has not demonstrated the ability to manage its resources effectively and therefore contain shortfalls in income. Over the three year period from 2007/08 to 2009/10, operational expenditure increased by just under 20% (£5.64M to £6.75M), whilst during the same period there was a 13% in income levels (from £10.9M to £9.5M). This has resulted in an overall decline in the contribution from the Specialist Parking Account to the General Fund of 40%, from £4.7M to £2.7M, over the same period. There has also been a trend of diminishing returns per £1 spent which has not been addressed.

Work is required to ensure that the establishment costs are aligned with the budget. In the past, there have been a number of restructures which have failed to realise the efficiencies noted within approved committee papers. Generally, there is lack of monitoring and documentation to ensure that unfunded posts can be adequately resourced from the current budget.

Arrangements with outsourced providers historically lack evidence of effective controls, due to a lack of formal contracts and effective monitoring to attain value for money and service standards with some providers. If an outsourced model becomes the future delivery method of this service it will need to ensure that it improves it contract monitoring and performance management framework.

The service has started to capture information on the key drivers that impact significantly on the service's budgets and operations by identifying some of its information requirements, but there is still some work to be achieved to embed a process that is focussed on outcomes and delivering value for money. For example, understanding the relationship between overtime to front line staff and increase in parking income has not been well understood over the longer term. This includes routinely benchmarking itself against other authorities and the private sector.

Asset Management (Priority Medium)

The service has not developed an asset management strategy that supports the delivery of the objectives of the service effectively and efficiently. Significantly, the service does not hold current information on the condition and location of its Pay and Display machines and other stocks. In addition, the functionality within the Council's main accounting system SAP where a recording system for works order management for monitoring the location and condition of stock is not fit for purpose and as such spreadsheets exist outside of SAP for managing resources. There is some information in SAP, however this does not reconcile with physical assets.

Internal control and risk management (Priority High)

Although management are aware of the corporate risk management arrangements, and key risks are routinely captured within the service plan and the JCAD risk register for monitoring purposes, the process of risk management is only partly effective. Evidence that relevant actions have been implemented effectively to address key risks could not be satisfactorily confirmed. For example, Management have agreed to implement a recovery plan to mitigate the risk of poor performance against the budgeted income target; however, the plan was still in development and lacked key dates, outcomes and financial impact. Without implementing necessary mitigating actions, the risk management arrangements are rendered ineffective for managing and monitoring high risks.

Senior Management has not evidenced action against previous internal audit reports to address control issues. This has meant that there has not been a positive culture of improvement, and inefficiencies have continued to take place.

A lack of fraud awareness has been identified by Management and addressed by providing training to staff members; however, the processes in place for addressing staff concerns are still not well embedded. In addition, staff have not received satisfactory confirmation that any reporting of suspicions of fraud has been addressed and therefore lack confidence in the system.

Good governance (Priority Medium)

The service lacks a common reference point for the diverse sources of policy decisions that have directed the service's strategy and operations. Parking practices have historically evolved through a continual process of development and dialogue that take place between officers and elected members. Though there is some evidence of necessary engagement with members, on consulting and setting the strategic direction for the service, but not all have been set out consistently or published routinely. We could not confirm satisfactorily whether officers had been thorough in documenting their communications with members.. Without clear recording of discussions, the service will be unable to confirm the basis for undertaking policy decisions, and changes, and how these decisions will be implemented.

	Workforce development (Priority Medium) The service currently does not have a productive workforce, there is a high level of sickness absence at an average of 17 days sick per annum (against the Directorate average of 12 working days pa, and public sector average of 8.5 days pa) which has a financial impact equivalent to over £600,000 a year. The service follows the Corporate performance management framework. However, a comprehensive training and development strategy to support the delivery of its objectives has not been identified for all members of staff.
Priority 1 recommendations	There were a number of 'High' priority recommendations as a part of this review: (1) A robust performance management and monitoring framework should be identified and incorporated within the strategy to ensure effective implementation. Team plans for relevant services should be aligned to achieving the objectives of the strategy. (2) Improve the overall arrangements to support financial planning. To achieve this, the service should obtain an understanding of the key drivers that impact significantly on the service's budgets and operations. Monitoring should be undertaken to evaluate the service's success on achieving outcomes and delivering value for money. (3) A robust action plan of measures to contain the shortfall on the contribution from the SPA budget within the projected £1.3M should be produced and arrangements should be implemented to monitor the achievement of actions. The service should show clear documentation on how the income targets can be achieved and risks mitigated. (4) To ensure risk management is embedded effectively, the service should ensure that an appropriate outcomes based plan for the mitigation of risks is identified in order to achieve financial stability and mitigate against known risks.
Management Responses and agreed action dates	The following responses were received management: (1) We will identify and implement an updated Income Recovery Plan which will include robust monitoring targets. Routine monitoring will be undertaken, and reported to the Director to ensure the Parking Service continues to provide good value for money and achieves its objectives. Team plans for 2011-12 will be aligned to achieving the targets identified. (End of June) (2) As per recommendation 1. (3) As per recommendation 1. Additionally, Risk registers relating to Parking service operations have been established to mitigate local risk and minimise impact on the Income Recovery Project. Risk Registers associated with each work stream within the Income Recovery Project have also been initiated. (4) The risk register will be updated on the Council's JCAD system, and consideration of risks will be undertaken routinely at regular management meetings.
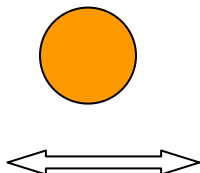
Title	Information Systems Business Continuity – Commercial Services			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel				

Date final report issued	14th February 2011
Background	Information Communications and Technology (ICT) and Information Management are vital in supporting the efficient and effective delivery of Council services. It is therefore important that the Council has a resilient infrastructure and has plans and processes in place to recover its systems in the event of an incident or disaster.
Summary of Findings	• Although service level business continuity and disaster recovery plans have been prepared for IT teams, there is currently no overarching Information Services (IS) level plan in place. Furthermore, in most cases, the service level business continuity /disaster recovery plans are incomplete or out-of-date. • There are at least three single points of failure located within the network that, if realised, may have a severe impact on the continued availability of the network. • Although the Council has identified 51 key business activities across the Council, the requirements for IT support for these activities have not yet been formally identified and documented. • There is no formal process defined for the regular testing of the IS business continuity / disaster recovery arrangements. Furthermore, the IS service area business continuity / disaster recovery plans have not been tested.

Priority 1 recommendations	There were two High (priority 1) recommendations made as part of this review: (1) Management should ensure that the critical systems and their dependencies are formally identified, prioritised, documented and agreed in consultation with representatives from the critical business activities. Furthermore, management should ensure that the Recovery Time Objective (RTO) and Recovery Point Objective (RPO) are defined and agreed for each IT system. The prioritised list of critical services, systems and their dependencies (including their RTO and RPO) should be included in the IS level Business Continuity / Disaster Recovery Plan. (2) Management should consider improving network availability through identifying any single points of failure within the Councils network and implementing appropriate resilience features to reduce the impact of the loss of the primary IT equipment.
Management Responses and agreed action dates	(1) Agreed - IS will liaise with business continuity leads for the 51 critical day one services as identified by the corporate business continuity process. An output of the above consultation will be an agreed recovery time objective and recovery point objective for each key business critical system. To be implemented by June 2011. (2) IS will identify single points of failure through a formal risk assessment, monitored via the corporate risk management tool. Vubis has a facility for clients to go offline and cache updates, supporting key library functions such as loan, renewals and returns. This has been proven during upgrades during which the application and database servers have been taken offline for up to 2 days. This partially mitigates the lack of resilience for this system. However, IS will conduct a cost/risk analysis for full resilience to determine whether there is a case for implementing a fully resilient service. Netloan is not resilient and its loss would remove the ability for customers to book PCs and print from them. Netloan resilience will be included in the cost/risk analysis for Vubis. To be implemented by June 2011.

Title	Member Allowances – Corporate Governance			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel				

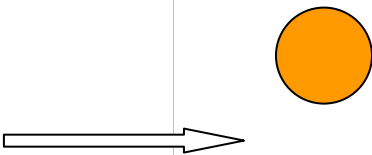| **Date final report issued**	23rd May 2011
Background	The Members' Allowance scheme is made by the Council under the Local Authorities (Members' Allowance) (England) Regulations 2003 (as amended) and the Local Government Pensions Scheme and Discretionary Compensation (Local Authority (Members in England) Regulations 2003 ("the Regulations"). The Council is permitted, by law, to set the level of allowances that are paid to Councillors to cover the expenses they incur in being a local councillor. The Council is required under the Local Authorities (Members' Allowances) (England) Regulations 2003 to make a Members' Allowance Scheme before the beginning of each year providing for the payment of a basic allowance to each Member. The scheme may also provide for the payment of a Special Responsibility Allowance, Childcare and Dependant Allowance, Travel and Subsistence Allowance and Co-optees Allowance. Barnet's current scheme is contained within the Council's Constitution. Local Authorities have the choice of adopting either their own local scheme for Members' Allowances or a scheme recommended by the London Council. Barnet has always taken the first option in adopting a local scheme. The Council scheme is effect for the period 1 August 2010 to 31 March 2014. Before making or amending a Scheme, the Council must have regard to the recommendation made by the London Councils Independent Panel on the Remuneration of Councillors (LCIP).

Summary of Findings	The following issues were identified during this audit: • Established processes are not in place to confirm some low risk requirements of the Scheme. • The scheme provides no guidance to members on current Statutory Deductions and Benefits or claims forms to complete for Childcare and Dependent Carers' expenses. • There are no documented procedures to support the process to confirm compliance to Scheme requirements. • There is no in year check to ensure payment of allowances are fully compliant with all the necessary allowance requirements. • Although Members 'Role Descriptions' (as required by members at the Council meeting on 13th July 2010) are in draft, these await approval by the General Functions Committee. • There is no dictated central file for staff to save documentation pertaining to members allowances and changes to their committee responsibilities. We noted the following areas of good practice during the audit: • Full Council approved the Allowance Scheme on 13th July 2010 for the period 1 August 2010 to 21st March 2014, following recommendations of the London Council's Independent Panel (LCIP). • The Council Constitution incorporates the current scheme. • Members Allowances are paid in accordance with those approved by Full Council and through the Council's payroll system on a monthly basis, with the appropriate deductions. • Each year the Council publish details of its Members' Allowances Scheme as required by the Local Authorities (Members' Allowances) Regulations 2003 and the amounts paid to each Member under the Scheme. A Notice to this effect is published in the local press as after the end of the financial year. The Service has recently undergone a re-structure and is putting in place clear accountability and responsibility for improving and enhancing working practices to administer the Members' Allowance Scheme.
Priority 1 recommendations	There was one High (priority 1) recommendation made as part of this review: (1) Management should review current reconciliation arrangements and agree on the frequency and method of checking members allowances to - confirm that members are receiving their correct allowances as agreed. - identify and rectify any anomalies, to limit any year end issues with regards to Members' allowances. In addition, documentary evidence of the checks carried out should be retained to indicate who preformed the checks and when.

Management Responses and agreed action dates	Management provided the following response:
	Agreed – An 'in-year' reconciliation of members allowance will be undertaken and action taken will be in line with the audit recommendation. This is to be implemented by October 2011.

Title	Freedom of Information – Corporate Governance			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel Last audit in 2006/07				

Date final report issued	23rd May 2011
Background	The Freedom of Information (FOI) Act 2000 and the Environmental Information Regulations (EIRs) 2004 give a right of access to a wide range of information held by public authorities and places obligations on public bodies to release information on request, if it is not subject to exemptions. (Although this document refers to 'FOI' and 'the Act', these are to be taken to include equivalent provisions under the EIRs.) There is information held by public bodies that is, through legislation, prohibited from disclosure, to protect the privacy of data and information about individuals. This is covered by the Data Protection Act 1998. The main requirements of the FOI Act are that the Authority must maintain an approved publication scheme setting out the types of information held, access by the public to that information and how it is disseminated to the public. The publication scheme should be supported by a Records Management Strategy and systems which enable the Authority to retrieve information within 20 working days of receiving a request (unless further clarification is required in order to locate the information, there is an exemption which prevents release of the information, a time extension is necessary, or the requested fee not received). Responsibility for FOIA compliance is devolved to the council's service areas, each of which has appointed Information Governance 'Link Officers' to discharge these functions. The Standards & Information Rights Team (S&IR Team) in Corporate Governance supports these Link Officers, leads on best practice and takes on various other co-ordinating roles, including in relation to the publication scheme.

Summary of Findings	The following issues were identified during this audit: **Policy and Procedures** • Although there is a range of specific guidelines with regards to FOI, there is no formal, documented and agreed overarching policy in place for FOI within the Council. The FOI Staff Guidance has not been updated since November 2004. • A sample review of information made available in the publication scheme from the website (last update **April 2011**) found some outdated documents and links to committee reports not working. • Environmental Information Regulations 2004 (EIR) has not been made available to the pubic via the Council's website or details contained in the publication scheme. • A draft schedule of charges (dated May 2010) for EIR has been prepared, but not published as required by Regulation 8 – *"a public authority shall publish and make available to applicants a schedule of its charges and information on the circumstances in which a charge may be made or waived"*. • External service providers have not been informed of their responsibility with regards to the requirements of the FOI Act (including EIR) and information they hold on the Council's behalf. **Roles and Responsibilties** • Although there have been various communications to staff concerning FOI (for example via the intranet, through Link Officers and through the Directors Group), there is no formal mechanism in place to ensure that all council staff have been made aware of the FOI Act. **Information Requests** • There are weaknesses in recording the actual date of receipt, for FOI requests. Some FOI officers recorded the date they received the requests, rather than the date the requests were received by the Council. • There are some FOI requests being completed outside the 20 days statutory time period (where there have been no issues). The Link Officer for Revenues and Benefits has recorded the completion date of requests as 'Nil' and not the actual numbers of days. • Acknowledgements are not being recorded consistently onto the FOI database to evidence that applicants have been informed that their requests are being dealt with – good practice recommended by the ICO. **Performance Management** • A database is used to log and maintain a history of all FOI requests and reviews (including DP), generated by the current FOI request management system. However, the database is very limited in its functionality and is not sufficiently flexible to provide effective monitoring on the progress of responses and the actual time taken to respond. A business case has been completed to replace the current system and accepted in principle by the Directors Group in 2010. This forward plan has now been accepted and so the S&IR Team will move forward with the procurement. • FOI performance data is reported quarterly to Directors Group, but not to the level recommended by the Ministry of Justice..
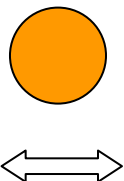
Priority 1 recommendations	There was one High (priority 1) recommendation made as part of this review: (1) The S&IR Team should take steps to remind Link Officers that they must: - comply with statutory timescales under the FOI and EIRs when responding to a request; - record the date the request is received by the Council and **not** the date the request is passed to them for processing. - when closing a request on the system, record the actual number of days taken to deal with the request (ie no. of working days from receipt to response); this will assist to monitor time scales met. The procurement of a new FOI database should allow for more effective tracking and monitoring requests.
Management Responses and agreed action dates	Management provided the following response: (1) Recommendations Agreed. The S&IR Team will email Link Officers reminding them they must: (i) comply with statutory timescales under the FOI and EIRs when responding to a request; (ii) record the date the request is received by the Council and **not** the date the request is passed to them for processing; (iii) when closing a request on the system, record the actual number of days taken to deal with the request (ie no. of working days from receipt to response); and (iv) record acknowledgments of requests onto the FOI system The S&IR Team will update the 'Induction Pack' which is sent to all new Link Officers to reflect these messages and will also include them in an article in the next FOI/DP newsletter sent to Link Officers. To be implemented immediately.

Title	Treasury Management – Finance (Deputy Chief Executive's Service)			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel Last audit in 2009/10		🟠		
Date final report issued	17th May 2011			

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Background	The objective of the Treasury Management function is to effectively manage: • the Authority's cash flows, • its borrowing and its deposits, • pursuing optimum performance and rates of return, and associated risks. The objective of the system itself is to ensure that transactions are compliant with the Treasury Management Policy, Strategy, and Annual Investment Plan, correctly treated, and recorded in the Council's accounting statements. The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that code (Financial Regulations Part 1, Section 7). For the current financial year 2010-11, the Council has produced its annual Treasury Management Strategy in line with the Code and an Annual Investment Plan in line with the Department for Communities and Local Government Guidance (CLG Guidance) on Local Government Investments (Second edition – 11 March 2010) which were approved and adopted at Cabinet Resources Committee on 16 March 2010. The Council's amended Treasury Management Strategy and Annual Investment Plan for 2010/11 were approved at Cabinet Resources Committee on 30 November 2010. These key documents set out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing. The Chief Finance Officer is responsible for creating and maintaining suitable Treasury Management Practices (TMP's). These set out the manner in which the Authority will seek to achieve the objectives of treasury management, prescribing how it will manage and control those activities. The Cabinet Resources Committee receives reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year and an annual report after the close of the financial year. These reports incorporate the prudential borrowing limits and performance indicators. The overall long term debt of the Council amounted to £207.5m (as at 31.12.2010) and deposits outstanding amounted to £182.3m (including £10.6m Pension Fund Cash).

Summary of Findings	<u>Significant issue identified during this audit was:</u>
	
	• Unencrypted laptops: action is required to address a data security risks as a priority:
	    • Currently the team use two unencrypted laptops to access the banking system and Logotech database and one unencrypted memory stick to back up data. One of those laptops can also be removed from the Council's premises;
	    • The arrangement, implemented to ensure business continuity in the event of a disaster, is in contravention of the Council's policy and Information Commissioner's requirement; and
	    • Consideration should be given to accessing the banking system from a networked system, using a web based banking application. This will further ensure the availability of bank balance and details in real time for the effective operation of the Treasury function.
	
	<u>Other areas for development identified during this audit were:</u>
	
	• Governance: to ensure compliance with the CIPFA Code, action is required to formalise arrangements in the following key areas:
	    • Treasury Management Strategy and Annual Investment Plan approved at full Council; In addition, CIPFA's clauses on the Treasury Management Policy adopted within the financial regulations or within any other governance document.
	    • The following areas need to be detailed and formalised in line with the CIPFA Code and Communities and Local Government guidance:
	        o Scrutiny arrangements for oversight of Treasury arrangements formalised within the approved Financial Regulations;
	        o Scheme of delegation updated in line with the Treasury Management Strategy; and
	    • Treasury Management Practices Statement (TMPs) formalised, and aligned more specifically with the updated Treasury Management Strategy and the CIPFA Code, and the revisions communicated to staff, and monitored, to ensure current working practices remain aligned to the TMPs.
	• Processes should be improved and implemented to obtain an effective control environment in the following areas:
	    • produce timely reconciliations between the SAP financial system and Logotech;
	    • obtain a log record of data amendments made on the Logotech database;
	    • ensure reporting to Members contains information for monitoring the security and liquidity benchmarks of the investment portfolio.

Priority 1 recommendations	There was one High (priority 1) recommendation made as part of this review: (1) The use of unencrypted laptops and unencrypted memory sticks poses a risk of loss of data and should be discontinued. Compliance with the Council's information Security Policy and requirements of the Information Commissioner should be ensured. The banking system should be accessed from a networked system, using a web based banking application, instead of two standalone (unencrypted) laptops. This will provide secure business continuity arrangements and minimise the risk of data loss. It should be ensured that any systems in use by the Treasury Team are able to be accessed from the Council's networked systems directly. In addition, all data should routinely be backed up on to the Council's systems on a monthly basis.
Management Responses and agreed action dates	Management provided the following response: (1) The Council is in the process of moving to internet banking, and the Logotech database is being networked which removes the need for this laptop. The laptop is no longer taken off site. As of w/c 28th March 2011 this is no longer the case, we are in compliance with the Information Commissioner's requirement.

Title	Corporate Procurement – Commercial Services			
Assurances	**No**	**Limited**	**Satisfactory**	**Substantial**
Audit Opinion & Direction of Travel Procurement, Contracts & Accounts Payable (Last audit 2008/09)				
Date final report issued	23rd May 2011			
Background	* This review was carried out prior to the Metpro investigation and as such findings from the Metpro investigation need to be taken into account Cabinet resolved in October 2009 to establish the 'Future Shape' programme as a response to a challenging strategic agenda. The way the Council procures goods/services (commissioning) has been identified as one of the five workstreams in how the Council will deliver its Future Shape agenda. Procurement has been included within the 'One Barnet' value for money stream and is a service within the 'New Support Organisation' project. A Corporate Procurement Team (CPT) is in place to maintain, renew and manage some corporate contracts and provide best practice advice to devolved procurement teams/officers and their service areas on all aspects of procurement. Whilst the focus of the audit was the Corporate Procurement Team, many of the controls tested are managed by the Service Lines; as part of the devolved nature of Procurement within the Council. However, the CPT does have an oversight role for procurement practices. As at the time of our review, the Council has procured £248,316,974 worth of goods and services from trade suppliers during 2010/11. Evidence for this review was gathered through discussion with relevant staff members and sample testing of prime source documentation pertaining contract awarded.			

Summary of Findings	Significant areas for development identified during this review were: • With the exception of Adults, the role and responsibilities of devolved procurement teams/officers are unclear. In addition, there is no process in place to ascertain the performance of devolved procurement teams and if/where these teams add value to the Council's procurement objectives. • There is a lack of oversight of the devolved activities to measure compliance with the Contract Procedure Rules. In addition, the Corporate Procurement Team have not carried out a review of spend over £155,000 against an up to date contracts register, due to a lack of a centrally collated contracts register. Other areas for development identified during this review were: • The Procurement Code of Practice (PCOP) has not been reviewed since June 2009 and there is evidence of out of date information within the document. • With regard the use of single tender actions (STA), we identified one out of 10 suppliers in our sample where the rationale for not going out to competition for one of the suppliers was not in accordance to the principles of CPR. • The Corporate Procurement Team do not have a process in place to detect/indentify staff who have not been put forward for training by Directors and Heads of Services. • Further guidance is needed for officers responsible for sourcing social care good/services in Children Services. • An e-procurement strategy which sets outs the Council's approach to the use of new Information Technology has not been developed.
Priority 1 recommendations	There was one High (priority 1) recommendation made as part of this review: (1) Management should clarify if/where devolved procurement is needed. Where devolved procurement teams are established, roles and responsibilities should be formally allocated and assigned, and the role of CPT clearly defined. In addition, there should be a process in place to measure, monitor and report progress of devolved teams towards meeting the Council's procurement objectives and compliance with Contract Procedure Rules.

Management Responses and agreed action dates	Management provided the following response: (1) CPT fully supports the Audit recommendation for service areas to identify procurement teams. Agreed to immediately implement a monitoring arrangement in regards to the Contract Procedure Rules.

4. Work in progress and effectiveness review

Appendix B includes a list of all of those audits at the planning, fieldwork, or draft reporting stages. We only have 4 reports that require finalisation from the draft stage in order to complete the 2010-11 financial year. These initial findings fed into the Annual Audit Opinion.

Appendix C shows how effective Internal Audit is at delivery of the two of the three aspects of value for money – efficiency and effectiveness. Economy is reported within quarterly performance reports to Directorates and CRC, as at the end of the financial year we were within tolerance levels of 1%.

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

Effectiveness – the percentage of recommendations implemented, this is currently at 42% with a target of 90%. We are finding that generally there has been a decline in implemented agreed recommendations over this quarter, section 5 of this report highlights those areas that have not implemented the recommendations within the required dates. Of concern is the parking service who has not given appropriate evidence despite assurances at the March Audit Committee.

Client/Service satisfaction scores have increased from 86% to 88% with a target of 90%, this is encouraging that despite issuing a number of limited assurances management were content with the level of service they received. Problems with the contractor have been resolved following the replacement of the manager.

Efficiency – the percentage of plan completed to date should be in line with the allocation of audits between quarters. According to the schedule, we should be 95% complete of all 2010-11 audit work. We are 93% complete of 2010-11 audit with four reports awaiting finalisation. This is within acceptable limits.

There has been a decline in performance on the number of days taken to draft an audit report after field work, the target is 10 days and the service is only achieving this in 63% of cases. Individual staff have been set performance objectives for the following year to rectify this issue.

5. Recommendations followed up

Summary of Recommendations Followed up	
Due by June 2011	24
Recommendations fully implemented Implementation %	10 42%
Recommendations partly implemented	12 50%
Not implemented	2 8%

During the last quarter there were 24 high priority recommendations that were due for implementation by the start of June 2011, these included the 7 recommendations carried forward from the previous Audit Committee which were unimplemented. This provided the Committee with an update of those recommendations.

1. Recommendations outstanding from the last update to the Audit Committee, current status:

Audit recommendation	Responsible Area	Response from Management	Audit assessment at March 2011	Audit Assessment @ June 2011
Remote Access **Recommendation 1** Review of risks to remote access to be completed. Implementation date: End of March 2011	Information Services (Commercial Directorate)	Formal risk identification and assessment process developed and documented. Review of risks to remote access completed.	Partly implemented. Evidence not available of a comprehensive process implemented for risk identification and mitigation.	Partly implemented - position unchanged. Further follow up in June 2011.

Audit recommendation	Responsible Area	Response from Management	Audit assessment at March 2011	Audit Assessment @ June 2011
Cashless Parking **Recommendation 2** 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. **Recommendation 3** Formalise the process for reconciliation of income collected by Verrus, and VAT amounts, deposited into the Council's accounts, in conjunction 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 should routinely be reported to the Management. A review of VAT accounting for parking income from all-off street sources should be prioritised. **Recommendation 4** In the light of the Audit, the current reporting arrangements with the provider to identify improvements, where required, for ensuring that the council is receiving sufficient information for the purpose of monitoring the contract. **Recommendation 5** 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 (Environment and Operations)	Evidence for confirming the implementation of actions could not be provided to Audit within the agreed timescale of 15 April (first batch) or 15th May (second batch. There is a delay in the implementation of actions agreed, which has been escalated to the Assistant Director.	Actions partly implemented.	Partly implemented – position unchanged. Further follow up in June 2011.

Audit recommendation	Responsible Area	Response from Management	Audit assessment at March 2011	Audit Assessment @ June 2011
Recommendation 6 Routine independent checks on the accuracy of the transactions reported (parking spaces sold, and charges levied) by Verrus should be instituted.				
Cashless Parking **Recommendation 7** Compile a list of cases where misuse of cards/fraudulent payments were identified and provide management with a report on actions taken and the extent of amounts recovered.	Parking (Environment and Operations)	The procedure for processing fraudulent card use and payments has been developed and implemented, and non-payments are reported.	Partly Implemented	Implemented

Areas not implemented that were due in the current quarter, these areas will continue to be reported until clearance:

Audit recommendation	Responsible Area	Response from Management	Audit Assessment
Environmental Health - Compliance **Recommendation 17** Ensure compliance with the Provision of Services Regulation 2009 regarding facility to apply for licences electronically, using the prescribed web portal.	Environmental Health (Planning Housing and Regeneration)	The action relating to the availability of an electronic system to make and pay for licence applications through an on-line portal is still not met. There are some IT dependencies to achieve this outcome.	Not implemented in full. Deadline: June 2011.

Audit recommendation	Responsible Area	Response from Management	Audit Assessment
Independent Provider Performance (SEN) **Recommendation 18** All contracts/agreements should comply with the Council's Contract Procedure Rules.	Inclusion (Children's Service)	We are in the process of preparing a DPR for exemption of Contract Procedure rules for the procurement of SEN placements. This will include the signing thresholds for the individual contracts, the plan being to have the Head of Service to sign each contract, regardless of value. We are reviewing the National Contract for Placement of Children & Young People to be used across all of the current and future placements. For all support services, which exclude placements, i.e. therapies & specialist packages the plan is to carry out a scope of work and draw up contracts where appropriate. This is a major piece of work and would require some time to plan and implement, however, some of this work is underway and I would propose that this be reviewed at the end of **June 2011.**	Not implemented in full. Deadline: June 2011
Equalities **Recommendation 19** The Council should review the Equality Scheme on a regular basis in light of changing needs and priorities. Where the Council's Equality Scheme is not reviewed on an annual basis, there is an increased risk that the equality agenda is not in line with the corporate plan and not fit for purpose.	Strategy - Assistant Chief Executive	Equalities and Human Rights Commission have confirmed in its publication "The essential guide to the public sector equality guide" that public bodies will no longer be required to publish an Equality Scheme. Instead public authorities must publish objectives that it reasonably thinks it should achieve to meet one or more aims of the general equality duty.	Partly implemented – Corporate Directors Group (CDG) agreed the implementation of Audit recommendations. Implementation date: various from July till April 2012

Audit recommendation	Responsible Area	Response from Management	Audit Assessment
Equalities **Recommendation 20** A process should be in place where the Council can demonstrate that there is challenge and scrutiny of equality and diversity statements within the DPR and committee report clearance process. Where there is lack of challenge/scrutiny of the equality and diversity section within a DPR or other committee report, there is an increased risk that assurances on equality issues provided by service areas may not be secure resulting in incorrect management decisions being taken.	Strategy - Assistant Chief Executive	Equalities impact assessments considered as a norm in all DPRs, Approval has been obtained from Corporate Directors Group for actions to be undertaken for addressing the recommendations to standardise the process.	Partly Implemented Equalities Impact Assessments are reported within the DPRs, and a nominated officer provides Equalities clearance on the DPR. Implementation Date: July 2011
Safer Recruitment **Recommendation 21** Further guidance and monitoring should be implemented to ensure that: • All Job Descriptions explicitly highlight the level of check that is required for that role.	Finance - Deputy Chef Executive	A review has been completed with line managers to identify specific posts that require a CRB check, and SAP system updated with an indicator that confirms that the post requires a CRB. Following that work an additional exercise is due to complete by the end of June 2011, to review and confirm whether any individual in a CRB specified post has a valid CRB in place, and the SAP record updated accordingly. Posts are reviewed at the point the post holder leaves the organisation and at the start of the recruitment process the hiring manager is required to specify if the post requires a CRB A further audit on Safer Recruitment was conducted in March 2011.	Partly Implemented To review and confirm whether any individual in a CRB specified post has a valid CRB in place, and the SAP record updated accordingly. Implementation date: June 2011

Audit recommendation	Responsible Area	Response from Management	Audit Assessment
Budgetary control **Recommendation 22** Children's Service should develop a Scheme of Delegation, to formally document financially delegated powers within the Directorate. The Scheme should be developed in line with the Council's Financial Regulations. The Scheme should also indicate which officers will be delegated the financial delegated powers in the absence of key officers. The Scheme should be approved and reviewed periodically. Furthermore, relevant staff within Children Services should have access to and an awareness of the Scheme of Delegation.	Children's Service	The scheme of delegation is being finalised. It is being checked to ensure it accords with the revised SAP approval process and is scheduled to be approved by the Senior Leadership team on the 23rd May 2011.	Partly Implemented Further action required: to publish the scheme of delegation and ensure staff have access to and an awareness of the Scheme of Delegation. Implementation Date: June 2011
CT, NNDR, HB - Pericles Replacement **Recommendation 23** Data conversion Concerns and issues with the overall quality of conversion outputs should be resolved (e.g. through confirming Civica's contractual responsibility for this activity and improved matching of OpenRevenues data requirements to Pericles data). The data and the level of detail of data that needs to be reconciled between Pericles and OpenRevenues and the required percentage matching that needs to be achieved as part	Revenues, Deputy Chief Executive's Service	There are still ongoing issues being addressed by the team to ensure the proper conversion of data.	Due: September 2011

Audit recommendation	Responsible Area	Response from Management	Audit Assessment
of conversion acceptance testing needs to be agreed. Conversion reconciliation exercises between agreed key OpenRevenues and Pericles data should be formally undertaken and signed off in line with above agreed criteria.			
LG Pensions **Recommendation 24** There should be a robust framework for reviewing, monitoring, and reporting of performance management implemented. Regular reports should be presented to the Pensions/ Investment Committee, so that the performance of the Council as the administering authority of the pension scheme can be assessed and remedial action taken were necessary.	Pensions, Deputy Chief Executive's Service	Officers have attended Heywards Axise course to learn how to build task management workflows and reporting on October 12. This will support our implementation of task management within LBB. Although some preparatory work has commenced on this Management Action, we anticipate this Management Action will not be completed before September 2011. As part of our improvement and implementation of Performance Management, we have subscribed to CIPFA Benchmarking for Pensions Administration. We anticipate we will receive the benchmarking questionnaire on 13th May and results received back from CIPFA 2nd September.	Further action Required: complete the review of how another Local Authority has implemented task management for pension's administration. Implementation Dates: 1. June 2011- 2. Further follow up will be undertaken in September 2011

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The following recommendations have been implemented within the agreed timescales and therefore will no longer be reported to the Audit Committee:

Audit recommendation	Responsible Area	Response from Management
Environmental Health – compliance **Recommendation 8** A comprehensive analysis of each licence fee is undertaken to ensure the fee reflects the cost of the licensing process. **Recommendation 9** Management carry out a fuller self assessment and identify an effective strategy to ensure compliance with the section 18 standard of HSWA.	Environmental Health (Planning Housing and Regeneration)	Report on revised fee and charges agreed by members on 14 Feb 2011 (Cabinet)
Safer Recruitment **Recommendation 10** Key policies/procedures should be updated: • The steps to be followed where actual or suspected harm or risk of harm is highlighted once an individual has started employment. • Clear overview with indicative timeframes of the key steps to be followed by hiring managers during the entire recruitment, selection, and pre-employment process. We will continue to communicate the Code of Conduct policy to staff, which includes the following areas: "3 Referral to Independent Safeguarding Authority [ISA] and Professional Body 5.3.1 The Council has a duty to refer an employee to the ISA. 5.3.2 The Council will also refer the employee to their Professional / Regulatory Body, such as GTC, GSCC, in circumstances where that individual is found to have breached professional standards."	Deputy Chief Executive's Service	Completed at the time of the Audit.

Audit recommendation	Responsible Area	Response from Management
Cash Book reconciliation **Recommendation 11** Cashbook reconciliations should be performed in a timely manner, before the next period end date.	Finance Directorate	From September 2010 a timetable has been put in place detailing the deadlines for completing the reconciliations. Cashbook Officers will be required to complete reconciliations no later than 2 weeks after the period end date. The reconciliations will be monitored to ensure that they are being completed to the deadlines set. Head of Finance SAP Systems, Closing and Compliance.
LG Pensions **Recommendation 12** Management should ensure that reviews of employer/ employee contribution rates for members of the scheme on LBB payroll are carried out periodically and fully evidenced. There should be periodic meetings between Pensions and Payroll to ensure that any anomalies in contribution rates identified by the Pension team through their checks undertaken), are rectified by the Pay and Data Services Manager on a timely basis	Pensions, Deputy Chief Executive's Service	Action Point 1 (Part 1) – Completed - Pay & Data Manager has now completed (April 2011) the review of Employer / Employee contribution rates Action Point 1 (Part 2) – Completed - Pay & Data Manager covered as part of above Action Point 2 – Completed – Pay & Data Manager & Pensions Managers have met and agreed action plan in May 2011.(update 11/5/2011)
Grants **Recommendation 13** The roll out and implementation of the purchased Grant Finder tool should be actioned and a process devised by which services use the facility. This process would also require services to monitor the grants included within the register which would allow for the detection of any errors with the grant itself/ or the grants management and administration process.	Finance Directorate	A process will be devised that will enable services to use the Grant Finder Tool and to use this to update the grants register. This should also clarify the process for administering and managing the grants

Audit recommendation	Responsible Area	Response from Management
Budgetary control **Recommendation 14** There should be a robust process in Children Service's to ensure that appropriate, reliable, accurate and timely budget estimates are constructed in line with the Council and Service strategies /policies/ priorities. Budget setting should be based on reasonable and reliable data and assumptions. Furthermore, growth, contingencies, reserves, provisions, and efficiency savings options should be reliably costed and reported. The budgets set should be reported to senior management, and any significant issues should be brought to their attention, to ensure that effective and timely management decisions can be made.	**Children's Service**	We will re-base all of the social care budget for 2011/12 to allocate the available funds within the areas of pressure. New budget estimates for many of the other Children's Service significant budget areas (Youth and Connexions, schools and learning and early intervention and prevention have been re-set as part of the budget setting process for 2011/12 as they have experienced significant reductions in their budgets. A priority for the service in 2011/12 is to conduct a similar exercise for Special Educational Need funding. For 2011/12 we are reviewing the appropriate level of budget delegation within our social care service. SLT will continue to be advised of all budget holders who fail to complete the monthly budget projection. For 2011/12, SLT will receive monthly collated service position from month 1 and will identify a portfolio of measures ready to be taken should budgetary pressures again begin to emerge in 2011/12.
Recommendation 15 Variances should be identified accurately and promptly by both budget holders and the Finance Accountancy team. There should be increased coordination and communication between the Finance Accountancy team and budget holders, to ensure that variances are promptly detected and reported. The Children's Service should determine a way in which responsibility for budget monitoring is effectively assigned and acknowledged by the budget holders, so	**Children's Service**	As above.

Audit recommendation	Responsible Area	Response from Management
that budget monitoring is completed accurately and there is a greater rate of return of the budget monitoring reports.		
Recommendation 16 The recovery plan should be developed further to outline clearly how it is intended that the overspend will be resolved, and going forward how forecast variances will be addressed. The plan should contain the value of savings as well as the remedial action that will be taken. Furthermore, the plan should be monitored and progress against each action in the plan should be recorded and updated as necessary.	**Children's Service**	As above.

6. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be relied upon as part of the financial accounts audit. Our quarterly meeting falls on the 6th June 2011.

Regular meetings occur between key officers and the Assistant Director of Audit and Risk Management, and engagement remains positive and constructive to improving the internal control environment.

7. Changes to our plan

Since the Internal Audit Plan was approved the following audits have been cancelled, deferred or are additional to the original audit plan agreed in March 2011.

Type	Audit Title	Reasons
Deferred	Customer Libraries and Access	Deferred until 2011-12
Deferred	Value for money	Deferred until 2011-12
Additions	Metro Security Audit	At the request of the Chief Executive
Additions	Data Security with Information Services	At the request of the Deputy Chief Executive

8. Risk Management

Progress continues within risk management according to the detailed improvement plan. Key risk management tasks that were carried out in the quarter:
- Risks were challenged and discussed within the Risk and Fraud Forum in late March;
- The top three risks were included within the corporate performance report which was discussed and monitored within the Corporate Directors Group and fed into the Cabinet Resources Committee in late May;
- To increase transparency and accountability these risks were included on the internet and available to the public for further scrutiny and challenge http://www.barnet.gov.uk/index/council-democracy/corporate-plan-reports/cp-annual-performance-monitors.htm ;

- Additional scrutiny occurs at the Audit Committee who review the corporate risk register and monitor controls and actions through the delivery of the Annual Audit plan;
- A risk workshop was undertaken in May with One Barnet project managers to challenge the implementation of the new Risk Management Strategy and discuss escalation procedures in more detail;
- The risk management policy and strategy has been implemented within JCAD (risk management system) to allow for better understanding and oversight of risks within the authority

At the last Audit Committee (March) members requested that the most up to date risk register be tabled on the night of the Committee so that the Committee can understand the areas of most concern.

Appendix A: 2010/11 work completed during quarter 4 including assurance levels

<table>
<tr><td colspan="3" align="center">Audit Opinions on Completed Audits from 1 November to 31 January 2011</td></tr>
</table>

	Systems Audits	Assurance
1	Business Continuity	Limited
2	Debit and Credit Cards	Limited
3	Reviewing in Learning Disabilities (ASS)	Limited
4	Special Educational Needs Placements	Limited
5	Grants	Limited
6	Corporate Procurement	Limited
7	Budgetary Control – Children's Services	Limited
8	Capital Funding	Limited
9	Freedom of Information	Limited
10	Council Tax	Satisfactory
11	Housing Benefit	Substantial
12	NNDR	Satisfactory
13	Parking	No
14	Data Quality – ASS	Limited
15	Recruitment/HR/Payroll	Limited
16	Sustainability	Limited
17	Treasury Management	Limited
18	Waste Prevention	Limited
19	Accounts Payable	Satisfactory
20	Business Continuity – Information Systems	Limited
21	Member Allowances	Limited
22	Estates Strategy	Satisfactory
23	Risk Management (Children's)	Limited
24	Street Lighting	Limited
25	CRB	Limited
26	Parking Service	No
27	LAA grant	Limited

	School Audits	Assurance
1	Woodrige	Satisfactory
2	Pardes House	Satisfactory

Appendix B: Work in progress

The following work is in progress going into quarter 4.

Work in progress

Systems Audits	Status
1 DRS Project	End of Fieldwork
2 Income and debt management	Draft report
3 Compliance with Financial Regulations	End of Fieldwork

School Audits	Status
1 St Johns	Draft report
2 Christ Church	Draft report

Appendix C: Internal Audit Effectiveness Indicators as at 31 April 2011

Performance Indicator	Annual Target	Actual Oct 10	Actual Jan 11	Actual April 11
Effectiveness				
% of recommendations accepted	98%	100%	100%	100%
% of recommendations implemented	90%	89%	85%	42%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessed	Quarter 4 assessed	Yes, but with some development areas
Average client satisfaction score	90%	100%*	86%	88%
Efficiency				
% of Plan delivered	95%	33%	62%	94%
% of draft reports completed within 10 days of finishing fieldwork	90%	90%	76%	63%
Periodic reports on progress	Each Audit Committee	Achieved	Achieved	Achieved
Preparation of Annual Plan	By March	Quarter 4	Quarter 4	Achieved
Preparation of Annual Report	Prior to A.G.S.	June 2011	June 2011	Achieved
Staff Management				
Staff with professional qualifications	70%	80%	80%	80%
Staff development days	5 days	Quarter 4	Quarter 4	6.9 days

* Only one survey had been returned from those surveyed

AGENDA ITEM: 9   Page nos. 179 - 194

Meeting	Audit Committee
Date	16 June 2011
Subject	**Use of Resources report and action plan**
Report of	Deputy Chief Executive (Section 151 Officer)
Summary	This report demonstrates the progress the council has made against the action plan produced following the comprehensive Use of Resources assessment by Grant Thornton in 2009-10

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

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

1.   RECOMMENDATIONS

1.1   **That Audit Committee reviews the council's progress against the Use of Resources (UoR) action plan (Appendix A) that was produced in response to the 2010 external audit by Grant Thornton.**

1.2   **That Audit Committee considers whether there are any specific elements of the action plan (Appendix A) that it would like to receive a detailed follow up report on at its next meeting in December 2011.**

2.   RELEVANT PREVIOUS DECISIONS

2.1   This is the second time that progress towards delivering the Use of Resources action plan has been reported to the Audit Committee. It previously went to the meeting on 7 December 2010 where it was agreed that an update on progress would be reported when it next met in June 2011.

3.   CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4.   RISK MANAGEMENT ISSUES

4.1   An examination of the Use of Resources action plan by Audit Committee should contribute to an improvement of key control weaknesses across the council, and mitigate the risk of non-delivery.

4.2   Where internal control weaknesses are not addressed it significantly increases the probability that risks will materialise and loss, fraud or error will result.

5.   EQUALITIES AND DIVERSITY ISSUES

5.1   Elements of the Action Plan in Appendix A that are relevant to equalities and diversity issues are recommendation 4.10 relating to procurement and contract management, and recommendations 5.9, 5.10 and 5.12 relating to workforce management.

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

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

7.   LEGAL ISSUES

7.1   None in the context of this report.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

9.1 The council's appointed external auditor Grant Thornton conducted the Use of Resources assessment of the council's performance in 2009-10, using the national framework established by the Audit Commission. This framework has now ceased to operate, however the results were valuable to the council in seeking to address areas of concern. The assessment was carried out between December 2009 and May 2010 and reviewed the council's arrangements against nine lines of enquiry:

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

Progress against the Use of Resources action plan

9.2 An action plan was developed to respond to the Use of Resources assessment setting out how each recommendation would be addressed, over what time scale, and who was responsible for delivery (Appendix A). Progress on these actions was reported at the meeting of the Audit Committee on 7 December 2011.

9.3 Appendix A is divided into two tables. The first table shows actions that are still being delivered and what work remains to be done on them. The second table (starting on page 10) shows actions that have been successfully completed and which have subsequently been closed.

9.4 Actions that have been closed are:

- The council's new Risk Management Strategy and Internal Audit strategies have been produced and approved

- There has been increased use of benchmarking data to manage the performance of our support services

- Security measures have been increased on data held by Environment and Operations

- Processes and systems are now in place to ensure that external grants are identified and completed.

9.5 There are however a number of actions that are outstanding. Some of these should have been completed but have encountered slippage/delay:

- The creation of a new central contracts team, which had been due in March 2011.

- The implementation of the New Asset Management System (AMS) has been delayed from March 2011 to June 2011.

- The Agricultural Strategy has been delayed from February 2011 to September 2011.

9.6 Monitoring of the action plan in this form will now cease and the outstanding actions will be monitored via the initiative and project monitoring mechanisms that are part of corporate performance monitoring.

10. LIST OF BACKGROUND PAPERS

10.1 None, except for those appended.

Legal: MAM

Finance: JH

This section gives an update on progress against the Use of Resources action plan developed in late 2010. Table 1 below shows recommendations that are still being actioned, or are only partially completed. Table 2 (page 11) sets out the actions that have been completed. Where only some actions for a recommendation are completed and others are not, the uncompleted actions are included in Table 1 and the completed actions are included in Table 2.

Table 1: Use of Resources actions that are uncompleted

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
3.7i	The council should address **capital slippage**, by reviewing individual projects for robust justifications and resourcing, through the Investments Approvals Board.	High	**Strategic Finance** A series of Investment Appraisal Board meetings to be held which will consider project management arrangements in respect of the capital programme. One element that these meetings will assess is slippage.	July 2011
3.11	The council needs to demonstrate that it has an understanding, at a service level, of the **links between costs and performance** and achievement of value for money	High	**All Directorates, supported by Finance & Performance teams** There is a need for more comparative unit cost information to be used by Directorates in their assessment of value for money, and for this to feed into the quarterly performance report as part of a balanced scorecard. The AD Performance meeting in May agreed that an 'AD Stat' will take place at the end of June 2011 to agree these metrics.	By end June 2011
4.8	As part of the One Barnet programme the council should develop **sound contract monitoring** arrangements with third party providers and partners.	High	**Commercial Directorate** As a step towards this more strategic approach to contract monitoring we will be appointing two Procurement Programme Managers to join our commercial assurance division. They will advise on future contract management, contractual requirements and performance management of contracts.	A Council wide recruitment freeze had held this back. The first manager started in March 2011, and the second appointment is due to

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
				commence on 6th June 2011. CDG approved consolidation report outlining the approach to creating a central contracts administration team in April 2011. An implementation paper is being presented to Chief Executive and Deputy Chief Executive on 2nd June. Go-live of centralised service expected by the end of 2011.
			Once the key complex procurements have been undertaken and contracts settled, the procurement programme managers will then resume the role of contract managers for the lifecycle of the contracts. This will ensure that they are performance managed effectively through a set of Key Performance Indicators and will ensure continuity and knowledge between contract negotiation and service delivery. A wider piece of work is underway to strengthen how the council procures and commissions goods and services. A key part of this will be the consolidation of the procurement activity. It is anticipated that a Contract Administration team will assume responsibility for managing all council contracts including contract performance monitoring.	
4.9	The council should ensure that it is **consistent in its approach to evaluating procurement options**	**High**	**Commercial Directorate** The council has already set its expectations within the Corporate Procurement Code of Practice. Furthermore the Procurement Strategy is currently being re-drafted. It is essential to ensure that a corporate approach and evaluation methodology is adopted to all procurement opportunities in order to ensure that VfM principles are embedded. The council's revised Procurement Code of Practice states that the council must follow a systematic approach to options appraisals which clearly set out benefits and outcomes of each option. The consolidation of the procurement activity into the core of the authority will facilitate greater and improved challenge through the evaluation process and ensure alignment with corporate priorities.	This has slipped in line with delays agreeing the scope of procurement consolidation and the scope of the Procurement Task and Finish review (see below). Both the Code of Practice and the Procurement Strategy will be published by September.

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
4.10	More work is required on **reviewing the competitiveness of services** and whether they achieve value for money, while meeting wider social, economic and environmental objectives	Medium	**Commercial Directorate** Whilst cost will be the main factor when considering procurement options it can not be the only one. The organisation must take into account other, non financial considerations, which may result in an overall better outcome for the Borough's citizens. This may include:- • Minimum labour standards • Disability, gender and equality matters • Employment and training issues • SME support • Community consultation • Community initiatives • Sustainability initiatives As part of the procurement consolidation process the council will improve the strategic approach on the application of assessment matrix which includes non financial considerations.	Member Task and Finish Group have met. Whilst the final scope of their review is not finalised there is significant interest in developing a Procurement Strategy that creates enhanced opportunities for local suppliers. Revised Procurement Strategy to be launched during the summer 2011.
4.14	**NI 155 - Number of affordable homes delivered (gross)** A written agreement covering data quality, data protection, and data quality controls should be made with the RSLs Compliance with data quality standards should form part of the annual objective of those staff who are responsible for compiling indicators. The council should continue to follow-up discrepancies with reported figures used by the DCLG.	Medium	**Planning, Housing & Regeneration** RSLs have been contacted and written Data Quality & Protection Agreements have been made with all RSLs except 2 who are currently reviewing the Agreement which will be returned by July. Discrepancies followed up and reconciliation completed Managers will ensure that suitable appraisal targets are included in the next round of appraisals, based on the level of involvement staff have in the process of producing and using data. The next round of appraisals will be carried out in Quarter 1 2011.	July 2011 November 2010 June 2011

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
4.20	A review of governance arrangements of partnerships is required.	Medium	**Chief Executive's Service; Corporate Governance** Scoping paper produced to review governance of LSP and One Barnet, covering; 1. Are these structures fit for purpose as we move forward with One Barnet and support the transformation agenda? 2. Should the current arrangements be streamlined? 3. What should the role of partners be? 4. How should the governance arrangements work in relation to community budgets? • Principles agreed at One Barnet Programme Board • Collapse LSP into One Barnet Programme Board and amend governance of latter. • Full review of governance of revised arrangements	Completed Completed Feb 2011 – update – report to Cabinet in July 2011 to implement. May 2011
5.6	**The Capital Assets Property Management Strategy** (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme	High	**Commercial Directorate** For instance, there are a number of strategies and plans in development to deliver this, including: Agricultural Strategy, Community Strategy (which will tie in with possible community use/management of existing assets), and a Disposal Strategy.	Agricultural Strategy by September 2011 – timeline revised to fit in with estates strategy action plan. The Community Building Strategy and Total Capital Project are also being implemented as part of the Estates Strategy Action Plan Slippage: This was scheduled for February 2011.

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
5.7	The council should develop a **performance management framework for reporting of its asset base**, including key performance indicators	Medium	**Commercial Directorate** The Directorate has a target to remodel and implement a new Asset Management System via the SAP optimisation project, which will be fully implemented by March 2011. Once the system is implemented we will be able to develop far more sophisticated measures around whole life costing, testing regimes, energy efficiency, disposals, repairing spend. These will be managed and reported through the quarterly Estates Management team meetings. In the meantime a performance indicator focusing on void management will continue to be monitored and actively managed. We have set ourselves a directorate target for 2011/12 that 95% of services managing assets manage their assets using the new asset management system by 1 September 2011. Progress will be monitored quarterly through the Commercial Directorate's quarterly budget and Performance management team meeting.	Asset Management System implemented by June 2011- timeline revised in line with SAP optimisation project timelines. On track in accordance with these timelines 95% of services managing assets use Asset Management System by 1 September 2011.
5.9	Once the council has robust fit-for-purpose data for its workforce it should **develop a workforce strategy** which links in with how One Barnet is to be delivered	High	**Human Resources** Workforce Planning is a key objective in HR Business Plan 2010 / 2011 – Workforce Plan Report due in Qtr 4. This objective will however be delivered in the context of One Barnet. The Barnet workforce strategy is being developed and will run to the end of 2012. Developed a new contractual relationship model with employees. High level approved by CDG in June 2010 the first phase is to complete a review and develop a new policy framework and the policies, modernise the industrial and employee engagement framework, and manage variable pay elements Staff Engagement Plans exist for each of the One Barnet projects to support the One Barnet programmes with HR resource aligned. A process already exists and has been shared with the One Barnet Programme office and the	End of Qtr 4 First draft by the end of Qtr 4 This work will take place during 2011-12

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
			Trade Union.	
5.10	The council should focus attention on having an appropriate performance management system to **appraise staff**. It should also devise plans to ensure appraisal rates improve.	**Medium**	**Human Resources** (part completed) . Target has been set that <u>every</u> employee has a performance review and objectives set by 31 May 2011, and an interim review in September/October 2011 launch of the Values and embed the People Performance Management strategy	Report on % completed in Qtr 1 and Qtr3 CDG Performance monitor June 2011 – September 2011

Table 2: Use of Resources actions that have been completed

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
3.7	The council should address **capital slippage**, by reviewing individual projects for robust justifications and resourcing, through the Investments Approvals Board.	High	**Strategic Finance (Completed in part)** Evidence of readiness to start the procurement process including how public engagement has been undertaken in any options appraisal will determine the timing of release of funding. Capital reports are already presented to CRC on a quarterly basis. Plans for the 2011/12 onwards capital programme are currently under consideration by Cabinet and will be approved on 14th February 2011.	By end December 2010 Capital programme approved at Cabinet on 14 February 2011
3.7	The council should facilitate member training on treasury management.	Low	**Strategic Finance** Treasury management advisors Sector presented to CRC in April 2010 prompting detailed debate. It was well attended & received by members. Consideration should be given to holding more events in the future. Member training concluded in July. More training needs to be planned in to ensure members can make informed decisions. Training programme has improved member understanding and ownership of the function and managing risks associated with investment and borrowing. It has also increased their ownership. Scrutiny is now more proactively engaging with monitoring. Controls and processes implemented that now ensure compliance with the agreed Treasury Management Strategy approved by members. The council now has Arlingclose as its investment advisors. A revised treasury management strategy was agreed by Cabinet Resources Committee on 30th November 2010.	30 June 2010 Sector provided overview training on treasury management 21 July ARK Risk presented a training course on counter part risk
3.12	Results from participating in cost benchmarking clubs (e.g. vehicle hire,	Medium	**Commercial Directorate** IS has participated in SOCITM benchmarking for the first time in 2010. The questionnaire was completed in June with the final report due to be published late	-Results of SOCITM benchmarking

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
	recruitment, IT goods & services, buying solutions) should be analysed and reviewed for improvement purposes.		October 2010. The draft results have been used to identify relevant IS performance measures and set performance improvement targets (using upper quartile performance as desired benchmark) and these are documented in the IS Business Plan 2010-11. Once improvement plans have been formalised we intend to publish performance measures as part of a dashboard on the intranet. As part of New Support Organisation Project for the One Barnet Programme, a number of our support services are partaking in the CIPFA benchmarking club for VfM benchmarking has been completed for 5 services: HR, Finance, IT, Estates, Procurement. This is to ensure that current and future decisions about how our support services are organised and delivered are driven by understanding of how VFM is achieved in support services. The results and best practice learned through the benchmarking will inform the options appraisal and recommendations for the NSO project, and are also highly relevant to the whole council as it moves forward in a challenging financial climate.	published late October 2010, results to inform IS Service Plan for 2011/12 and IS transformation project. - NSO/CSO options appraisal developed informed by benchmarking data January 2011 - done - Recommendations of NSO/CSO options appraisal published February 2011 NSO/CSO options appraisal developed and approved by CRC in February 2011.
4.9	The council should ensure that it is **consistent in its approach to evaluating procurement options**	High	**Commercial Directorate (Completed in part)** For projects within the One Barnet Programme the Board will be responsible for ensuring that options are explored and justified through options appraisal as per the revised Terms of Reference for the One Barnet Programme Board (previously Operational Group). To ensure that the development of Options Appraisals meets corporate expectations, the revised council's Project Management Standards demand a systematic approach to options appraisals.	Implemented and in operation.

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
4.14	NI 192 - Household waste recycled and composted Access to spreadsheets should be restricted to those staff requiring access as part of the compilation of the indicator. Options should be explored in protecting the formula contained within the spreadsheets used to ensure that they are not changed.	Medium	**Environment & Operations** Access to relevant spreadsheets has been restricted. Access to the formulas will also be restricted.	Access to formulas restricted on 08/10/2010
4.23	The council's Risk Management Strategy should be revised to include tolerance levels to assist officers in making important decisions, particularly around Future Shape.	High	**Risk** RM strategy is currently being revised and will be taken to the Audit Committee in March 2011	complete – went to Audit Committee in March and was approved by CDG in February 2011.
4.24	Information presented to the Audit Committee on risks needs to be improved to provide more concise information.	Medium	**Risk** Risk Management will be included within the Internal Audit and Risk Management Quarterly report to the Audit Committee, this will include the corporate risks to the council and will include a 'heatmap' of where these risks currently sit in relation to probability and impact. This is consistent with the reporting of risks through the quarterly performance reports.	completed in December 2010 and ongoing improvements noted since
4.25	Further improvements are required in Internal Audit to ensure that its	Medium	**Internal Audit** Improvements are currently taking place within risk management arrangements to ensure that the current corporate, directorate and team risk registers can be used	Internal Audit Strategy and

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
	strategy is based on the council's overall corporate risks		by Internal Audit to inform the overall strategy. The IA strategy for 2011-12 will be based on the risks facing the council and will be fluid to changes in risks throughout the year. The improvements in both risk management arrangements and IA strategy will ensure that the resources are appropriately directed, and lead to more effective service. Both Risk Management and Internal Audit have improvement plans with timescales of delivery that vary according to priority.	Internal Audit, Risk Management and CAFT Annual Plan for 2011-12 all approved by the Audit Committee in March 2011.
4.28	The grants coordination process should be improved to ensure all grants are identified and completed.	Medium	**Financial Services** The SAP, Systems, Control & Compliance Team are looking to implement 'Grant Finder' to assist in identifying grants which the authority may be able to claim. A demonstration by the company took place in August 2010. The team are currently reviewing the demo to ensure that it fulfils Barnet's requirement prior to making a purchase.	December 2010 The Grant Finder tool was purchased in December 2010. A Grant Finder awareness session was held in February 2011 and the tool has now been rolled out to services.
5.6	**The Capital Assets Property Management Strategy** (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme	**High**	**Commercial Directorate** We are in full agreement that the CAPS is not fit for purpose and will be replaced by a new Estates strategy The Commercial Directorate Business Plan sets out the key initiatives and actions to ensure that the directorate strategy for getting best effect from our public sector assets is achieved. These will inform and be captured within the new Estates Strategy. The objectives are: 1. Council has a full register of its own assets and those of its strategic partners 2. corporate approach to asset management and planning is embedded across the council 3. Asset management and planning are fully integrated into our business planning.	Estates Strategy was approved 24 May by CRC. Estates Strategy Action Plan is now being implemented, led by AD Estates

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
			4. the council has a fit for purpose asset portfolio The Estates Strategy is significantly influenced by the One Barnet/OneBarnet programme principles of; • More efficient use of property • More effective use of property • More efficient and strategic use of our public sector systems. For instance, there are a number of strategies and plans in development to deliver this, including: Agricultural Strategy, Community Strategy (which will tie in with possible community use/management of existing assets), and a Disposal Strategy. A comprehensive mapping of all public sector assets in Barnet is also underway and will form the basis of future estates planning in relation to One Barnet	progress reported in December 2010
5.10	The council should focus attention on having an appropriate performance management system to **appraise staff**. It should also devise plans to ensure appraisal rates improve.	Medium	**Human Resources** The SAP Optimisation project –Phase 1 has improved the current system and process, making it easier for managers to complete performance reviews on line and for the organisation to monitor quality and report on completion rates. Workshops for managers on 'How to manage performance and set objectives' have taken place during March and will continue through to mid May Sponsorship from Kate Kennally to lead 'Performing Well' and support the launch of the Values and embed the People Performance Management strategy	Completed – launched 6 April 2011 Mid May May 2011- on going
5.12	There should be a focus on equipping senior managers with the necessary **change**	High	**Human Resources and One Barnet Programme (Completed in part)** **Managing the people impact** - governance structure and change management policies and processes are in place for the People & Culture work stream of One	Completed

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
	management skills to ensure that the One Barnet is successful.		Barnet. Up skilling on project management framework for project managers, project leads and project sponsors so there is a consistent approach and quality assurance (including TUPE, Elias, Business Analysis, Procurement Process, and Approach to Competitive Dialogue, Risk Analysis, and Role of the Project Manager). Training has taken place on TUPE and equalities impact assessments. Assistant Director engagement plan is being drawn up to improve communication, provide tools and offer support. To include: critical learning points from One Barnet this quarter to be discussed at CLG (e.g. TUPE, procurement, setting up a trading company, citizen centre organisations etc); debriefs with ADs after One Barnet programme board meetings; regular surgeries with HR, Procurement and One Barnet programme office.	By March 2011 Project managers and ADs trained in key Barnet frameworks and requirements i.e. equalities impact assessments.

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Meeting	Audit Committee
Date	16 June 2011
Subject	**Accounts Audit Approach Memorandum**
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of Grant Thornton's audit approach and provides an update on results of interim audit work to date.

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 – Accounts Audit Approach Memorandum
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 Accounts Audit Approach Memorandum 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 approach memorandum provides additional detail regarding the audit approach, as set out in the Audit Plan 2010/11. The audit plan assesses 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 approach memorandum provides an update on accounts audit risk assessment. 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 approach memorandum 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 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 accounts audit approach memorandum intends to provide additional detail regarding Grant Thornton's audit approach, as set out in their Audit Plan 2010/11, as well as an update on their response to key risks from the results of interim audit work carried out to date.

9.2   Grant Thornton's audit strategy comprises of:
   - Planning: Updating their understanding of the council through discussions with management and a review of the management accounts.
   - Control Evaluation: Reviewing the design effectiveness and implementation of internal financial controls including IT, where they impact the financial statements; assessing audit risk and developing and implementing an appropriate audit strategy; testing the operating effectiveness of internal audit against the CIPFA Code of Practice.
   - Substantive Procedures: Reviewing material disclosure issues 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: Performing overall evaluation; determining an audit opinion; reporting to Audit Committee.

9.3   Grant Thornton will consider an item to be material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true or fair view.

9.4   Grant Thornton will work with internal audit to ensure the audit approach takes account of the risks identified and the work they have conducted, subject to our review of the effectiveness of internal audit.

9.6   IT, outsourced systems and internal controls will also be reviewed as part of the audit.

9.7   The Audit Approach Memorandum includes as part of its planning and control evaluation an update on audit risks identified for 2010/11, outcome of work completed to date and further work planned. One of the main areas of work completed is that Grant Thornton have substantially completed testing of the 2009/10 figures restated under International Financial Reporting Standards (IFRS).

9.8   The updated review of risks facing the council has not identified any new risk areas. However, full findings and conclusions in respect of each risk identified will be reported in the Annual Report to those Charged with Governance (ISA 260) on completion of the final audit.

9.9   As part of the interim audit, and in advance of the final accounts audit, Grant Thornton considered:
   - The effectiveness of internal audit
   - Internal audit's work on the council's key financial systems

- A review of closedown procedures in preparation for the final accounts under IFRS
- Review of information technology controls

9.10 From Grant Thornton's review no significant issues were identified with internal audit's work, the CIPFA Code had been applied in all significant respects and the work was produced to a satisfactory standard. They can therefore take assurance from the work of internal audit in contributing to an effective internal control environment at the council.

9.11 Work completed on testing of journal postings to month 9 have not identified any areas of concern. The final accounts work will include extension of this work to encompass the final quarter and any year end journals processed as part of the preparation of the statement of accounts.

9.12 Grant Thornton's information systems specialist has performed a high level review of the internal controls system. The work in this area has been substantially completed and findings will be reported to management in due course.

9.13 A review of closedown procedures considered the council's timetable for closedown and the arrangements for preparing the draft IFRS accounts. Grant Thornton found that the council continues to closely monitor the timetable and expects to have the draft accounts prepared well in advance of the submission deadline of 30 June 2011. The council also expects to provide detailed working papers to support the accounts at the start of the final accounts audit visit scheduled for 6th June 2011, approximately two weeks earlier than last year.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM
Finance: MC / JH

Grant Thornton

London Borough of Barnet
Accounts Audit Approach Memorandum

April 2011

Our accounts audit approach

Introduction

This memorandum is intended to provides additional detail regarding our audit approach, as set out in our Audit Plan 2010/11 issued in December 2010, as well as an update on our response to key risks from the results of interim audit work carried out to date.

Audit approach reminder

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; and
- consider the materiality of transactions when planning our audit and when reporting our findings

The logistic details of our annual accounts audit, as agreed with the Deputy Chief Executive and Chief Financial Officer, are detailed in appendix A to this memorandum.

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	• Reviewing the design effectiveness and implementation of internal financial controls including IT, where they impact the financial statements • Assessing audit risk and developing and implementing an appropriate audit strategy • Testing the operating effectiveness of selected controls • Assessing the effectiveness of internal audit against the CIPFA Code of Practice
Substantive procedures	• Reviewing material disclosure issues 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	• Performing overall evaluation • Determining an audit opinion • Reporting to Audit Committee

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Our accounts audit approach (continued)

Materiality

An item would be considered material to the financial statements if, through it's omission or non-disclosure, the financial statements would no longer show a true or fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. Any identified errors or differences greater than 2% of materiality will be recorded on a schedule of potential misstatements.

These are assessed individually and in aggregate, discussed with you and, if you do not adjust, signed off by you in your letter of representation to us, confirming your view that they are immaterial to the financial statements.

An item of low value may be judged material by its nature, for example any item that affects the disclosure of directors' emoluments. An item of higher value may be judged not material if it does not distort the truth and fairness of the financial statements.

Reliance on internal audit

We will work with internal audit to ensure our audit approach takes account of the risks identified and the work they have conducted, subject to our review of the effectiveness of internal audit.

Review of IT and outsourced systems

Our audit approach assumes that our clients use a computer system for accounting applications that process a large number of transactions. Accordingly, our approach requires a review of the Council's internal controls in the information technology (IT) environment.

We have involved Technology Risk Services (TRS) team members during the audit, this was based on the complexity of IT used in the significant transaction cycles and the control risk assessment.

Internal controls

Auditing standards require that we evaluate the design effectiveness of internal controls over the financial reporting process to identify areas of weakness that could lead to material misstatement. Therefore, we will focus our control review on the high risk areas of the financial statements.

We are also required to assess whether the controls have been implemented as intended. We will do this through a combination of inquiry and observation procedures, and, where appropriate, systems walkthroughs. This is also supported by our review of internal audit reports. However, our work cannot be relied upon necessarily to identify defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive controls review exercise might identify.

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Update on accounts audit risk assessment

As part of our planning and control evaluation work we have reviewed the audit risks identified in our Audit Plan 2010/11 and have set out opposite the outcome of work completed to date and further work planned.

Our updated review of the risks facing the Council has not identified any new risk areas.

We will report our full findings and conclusions in respect of each risk identified in our Annual Report to Those Charged with Governance (ISA 260) on completion of our final accounts audit.

Issue	Audit areas	Work completed	Further work planned
Accounting under IFRS	All areas of the financial statements	• Substantially completed testing of the 2009/10 restated figures • Review of the draft accounting policies • Technical support on specific transactions as required by the Council	• Ongoing discussion of emerging issues as they arise during the audit process
Financial performance pressures	All areas of the financial statements	• Regular discussions with management on financial performance, use of reserves and medium term financial planning	• Detailed review of performance for the year against budget • Understanding and review of the use of general reserves during the year • Review of the medium term financial planning in conjunction with our Value for Money (VfM) work. • Substantive audit testing to ensure expenditure and liabilities are recorded in the correct period • Discussions surrounding commitments made by the Council and recognition of provisions in the accounts

Update on accounts audit risk assessment (continued)

The specific accounts assertion risks by cycle which we consider to present a 'reasonably possible' risk of material misstatement to the financial statements are detailed in appendix B to this memorandum

Issue	Audit areas	Work completed	Further work planned
Revaluation of fixed assets	Property, plant and equipment	• Discussion of the definition of specialised assets for application of the Modern Equivalent Asset (MEA) valuation technique • Sample testing of lease contracts for classification as finance or operating leases • Review of asset reclassifications to investment properties and assets held for sale for compliance with accounting standards	• Ongoing discussion of emerging issues as they arise during the audit process including the use of MEA valuations across the Council's asset portfolio • Detailed testing of property transactions and reclassifications processed during 2010/11 • Review of asset revaluations at 31 March 2011
Implementation of new revenues systems	All areas of the financial statements	• Regular discussions with management to understand the implementation process • Preliminary review of the transition arrangements including data reconciliation	• Detailed review of the reconciliation procedures performed to ensure accuracy of the data upon conversion

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Update on accounts audit risk assessment (continued)

Issue	Audit areas	Work completed	Further work planned
Use of estimates and judgments	**All areas of the financial statements**	• Provided guidance to management identifying the factors which should be considered when making judgements and estimates • Engagement in robust discussions on key areas of judgement within the accounts	• Detailed review of documented judgements made by management and the support for the decisions made in areas such as provisions • Specific consideration of the indices and assumptions used by the Council for valuation of Council dwellings • Substantive audit testing of debtor balances and expectations for future recovery

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Results of interim audit work

Scope

As part of the interim audit, and in advance of our final accounts audit visit, we considered:

- the effectiveness of internal audit
- internal audit's work on the Council's key financial systems
- a review of closedown procedures in preparation for the final accounts under International Financial Reporting Standards (IFRS)
- review of information technology controls

Internal audit

We review internal audit's overall arrangements against the 2006 CIPFA Internal Audit Standards. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.

In preparation for our final accounts audit, we reviewed internal audit's work on the financial systems. In assessing the effectiveness of internal audit work, we reviewed three internal audit files to ensure that:

- systems were adequately documented;

- key controls have been identified and evaluated;

- key controls have been tested; and

- weaknesses have been reported to management.

We were pleased to note from our review that no significant issues were identified with internal audit's work , the CIPFA Code had been applied in all significant respects and the work was produced to a satisfactory standard. We can therefore take assurance from the work of internal audit in contributing to an effective internal control environment at the Council.

Journal entry controls

The Council has a policy which defines the controls which are required around journal entry. The authorisation process requires a senior member of staff to authorise journals.

We have completed our testing of journal postings to month 9 and have not identified any areas of concern. Our final accounts work will include extension of this work to encompass the final quarter and any year end journals processed as part of the preparation of the statement of accounts.

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Results of interim audit work (continued)

Review of information technology controls

The Council uses SAP, a finance package purchased from and maintained by a third party provider, to administer its accounts. Our information systems specialist has performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have substantially completed our work in this area and will report our findings to management in due course.

Closedown procedures

Our review considered the Council's timetable for closedown and the arrangements for preparing the draft IFRS accounts. The Council continues to closely monitor the timetable and expects to have the draft accounts prepared well in advance of the submission deadline of 30 June 2011. The Council also expects to provide detailed working papers to support the accounts at the start of our final accounts audit visit scheduled for 6 June 2011, approximately two weeks earlier than last year.

Our approach to the audit will be to focus on the identified risk areas early in order to resolve any resulting issues promptly. The one exception to this is in the area of Housing and Council tax benefit where there has been a change in IT system during the year. On the request of the Council audit work in this area will not start until 4 July 2011.

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Appendices

A. Logistics

Timetables and milestones

The following proposed timetable and deadlines have been set:

Event	Date
Pre year end fieldwork including internal controls review	February 2011
Statutory accounts emailed to auditor	1 June 2011
Commence accounts audit fieldwork	6 June 2011
Manager visits to review work	Throughout June and July 2011
Engagement Lead visits to review work	Throughout June and July 2011
Clearance meeting to discuss our findings	18 July 2011
Report to Audit Committee (ISA 260)	22 July 2011
Clearance of any minor residual audit work identified in the ISA260 (as required)	By 30 July 2011
Audit Committee meeting for approval of the accounts	6 September 2011

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet the accelerated timetable that we have agreed. Key to this is continuous close working between our teams including timely provision of all required working papers and explanations from the Council and rapid turnaround on audit issues from Grant Thornton.

Engagement team

In accordance with our Audit Plan 2010/11 issued December 2010, the main engagement team for the accounts audit will include:

Name	Role	Contact details
Paul Hughes	Engagement Lead	T: 020 7728 2256 E: paul.hughes@uk.gt.com
Tom Foster	Audit Manager	T: 020 7728 2085 E: thomas.foster@uk.gt.com
Melanie Fox	Assistant Manager	T: 020 7728 2419 E: melanie.fox@uk.gt.com
Simon Cooke	Audit Senior	T: 0207 728 2790 E: simon.j.cooke@uk.gt.com

Information requirements

The information and working paper requirements that would assist us in an efficient and timely audit of the year-end financial statements will be communicated to the finance team within our Arrangements Letter, to be issued April 2011.

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B. Accounts assertion risks by cycle

A reasonably possible risk is defined as being where:

- Numerous and often very precise controls should be established by management
- Substantive procedures would vary if controls were tested
- Inherent risk factors increase the likelihood of a material misstatement

All of these risks will be addressed through performance of walkthroughs to verify that controls are implemented

Property, plant and equipment

Valuation - Gross

Risks

Property, plant and equipment activity not valid

Revaluation measurements not correct

Valuation - Net

Risks

Property, plant and equipment are impaired

Allowance for depreciation no adequate

Completeness

Risks

Finance leases may not be correctly accounted for

Housing benefit & council tax benefit expenditure

Completeness

Risks

Expenditure may not be complete or accurate

Council tax

Completeness

Risks

Tax revenue transactions not recorded

Existence

Risks

Recorded debtors not valid

Valuation - Net

Risks

Allowance for doubtful accounts not adequate

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B. Accounts assertion risks by cycle (continued)

Operating expenses

Completeness

Risks

Creditors understated or not recorded in correct period

HRA Rental Revenue

Valuation - Net

Risks

Allowance for doubtful accounts not adequate

Other Revenues

Valuation - Net

Risks

Recorded debts not recoverable

Grant Thornton

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AGENDA ITEM: 11   Page nos. 212 - 215

Meeting	Audit Committee
Date	16 June 2011
Subject	**Un-audited Statement of Accounts 2010/11**
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To approve the Statement of Accounts for 2010/11 as required by Accounts and Audit Regulation 2003.

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 – Unuadited copy of Statement of Accounts 2010/11 (to follow)
	Appendix B – External Auditor's report under International Standard on Auditing (ISA) 260 for 2009/10 (to follow)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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

1. RECOMMENDATIONS

1.1 That the Committee review and approve that the un-audited Statement of Accounts 2010/11 be signed by the Chairman as having been approved.

1.2 That the Accounting Policies included in the accounts be adopted.

1.3 That the Deputy Chief Executive and Chief Finance Officer, in consultation with the Chairman of the Audit Committee, be authorised to agree significant changes, if any, to the Statement of Accounts, following discussions with the external auditor, and to inform members of the Committee accordingly.

1.4 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 Statement of Accounts 2010/11 outlines fundamental aspects of financial standing and performance management in Barnet during the year, which relates to the council's 'Better Services with Less Money' corporate priority.

3.2 It is a statutory requirement that the Statement of Accounts is presented to members for approval before 30 June 2011.

4. RISK MANAGEMENT ISSUES

4.1 These are addressed in the Statement on Internal Control for 2010/11 which is incorporated within the Council's Annual Governance Statement and will form part of the Statement of Accounts. The Annual Governance Statement is due to be considered elsewhere on this agenda.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Financial monitoring is important to the management of resources to ensure the equitable delivery of services to all members of the community.

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

6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2011.

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 review and approve the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council".

9. BACKGROUND INFORMATION

9.1   The Statement of Accounts represents an important formal corporate statutory document. This is reflected in the requirements of the Account and Audit Regulations 2003 and requires the accounts to be signed and dated as approved by the Chairman of the approving Committee.

9.2   The Statement of Accounts is attached as Appendix A. The external audit began on the 1st June 2011 and it is proposed that the Deputy Chief Executive & Chief Finance Officer in consultation with the Chairman of this Committee agree any significant changes following discussions with the auditors. Alongside the audit, the Statement of Accounts and all the supporting documents will be open for public inspection for a period across June and July 2011.

9.3   The 2010/11 accounts have been prepared under the International Financial Reporting Standards (IFRS). Under first time adoption rules, 2009/10 and 2008/09 balances have been restated.

9.4   The Statement of Recommended Practice (SORP) has been replaced with the Code of Practice for Local Authority.

9.5   As in previous years, it is essential that the Comprehensive Income and Expenditure Statement (CIES) is considered alongside the council's financial outturn, included in a note to the accounts and which will be presented to Cabinet Resources Committee on 29th June 2011. This shows how the council performed against its approved budget for 2010/11. The CIES is reconciled back to the outturn via the Movement in Reserves Statement (MiRS), which in effect contain the technical and other accounting adjustments that ensure certain capital charges (e.g. depreciation) do not impact on the council tax payer.

9.6   Whilst further explanations of the accounts are contained within the Chief Finance Officer's foreword, it is worthwhile highlighting some of the key points for 2010/11:

9.6.1   The overall financial position of the council has remained consistent from that of 31 March 2010. The general fund balance (excluding schools balances) has remained at £15.780. This is in excess of the council's target balance of £15m.

9.6.2   Earmarked reserves have increased to £40.513m, thereby ensuring that the council is in a strong position to cope with financial risks outlined in the 2011/12 council budget report. It is important to emphasis that the earmarked reserves have been established for specific reasons (i.e. to support the One Barnet

transformation project, cover the costs of known corporate risks and other service specific projects) and are not for general utilisation.

9.6.3 The Housing Revenue Account balance has increased to £4.230m due to an in year surplus of £0.087m in 2010/11.

9.6.4 CLG issue valuation guidance for council housing stock every 5 years. After reviewing the new guidance published for 2010/11, council officers have revised work done following previous guidance issued in 2005/06. This has resulted in the value of the council housing stock being reduced. The value has been corrected for 2010/11 and restated for the 2009/10 and 2008/09 comparatives. It should be highlighted that the CLG's guidance for council housing stock is only used to represent the value of these properties on our balance sheet, the Existing Use Value – for Council Housing Stock is not used for any decisions relating to disposals or regeneration schemes.

9.7 The Statement of Accounts also includes group account statements for the council and its subsidiary company, Barnet Homes Ltd. The statements are based on the draft accounts received from Barnet Homes Ltd, which will be approved by their board in July, but are still subject to audit. Any adjustments which are required to the Barnet Homes Ltd accounts by their external auditor, will also have to be reflected in the group account statements for the council.

9.8 Appendix B is the external auditors report to those charged with governance for 2009/10, under the International Standard on Auditing (ISA) 260. All issues raised by the external auditor have been addressed in the statements or the processes of the council.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM
CFO: MC / JH

AGENDA ITEM: 12   Page nos. 216 - 221

Meeting	Audit Committee
Date	16 June 2011
Subject	**Indicative External Audit Fees 2011/12**
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of Grant Thornton's indicative audit fees for 2011/12.

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 – Copy of Indicative Audit Fee Letter 2011/12
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 indicative external audit fee for 2011/12 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 indicative audit fee letter 2011/12 describes the audit work proposed to be undertaken for the 2011/12 financial year and supports fundamental aspects of financial standing and performance management in Barnet, which relates to the council's 'Better Services with Less Money' corporate priority.

4. RISK MANAGEMENT ISSUES

4.1 None.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The indicative audit fee relates to 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 The indicated level of fee has been incorporated by the Council when setting the annual budget and council tax for 2011/12.

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 indicative audit fee 2011/12 letter dated 26 April 2011 is attached as Appendix A.

9.2 The fee schedule for the planned work for 2011/12 is set out in the letter. The indicative fee is £373,500. This is in accordance with the published scale fees published by the Audit Commission. The 2011/12 fee represents a decrease of 10% on the 2010/11 audit fee.

9.3 The 2010/11 fee reflected Grant Thornton's assessment of risk and complexity at the Council. As the 2010/11 audit has not yet completed, therefore the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses and the fee will be reviewed and updated as necessary, in agreement with the council.

9.4 Work to support the Value for Money Conclusion will be risk based. As part of Grant Thornton's initial risk assessment the following areas have been identified for potential review:
- Delivery of the 'One Barnet' transformation process
- The impact of Place Based Budgets
- Engagement with the third and voluntary sectors
- Performance Management

The detail of the work will be agreed with the Council during the course of the year to ensure that it addresses any key risks arising and supports the Council in achieving its priorities.

9.5 The Audit Commission has specified that additional work on the Whole of Government Accounts is carried out. This work is included in the fee.

9.6 The hourly rate for certification of grants and returns for 2011/12 are detailed below:

Staff grade	Rate (£ per hour)
Partner	380
Manager	210
Senior Auditor	135
Other staff	105

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MAM
Finance: MC / JH

Grant Thornton

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26 April 2011

Dear Andrew

Indicative Audit Fees – 2011/12

I am writing to propose the indicative fee for our 2011/12 audit of the London Borough of Barnet.

Indicative Scale Fees
In prior years, we used a fee calculation to determine the scale fee. For 2011/12, the Audit Commission has specified scale fees for each Council, based on the fee for 2010/11. We must seek approval from the Audit Commission for any variance between the scale fee and our audit fee. All councils have received notification of this fee and it is publically available at http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/fees/pages/individualfeeslocalgovt201112.aspx.

The published scale fee for the Council in 2011/12 is £373,500 and we propose to set our audit fee at this level. This represents a decrease of 10% on the 2010/11 audit fee.

The 2010/11 fees reflected our assessment of risk and complexity at the Council. We have not yet completed our 2010/11 audits, therefore the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses and the fee will be reviewed and updated as necessary, in agreement with the Council.

The fee is also based on the assumption that detailed working papers, and other specified information, are provided to an agreed timetable. Where agreed timetables are not met and/or poor documentation is provided such that additional audit work is necessary, or the audit is delayed, we reserve the right to charge additional fees to cover the costs incurred.

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

Value for Money Conclusion

Under the Audit Commission Act, we must be satisfied that each Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. To arrive out our conclusion we will focus on the Council's arrangements for:

- Securing financial resilience
- Prioritising resources within tighter budgets

Our work to support our conclusions will be risk-based. As part of our initial risk assessment we have identified the following areas for potential review:

- Delivery of the 'One Barnet' transformation process
- The impact of Place Based Budgets
- Engagement with the third and voluntary sectors.
- Performance Management

We will agree the detail of our with the Council during the course of the year to ensure that it addresses any key risks arising and supports the Council in achieving its priorities.

Other Work

The Audit Commission has specified we carry out additional audit work on the Whole of Government Accounts. This is included in the proposed audit fee.

The lower threshold for certification of grants and returns has increased to £125,000. However, this is unlikely to affect the Council as the returns that we certify at the Council are above this threshold level. The hourly rates for 2011/12 are:

Staff grade	Rate (£ per hour)
Partner	380
Manager	210
Senior Auditor	135
Other staff	105

Fee arrangements for objections do not change.

Audit Team

The key members of the audit team for 2011/12 are:

Engagement Lead –Paul Hughes   020 7728 2256   paul.hughes@uk.gt.com

Audit Manager – Tom Foster   07920 073654   thomas.foster@uk.gt.com

Assistant Manager – Mel Fox   020 7728 2419   melanie.fox@uk.gt.com

Additional Support and Quality Control
Outside of our Code of Practice audit we are able to carry out non-Code work to support the Council in other areas they may require additional support. We would be happy to discuss with you options for how we may help further.

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

Yours sincerely

Paul Hughes
Engagement Lead

Grant Thornton UK LLP

AGENDA ITEM: 13   Page nos. 222 - 246

Meeting	Audit Committee
Date	16 June 2011
Subject	**Code of Corporate Governance**
Report of	Director of Corporate Governance
Summary	This report is a review of the Code of Corporate Governance.

Officer Contributors	Jeff Lustig, Director of Corporate Governance (Monitoring Officer) Seye Aina, Senior Governance Advisor
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A - A revised Code of Corporate Governance
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Seye Aina, Senior Governance Advisor
                                       020 8359 7156, seye.aina@barnet.gov.uk

1. RECOMMENDATIONS

1.1 That the Audit Committee considers the proposed changes to the Code of Corporate Governance.

1.2 If the Audit Committee agrees the proposed changes, a revised Code of Corporate Governance will be drafted for inclusion in the Constitution and considered at the next meeting of the Special Committee (Constitution Review).

2. RELEVANT PREVIOUS DECISIONS

2.1 10 March 2009 - The Audit Committee agreed the Barnet Code of Corporate Governance.

2.2 7 April 2009 - Council approved the Barnet Code of Corporate Governance for inclusion in Part 5 of the Constitution.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Under the Council's Corporate Plan for 2010/11 to 2014/15, one of the corporate priorities is 'Better services with less money'. This report contributes to the key objective within this priority "To improve the effectiveness and transparency of decision making within the Council". A review of the Code of Corporate Governance will help to fulfil this objective

4. RISK MANAGEMENT ISSUES

4.1 Having a Code of Corporate Governance is advocated by the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives), "Delivering Good Governance in Local Government" guidance and framework. Failure to review corporate governance could damage the integrity of the Council and its decision-making processes.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Code of Corporate Governance operates in accordance with the Council's equalities and diversity responsibilities.

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

6.1 The additional requirements arising from this report will be met from Corporate Governance existing budgets.

7. LEGAL ISSUES

7.1 A Code of Corporate Governance is recommended by the guidance designated as 'proper practice' by the Department for Communities and Local Government.

This being the CIPFA/SOLACE framework, entitled "Delivering Good Governance in Local Government".

7.2 There are no direct legal issues arising from this report.

8. CONSTITUTIONAL POWERS

8.1 The terms of reference of the Audit Committee include,

- " to review any issue referred to it by the Chief Executive or a director or any other Council body";
- "to monitor the effective development and operation of risk management and corporate governance in the Council";
- "to oversee the production of the authority's Annual Governance Statement and to recommend its adoption";
- "to consider the Council's compliance with its own and other published standards and controls".

9. BACKGROUND INFORMATION

9.1 The Annual Governance Statement is the formal statement that recognises, records and publishes the authority's governance arrangements as defined in the CIPFA/SOLACE framework. It is a statement which reflects good governance across the Council.

9.2 The CIPFA/SOLACE framework places significant emphasis on six core principles of good governance. These principles have been taken from 'The Good Governance Standard for Public Services' (2004) developed by the Independent Commission on Good Governance in Public Services with support from the Office Public Management and CIPFA. The principles have been adapted to local government purposes for the framework and are included in the Barnet Code of Corporate Governance.

9.3 The six core principles of good governance are:

A - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

B - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

C - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

D - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

E- Developing the capacity and capability of members and officers to be effective.

F - Engaging with local people and other stakeholders to ensure robust public accountability.

9.4 On 7 April 2009, Council approved the Barnet Code of Corporate Governance. The current Code is set out in Part 5 of the Constitution.

9.5   The Audit Committee agreed to review the Code of Corporate Governance Biennially. This is the first review of the Code since its approval in 2009.

9.6   A review of the current Code of Corporate Governance resulted in a number of changes. A summary and explanation of the changes to the Code of Corporate Governance are set out below:

General and format Changes

9.6.1 The sub-heading Annual Governance Statement has been deleted as this is misleading and gives the impression that the Annual Governance Statement is included in the Constitution. The changes below were made to the Code, making it easier to read and also to identify the Council's obligations:

- The set up of the tables has been changed from a Horizontal arrangement to a vertical arrangement.

- Each core principle is headed clearly at the top of a separate table.

- The headings (supporting Principles and Requirements) at the top of the table are in white print, which is more visible.

- The columns are spaced out and the supporting principles are numbered. (1.1, 1.2, 1.3….).

Specific changes

9.6.2 On page one, there are new paragraphs inserted to reflect best practice in governance and includes the need to review the Council's governance arrangements and publish an Annual Governance Statement.

9.6.3 The six core principles are set out and numbered clearly as it appears in the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives) guidance and also included at the top of each table.

Page 1 - recommended changes

CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives) provide a framework for developing and maintaining a local Code of Corporate Governance and for discharging accountability for the proper conduct of public business, to support the publication of an Annual Governance Statement. It defines the principles that should underpin governance, and suggests best practice as:

- *reviewing the Council's existing governance arrangements against the Framework*

- *developing and maintaining a local Code of Corporate Governance, including arrangements for ensuring its ongoing application and effectiveness. (A discretionary requirement but considered best practice).*

- *preparing an Annual Governance Statement to report publicly on the extent to which the Council complies with its local code, including how the effectiveness of these arrangements during the year have been monitored, and on any planned changes in the coming period. (This is a statutory requirement under the Accounts and Audit (Amendment) Regulations 2006).*

The six core principles of good governance as set out by CIPFA/SOLACE are as follows:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

5. Developing the capacity and capability of members and officers to be effective.

6. Engaging with local people and other stakeholders to ensure robust public accountability.

Page 2 – recommended changes

9.6.4 The changes on page 2 below have been made to make sure the current governance categories and requirements are more accurately reflected.

• Access to Information • Annual Governance Statement • Audit • Committees - Specific Governance • Complaints Framework • Constitution • Consultation • Corporate Plan	• Democratic Services • Human Resources • *Training on Governance* • *Code of Conduct & Protocols for Member-Officer relations* • Partnership Arrangements • *Registers of Members' Interests* • Risk Management & Emergency

• Counter Fraud Framework	Planning • Senior Officer arrangements

The Code provides a summary of how, through these policies, procedures and documents, the Council complies with the core and supporting principles within the "Delivering Good Governance in Local Government" framework. ***Compliance is regularly tested but not limited to the internally conducted Ethical Governance Assessment*** and the audit plan. The Ethical Governance Assessment findings, in particular, can be referenced for more detailed information such as how and when the various elements of the Code of Corporate Governance are reviewed.

The following ***tables identify the supporting six core*** principles and the requirements associated with them and, most importantly, the means through which the Council achieves these.

Page 4 – recommended changes

9.6.5   The changes on page 4 below have been made to more accurately reflect the current terminology and practise. The performance review replaces the word appraisal.

9.6.6   The term appraisal is also referred to on pages 6, 7 and 13 and has been changed.

The **Council *performance review*** also supports performance management with guidance emphasising the need to link ***employee objectives*** to Corporate Plan priorities and objectives;

Page 5 – recommended changes

9.6.7   The changes on page 5 below have been made to more accurately reflect the new executive arrangements.

- **The Constitution** defines roles and responsibilities of the *Leader, Deputy Leader, Cabinet and* individual Executive members;

  The Constitution defines the roles and responsibilities of all Council Committees.

Page 8 – recommended changes

9.6.8 The changes on page 8 have been made to reflect that the there is an annual review at the end of the year.

- **The Code of Conduct for Members** provides effective arrangements for ensuring that Members are not influenced by prejudice, bias or conflicts of interests, which are implemented through training and the existence of processes to obtain details of personal interests:

  o   the Director of Corporate Governance compiles the Register of Interests and conducts *an annual* review;

Page 9 – recommended changes

9.6.9 The changes on page 9 have been made to reflect more clearly the terms of reference of the Standards Committee and Officer's responsibility.

The Standards Committee operates in line with clear terms of reference *contained in the Constitution. Members of the Committee all receive training and are advised, where necessary, by the Monitoring Officer and the Senior Governance Advisor or appropriate Officer.*

9.6.10 The change below reflects that there are also Independent Members on the Audit Committee. It also includes the role of reviewing the Code of Conduct and power to challenge where assurance levels have not improved.

- An **Audit Committee**, independent of Executive and Scrutiny functions, with clear terms of reference, cross-party membership *and Independent Members review the Code of Corporate Governance.*

- *Members of the Audit Committee receive the necessary training in this role and can exercise their power to challenge officers responsible for audit areas where assurance levels have not improved to their satisfaction.*

Page15

9.6.11 The additional information below provides details of the Petition Scheme.

- *There is a Petition Scheme for persons who live, work or study in the authority's area to submit a Petition with their concerns about a Council service or decision.*

9.7 The above changes have been incorporated (in bold Italics) in the revised Code of Code of Corporate Governance set out in **Appendix A**.

9.8 The Audit Committee is requested to approve the revised Code of Corporate Governance. If agreed, the Special Committee (Constitution Review) will be asked to make a recommendation to Council for the revised Code to be included in the Constitution.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JEL
Finance: MC

BARNET CODE OF CORPORATE GOVERNANCE

As with all Local Authorities, the Council operates through a governance framework. This is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes. This operates across the Council but the Council has a Corporate Governance Directorate with a stated aim *"to promote the highest standards of conduct, accountability and transparency in the way the Council and its partnerships operate'.*

The governance framework must conform to principles of good governance and this Code of Corporate Governance aims to demonstrate how the Council does this.

The Council concurs with view that "Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk…and governance arrangements should not only be sound but also be seen to be sound."[1]

CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives) provide a framework for developing and maintaining a local Code of Corporate Governance and for discharging accountability for the proper conduct of public business, to support the publication of an Annual Governance Statement. It defines the principles that should underpin governance, and suggests best practice as:

- *reviewing the Council's existing governance arrangements against the Framework*

- *developing and maintaining a local Code of Corporate Governance, including arrangements for ensuring its ongoing application and effectiveness. (A discretionary requirement but considered best practice)*

- *preparing an Annual Governance Statement to report publicly on the extent to which the Council complies with its local code, including how the effectiveness of these arrangements during the year have been monitored, and on any planned changes in the coming period. (This is a statutory requirement under the Accounts and Audit (Amendment) Regulations 2006).*

This Code has been drafted in line with the CIPFA/SOLACE guidance documents "Delivering Good Governance in Local Government" and is based on the six core principles taken from the Good Governance Standard for Public Services (2004). These were developed by the Independent Commission on Good Governance in Public Services with support from the Office for Public Management and CIPFA and adapted for local government purposes.

The six core principles of good governance as set out by CIPFA/SOLACE are as follows:

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[1] CIPFA/SOLACE – Delivering Good Governance in Local Government:: Framework

1. *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.*

2. *Members and Officers working together to achieve a common purpose with clearly defined functions and roles.*

3. *Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*

4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.*

5. *Developing the capacity and capability of members and officers to be effective.*

6. *Engaging with local people and other stakeholders to ensure robust public accountability.*

'Governance' is defined many ways but for these purposes as, "how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

The Council's Code of Corporate Governance can be viewed as being embodied in various policies, procedures and other documents. These are reviewed biennially as part of the Council's Ethical Governance Assessment within the following categories.

• Access to Information • Annual Governance Statement • Audit • Committees - Specific Governance • Complaints Framework • Constitution • Consultation • Corporate Plan • Counter Fraud Framework	• Democratic Services • Human Resources • *Training on Governance* • *Code of Conduct & Protocols for Member-Officer relations* • Partnership Arrangements • *Registers of Members' Interests* • Risk Management & Emergency Planning • Senior Officer arrangements

The Code provides a summary of how, through these policies, procedures and documents, the Council complies with the core and supporting principles within the "Delivering Good Governance in Local Government" framework. *Compliance is regularly tested but not limited to the internally conducted Ethical Governance Assessment* and the audit plan. The Ethical Governance Assessment findings, in particular, can be referenced for more detailed information such as how and when the various elements of the Code of Corporate Governance are reviewed.

The following *tables identify the supporting six core* principles and the requirements associated with them and, most importantly, the means through which the Council achieves these.

Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Community Focus and Vision

The Council will focus on the purpose of the authority and on outcomes for the community and create and implement a vision for the local area.

Supporting Principles	Requirements	How the Council meets the Requirements
1.1 exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users	• Develop and promote the authority's purpose and vision • Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners • Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	• **Corporate Plan and Sustainable Community Strategy** based on the needs/requirements of the residents and promoting the Council's vision and report on planned activities also communicated through a variety of mechanisms; • **Annual refresh of the Corporate Plan and the three year Sustainable Community Action plan** (including this years Local Area Agreement (LAA)) and the flexibility to update these plans where necessary; • **Partnership arrangements** are consistent; • **Corporate Plan Annual Report and Community Strategy action plan** performance reported on Barnet Online.
1.2 ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning	• Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available • Put in place effective arrangements to identify and deal with failure in service delivery	• **Corporate Plan and Sustainable Community Strategy** contain clear and effective arrangements for defining how the quality of service is to be measured and for identifying and addressing any failure in service delivery; • **FirstStat** (where services present and are challenged by Officers across the council), **Finance and Policy Review meetings** and **Member**

		Challenge Events are mechanisms for monitoring and challenging performance around delivery of the Corporate Plan. The Sustainable Community Strategy Action Plan is monitored and challenged through **the Local Strategic Partnership**; • The **Council** *performance review* also supports performance management with guidance emphasising the need to link *employee objectives* to Corporate Plan priorities and objectives; • A **de-centralised complaints process** contributes to service delivery with all complaints, comments and compliments logged on one system and categorised in line with Local Government guidance.
1.3 ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money	• Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	• **The Corporate Plan** includes a clear definition of how value-for-money will be measured; • **Responsibility** for addressing value-for-money delivery is **clearly allocated** to Officers with the necessary skills and clear guidance is available; • The Council's **External Audit** arrangements are a key part of the process to review value for money and performance. • The Council's **Internal Audit** arrangements, including the **Internal Audit Code of Practice** based on CIPFA guidance, the **Internal Audit Charter** also helps ensure the authority makes the best use of resources through efficient performance.

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

Functions and Roles

Members and officers will work together to achieve a common purpose with clearly defined functions and roles.

Supporting Principles	Requirements	How the Council meets the Requirements
2.1 ensure effective leadership throughout the authority and be clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	• Set out a clear statement of the respective roles and responsibilities of the Executive and of Executive Members individually and the authority's approach towards putting this into practice • Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	• **The Constitution** defines *the roles and responsibilities of the Leader, Deputy Leader, Cabinet and* individual Executive members; • **The Constitution** defines the roles and responsibilities of all Council Committees.
2.2 ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard	• Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for the collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required • Make a Chief Executive responsible and accountable to the authority for all aspects of operational management • Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the	• **Job descriptions and the** clearly define the roles and responsibilities of senior officers; • **Article 12 of the Constitution** sets out the functions of the Council's statutory Officers and protocols are disseminated in the organisation • **Proper Officer arrangements** are established; • **A scheme of delegation** exists in the Constitution and separately in certain Service Areas (based on the Constitution) to ensure the appropriate exercise of powers in the Council; • **Member/Officer protocols** in the Constitution ensure effective communication between Members and Officers, including

	relationship and that a shared understanding of roles and objectives is maintained • Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control • Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	the Leader and the Chief Executive.
2.3 ensure relationships between the authority and the public are clear so that each knows what to expect of the other	• Develop protocols to ensure effective communication between members and officers in their respective roles • Set out the terms and conditions for the remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel • Ensure that effective mechanisms exist to monitor service delivery • Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the	• **Appropriate employment policies** are in followed including the Joint National Council for Chief Executives, Joint National Council for Chief Officers, National Joint Council for Local Government Services as well as **Local Agreements**; • The *performance review* **process, various meeting forums, one to one sessions focussing on delivery issues and progress and Programme and Project Boards addressing the delivery of projects** are all effective mechanisms to monitor service delivery; • The vision and priorities within the Corporate Plan and Community Strategy are **developed in consultation with the community and are communicated** (disseminated) to ensure that both the public

	local community and other key stakeholders, and that they are clearly articulated and disseminated	and Council officers are aware of Council obligations under the vision;
	• When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	• **Partnership guidance** refers to the importance of defining roles and responsibilities for partner members and outlining the need for clarifying the legal status of the partnership.

	• When working in partnership:
	   o ensure that there is clarity about the legal status of the partnership
	
	   o ensure that representatives of organisations both understand and make clear to all other parties the extent of their authority to bind their organisation to partner decisions	

Principle 3 – Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Values and Standards of Conduct

The Council will promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles	Requirements	How the Council meets the Requirements
3.1 ensure authority members and officers exercise leadership by behaving in ways that exemplify high	• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	• The Constitution contains **codes of conduct and protocols for members and officers**, there is a *performance review* process, a **corporate complaints process** and an **anti-fraud and corruption policy**;

| standards of conduct and effective governance | • Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols

• Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice | • There is a **counter fraud framework** meeting statutory requirements and according with best practice guidelines. This framework includes the whistle-blowing Policy, Fraud Policy, Prosecution Policy RIPA Policy as well as an annual report to the Audit Committee and an annual work plan;

• **The Code of Conduct for Members** provides effective arrangements for ensuring that Members are not influenced by prejudice, bias or conflicts of interests, which are implemented through training and the existence of processes to obtain details of personal interests:

  o the Director of Corporate Governance compiles the Register of Interests and conducts *an annual* review;

  o all Council and Committee meetings have declaration of interests as a standard agenda item;

  o registered and declared interests are publicly available;

  o the arrangements for registration and declaration of interests includes gifts and hospitality;

• **The Code of Conduct for Officers** sets out arrangements for ensuring that Officers are not influenced by prejudice, bias or conflicts of interest and includes the registration of interests;

Officer Expenses Procedures encompass statutory requirements and best practice with records kept as part of standard accounting procedures; |

| 3.2 ensure that organisational values are put into practice and are effective | • Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners

 • Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice

 • Develop and maintain an effective standards committee

 • Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority

 • In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively | • **Codes of Conduct for Members and Officers**, which are publicly available facilitate the development and maintenance of shared values reflecting public expectations;

 • **The Standards Committee** operates in line with clear terms of reference contained in the Constitution. Members of the Committee all receive training and are monitored/advised, where necessary, by the Monitoring Officer and the Senior Governance Advisor or appropriate Officer.

 • There are **person specifications for Independent Members** of the Standards Committee as a key aspect of ensuring its effectiveness.

 • There is an **annual report to the Council** on the activities of the Standards Committee further to its **annual work programme**;

 • **Decision making practices** are publicly available and include decision-making principles supporting high standards of conduct;

 • **Processes for reporting complaints relating to Member conduct** to the Standards Committee are clearly set out on Barnet Online. |

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Decision-making

The Council will take informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles	Requirements	How the Council meets the Requirements
4.1 be rigorous and transparent about how decisions are taken and listen and act on the outcome of constructive scrutiny	• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice • Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee • Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	• A reviewed **scrutiny function** ensures constructive challenge through the various Overview and Scrutiny Committees (with committee roles defined in the Constitution) including the call-in process; • **Report-writing guidance and templates** are used by all Officers writing reports; • **The Corporate Plan** includes performance measures and targets in relation to Scrutiny; • The **corporate performance-monitoring processes** related to the Corporate Plan and Sustainable Community Strategy (see above) scrutinise performance and address weaknesses in delivery; • An **Audit Committee**, independent of Executive and Scrutiny functions, with clear terms of reference, cross-party membership *and Independent Members review the Code of Corporate Governance.* • *Members of the Audit Committee receive the necessary training in this role and can exercise their power to challenge officers responsible for audit areas where assurance levels have not improved to their satisfaction.* • A **de-centralised complaints process** contributes to informed decision-making; • The **Corporate Complaints Policy** ensures consistent and effective complaints handling across the Council.

4.2 have good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	• Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose - relevant, timely and gives clear explanations of technical issues and their implications • Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	• **Decision making protocols** are publicly available and set out the criteria on which decisions are based; • **The Forward Plan and minutes of meetings** are publicly available and provide records of decisions planned and taken; • **Clearance processes** ensure that decisions are based on correct (fit for purpose) information and that information is available for timely review, including the availability and recording of legal and financial advice.
4.3 ensure that an effective risk management system is in place	• Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs • Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	• A **Risk Management Strategy** informed by best practice and both **service and corporate risk registers** ensure that risk management processes are embedded in the culture of the authority; • There is a **Business Continuity Framework and toolkit** with Business Continuity Plans regularly reviewed to enable efficient continuation of service through incidents; • There is a **generic major incident plan t**o fulfil the responsibilities to have appropriate arrangements in place in case of significant national or local incidents; • **A whistle-blowing policy** is available to officers.
4.4 their legal powers to the full benefit of the citizens and communities in their area	• Actively recognise the limits of lawful activity placed on the authority by, for example, the ultra vires doctrine but also strive to utilise its powers to the full benefit of the community	• Officers and members operate lawfully through the existence of mechanisms including: o **decision-making** through the Monitoring Officer role (identifying and addressing non-compliance with

		statute);
	• Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on the authority by public law • Observe all specific legislative requirements placed upon the authority, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice - into its procedures and decision making processes	○ the **Internal Audit function** and **Corporate Anti-fraud function** ensure compliance with relevant statute e.g. Social Care legislation in Children's Service and Adult Social Services (supported by an embedded Council wide appraisal process to identify such training needs in relation to compliance with statute where necessary).

Principle 5 – Developing the capacity and capability of members and officers to be effective.

Capacity and Capability

The Council will develop the capacity and capability of members and officers to be effective.

Supporting Principles	Requirements	How the Council meets the Requirements
5.1 make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	• Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis • Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	• **Member Training**, including induction training and specific training in relation to certain committees is provided and this includes non-councillor members of committees; • **Officers advise Members** as required in addition to specific **guidance being provided** at induction and on Members' correspondence for example; • The informal **Member Development Panel** (one member for each party), supported by Democratic Services assesses skills required by Members and identifies,

		advises on and promotes Member training and development; • The **Workforce Development Plan** incorporates a training policy for Officers, including induction training, is available.
5.2 develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group	• Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively • Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed • Ensure that effective arrangements are put in place for reviewing the performance of the Executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	• The *performance review process* (with appraisals recorded and monitored) is the main basis for identifying and addressing training needs, including addressing the skill and support requirements of the statutory officers; • **Training in relation to an Officer's area of responsibility** is given and for financial and other cross-cutting systems with training needs assessed at appraisals; • **The Overview and Scrutiny Procedure Rules** and Operational practices ensure the performance of the Executive.
5.3 encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	• Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority • Ensure that career structures are in place for members and officers to encourage participation and development	• **Representatives from the community engage with the work of the Council** through various structures such as the Citizen's Panel, the Resident's Forums and consultation surveys conducted corporately and at service level; • **The Remuneration Strategy** includes career progression guidelines; • **The Talent Management Strategy** encourages Officer participation and development.

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

Accountability

The Council will engage with local people and other stakeholders to ensure robust public accountability

Supporting Principles	Requirements	How the Council meets the Requirements
6.1 exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	• Make clear to itself, all staff and the community to whom it is accountable and for what • Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required • Produce an annual report on the activity of the scrutiny function	• **The Sustainable Community Strategy and the Corporate Plan** have been disseminated resulting in a clear understanding by staff and the community as to what the Council is accountable for and to whom; • The **Local Strategic Partnership Terms of Reference** are based on best practice and guidance and LSP arrangements apply as far as possible to all its sub-partnerships; • **Various performance management structures** scrutinise the effectiveness of relationships with partners, monitor delivery, identify and address concerns and report outcomes publicly; • The **Use of Resources requirements** are met using the performance indicators from the Corporate Plan; • An **Overview and Scrutiny annual report** to the Council and available to the public, sets out planned activity and outcomes of scrutiny functions.
6.2 *take an active and planned approach to engage in dialogue with the*	• Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in	• **Residents Forums, corporate and local consultation exercises, 'Leader Listens sessions, Overview and Scrutiny Committees and**

public to ensure there is an effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	place monitoring arrangements and ensure that they operate effectively • Hold meetings in public unless there are good reasons for confidentiality • Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands • Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result • On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period • Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made	**initiatives to engage specific groups** are examples of a variety of consultation and engagement mechanisms to engage with all sections of the Community. • **Consultations** are conducted with residents, Members and staff utilising best practice principles including the Market Research Code of Practice; • The **Annual Residents survey** on the place and council services is conducted with a representative sample of residents of the borough; • There is a **Citizen's Panel** which consists of 1250 residents representative of the borough often used for service specific consultations; • *There is a Petition Scheme for persons who live, work or study in the authority's area to submit a Petition with their concerns about a Council service or decision.* • **Corporate publications (including Barnet First), the 'Barnet Online' Website, electronic news letters, controlled media pitches and campaigns to target specific areas** are clear channels of communication with the public (both at corporate and at service level); • **Council and committee meetings** are held entirely in public and their reports and minutes are public unless confidentiality is specifically required in accordance with the **Access to Information Procedure Rules** in the Constitution; • **Partnership arrangements for consultation** are in line with and

	a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	refer to consultation guidance;
		
		• There is an **annual report of outcomes and achievements** in relation to the Council's vision to Council and therefore public. ***Council also publishes the Annual Governance Statement as part of the Annual Statement of Accounts.***
		
		• The Council is open and accessible to the public through:
		   o the above **processes for communicating vision and outcomes** to the public;
		
		   o **the complaints process** available to the public,
		
		   o **the publicly available Constitution**, which sets out a commitment to openness and transparency and defines processes for public participation at Committee meetings;
		
		   o various **projects to improve public accessibility**.
		
		• The **Freedom of Information Policy** and **Publication Scheme** ensure openness and accessibility as well as compliance with the requirements of the Freedom of Information Act.
		
		• The **Data Protection Policy**, **Records Retention and Disposal Scheme** and **Fair Processing Notice** ensure that confidentiality is preserved properly and appropriately;
		
		• The **Partnership Register** records all sub partnerships and groups reporting to the Local Strategic Partnership.

6.3 make best use of human resources by taking an active and planned approach to meet responsibility to staff	• Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	• There are **clear policies for consultation with staff** and their representatives.

B A R N E T
LONDON BOROUGH

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AGENDA ITEM: 14   Page nos. 247 - 265

Meeting	Audit Committee
Date	16 June 2011
Subject	**Draft Annual Governance Statement 2010/11**
Report of	Director of Corporate Governance
Summary	This report seeks approval of the proposed Draft Annual Governance Statement 2010/11 to be included in the annual account.

Officer Contributors	Maryellen Salter – Assistant Director Finance, Audit and Risk Management
	Jeff Lustig – Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Annual Governance Statement
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 Finance, Audit and Risk Management – Tel: 020 8359 3167 or Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

www.barnet.gov.uk

1.   RECOMMENDATIONS

1.1   To comment upon and approve the proposed Draft Annual Governance Statement for inclusion with the Statement of Accounts for 2010/11.

2.   RELEVANT PREVIOUS DECISIONS

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

3.   CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1   During the period under review the Council's objectives included the priority" Better Services with Less Money" within which was the further aim "To improve the effectiveness and transparency of decision making within the Council".
The Annual Governance Statement is a public document that shows that the Council recognises that there are areas for improvement; the Committee's scrutiny of their progress supports the above stated Council objectives.

4.   RISK MANAGEMENT ISSUES

4.1   Referred to in the body of the report.

5.   EQUALITIES AND DIVERSITY ISSUES

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

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

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

7.   LEGAL ISSUES

7.1   Referred to in the body of the report.

8.   CONSTITUTIONAL POWERS

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

9   BACKGROUND INFORMATION

9.1.   Background to the Annual Governance Statement

9.1.1   Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) requires a local authority to conduct a review at least once a year of the

effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.

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

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

9.1.4 The CIPFA/SOLACE Framework is titled "Delivering Good Governance in Local Government". It sets out the following core principles of corporate governance. They are:
1. Focussing on the purpose of the authority and outcomes for the community and creating and implementing a vision for the local area.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

5. Developing the capacity and capability of members and officers to be effective.

6. Engaging with local people and other stakeholders to ensure robust accountability.

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

9.2. Content of the AGS

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

9.2.2 The best practice framework provides guidance on what the AGS should contain including:
• Responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control).
• Indication of the level of assurance that the systems and processes that form the governance arrangements can provide.
• Brief description of the key elements of the systems and processes that have been applied in maintaining and reviewing the effectiveness of the governance arrangements.

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

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

9.3.   Process

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

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

9.3.3   If the Committee approves the AGS it will be incorporated into the statement of accounts for 2010/11 which is considered later on the Agenda. The Council's External Auditors will comment on the robustness of the AGS when carrying out the external audit of the 2010/11 accounts. Those comments will be reported to the Committee at its meeting on 06 September 2011 in order to enable the Committee to take those comments into account before the statutory reporting deadline of 30 September 2011.

9.3.4   The draft AGS for 2010/11 is attached at Appendix A. Further work following upon the review may result in updating of the position and some changes to the content of the AGS when the matter next comes before the Audit Committee in September 2011.

10.   LIST OF BACKGROUND PAPERS

10.1   CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework.
CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities
CIPFA/SOLACE Financial Advisory Network: The Annual Governance Statement.

10.2   Any person wishing to view the background papers should telephone Maryellen Salter – Assistant Director Finance, Audit and Risk Management - Telephone: 020 8359 3167 or Jeff Lustig, Director of Corporate Governance – Telephone: 020 8359 2008.

Legal: MAM
Finance: JH/ MC

ANNUAL GOVERNANCE STATEMENT
2010/11

1. Scope of Responsibility

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

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

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

The Director of Corporate Governance has completed his biennial review of the Code of Corporate Governance.

2. The Purpose of the Governance Framework

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

Internal Control Environment:

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

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

The Governance Framework:

The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts. The governance cycle adopted by the Council is as follows:-
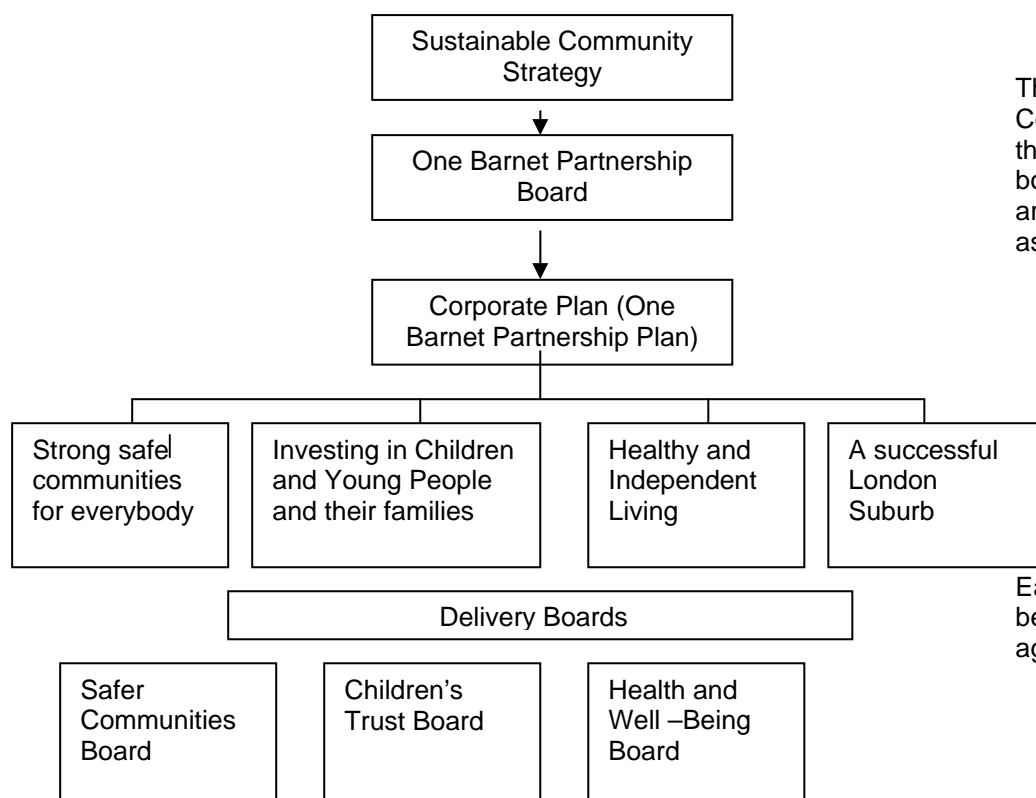
THROUGHOUT THE YEAR
- Review/Update Risk Registers
- Performance Review reports
- Management Reports
- Internal Audit, Risk Management and CAFT Reports

SEPTEMBER

DECEMBER

ANNUAL GOVERNANCE STATEMENT

Report progress on implementing actions to CDG

External Audit Letter

Final sign off of AGS

Training needs determined for the Audit Committee

JUNE

AGS approved by Leader and Chief Executive

Internal Control Checklist summarised and conclusions drawn

MARCH

Annual Internal Audit Opinion and Annual Report from CAFT

Review of Internal Audit Effectiveness

Review of Corporate Governance Arrangements

External Audit reports on financial resilience and Value for Money

Reports from Ofsted and CQC

MAY

Internal Audit Annual Report, including overall

APRIL

3. The Corporate Governance Environment

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

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

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

Sustainable Community Strategy

One Barnet Partnership Board

Corporate Plan (One Barnet Partnership Plan)

Strong safe communities for everybody

Investing in Children and Young People and their families

Healthy and Independent Living

A successful London Suburb

Delivery Boards

Safer Communities Board

Children's Trust Board

Health and Well –Being Board

The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough. This vision is framed around achieving four strategic aspirations which are:
- Successful London Suburb
- Healthy and independent living
- Investing in Young People and their families
- Strong safe communities for everybody

Each of these aspirations will be delivered through multi-agency partnerships

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Since May 2008 the Council has been developing its transformation programme. The transformation programme, known locally as the One Barnet Programme, becomes increasingly relevant as we work to deliver better services for our residents at a time of increasing population, rising expectation and reduced public budgets. The over-arching feature of the One Barnet programme is to create a citizen-centred Council which enables Barnet citizens to get the types of services they need to lead successful lives and which ensure the borough continues to be a successful place. This is based on three key principles:

1. A new relationship with citizens

Redefining a new relationship with citizens so that they can work with us as a part of 'Big Society' taking responsibility themselves where they can.

2. A one public sector approach

Working seamlessly with our partners to develop a new public sector approach which will require us to better co-ordinate our work and exploit the efficiencies and benefits of joint working.

3. A relentless drive for efficiency

Focusing relentlessly of efficiency to ensure every public pound is spent wisely.

The One Barnet Partnership Board has strategic oversight of the One Barnet Programme. It is chaired by the Leader of the Council, and also includes the Deputy Leader, as well as Chief Executive, Deputy Chief Executives and Representatives from key public sector local strategic partners. The Board is intended to be a consultative body only and does not take decisions in its own right. The Board will consider matters before it and make any recommendations as necessary to the Council's Cabinet or any other of the Council's decision making bodies.

The Council's Directors Group (CDG) acts as the Programme Board, approving the initiation of projects to deliver the programme's aims and monitoring progress of the programme.

Local Strategic Partnership (LSP) and One Barnet Programme Board

The Council recognised that it needed to review the potential overlap between the One Barnet Board and the LSP, although regular reports on the former were made to the latter for information. A project was included within the One Barnet programme, to review governance to ensure that both sets of structures were integrated as far as possible, and partnership governance arrangements were fit for purpose and provided options for partners to share authority jointly within a framework of democratic accountability. During this review a number of LSP members highlighted the overlap in membership between the two bodies, while a number of Government initiatives which formed the basis of the LSP's work plan, such as Comprehensive Area Assessment and Local Area Agreements, have been scrapped.

The One Barnet Programme Board on 18 November 2010 agreed that the LSP be collapsed into the One Barnet Partnership Board, which would still fulfil any residual functions of the LSP. Terms of reference and membership of the new Board were agreed.

During 2011/12 a report will be submitted to Cabinet to formally create a One Barnet Partnership Board which takes on LSP functions, and to make the required amendments to the Council's constitution.

During 2010-11 the One Barnet Overview and Scrutiny Committee was in place to review the proposals being taken to the Programme Board as part of its activities to ensure early engagement in their development. The Panel evaluated and challenges business cases, reviews options appraisals, examines linkages between the strands of the One Barnet programme, oversees implementation and refers issues to the One Barnet Programme Board and/or Cabinet as appropriate. Going forward the scrutiny arrangements for the programme will be performed by the Budget and Performance Overview and Scrutiny.

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

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

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

Executive Roles:	The Cabinet comprises a Leader and nine executive Members with the following portfolio responsibility (during the review period): • Leader of the Council Strategy & Communications • Deputy Leader of the Council Education Children and Families • Customer Access and Partnerships • Community Safety and Cohesion • Resources and Performance • Environment • Housing Planning and Regeneration • Adults • Governance and Civic Affairs • Public Health
Clear Decision Making:	Formal procedures and rules govern the Council's business: • Constitution • Scheme of Delegations • Financial Regulations • Scrutiny Process Guidance • Terms of reference for the Pension Fund Panel
Compliance:	Specific statutory responsibility rests with: • Chief Executive (Head of Paid Service) • Director of Corporate Governance (Monitoring Officer) • Deputy Chief Executive (Section 151 Officer)

Monitoring:	- Financial and operational data is reported to the Cabinet and Review panels quarterly - Work programmes of the Overview & Scrutiny Committees and the Audit Committee include a challenge to both policy development and performance review - Performance monitoring has further improved in 2010/11 for example with the inclusion of risks in business and financial planning information - The institution of a dedicated Budget and Performance Overview & Scrutiny Committee has also enabled more effective Member oversight of the Council's performance
Value for Money:	The Council has been very successful at driving the efficiency Agenda with the costs being one of the lowest in London. However there is still much to do. Recognising this the new streamlined corporate plan has 'better services with less money' as one of only three key priorities. Some key activities to take this agenda forward are: - Establishment of an Investment Advisory Board - Service savings targets - Improved performance management/service planning - London Efficiency Challenge - Benchmarking exercises - One Barnet Programme - Every committee or Delegated Powers report has a corporate requirement to detail the value for money implication of the issue under consideration
Partnerships:	Partnership working is pivotal to Barnet's success. The One Barnet Partnership Board is key to this success. These other strategic partnership boards will be responsible for managing the delivery of the strategic outcomes - - Safer Communities Board - Children's' Trust Board - Health and Well-Being Board

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Principle 3: Values of Good Governance and Standards of Behaviour

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

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

- Members' Code of Conduct
- Officers' Code of Conduct
- Protocols for Member – Officer Relations
- Members' Licensing Code of Practice

- Members' Planning Code of Good Practice

Training programmes for both members and staff support these codes.

An induction programme immediately following the local elections in May 2010 with associated documentation and intranet area provided Members with the above documents and ensured relevant information, such as declarations for the Register of Members' Interests was collected. The principles of a Member Development Programme for 2010-12 were agreed in March 2010 and that programme continues to provide sessions on a variety of subjects. Those sessions most relevant to good governance and standards of behaviour include:

- Code of Conduct including Planning requirements
- Social Media including Code of Conduct
- Equalities
- Health & Safety (corporate Health & Safety responsibilities for Members)
- Safeguarding (Adults and young people)
- Corporate Parenting
- Audit & Risk Management
- Treasury Management

Additional sessions specifically for planning related governance and decisions making also took place.

These sessions as well as other informational and personal development sessions will continue in 2011/12.

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

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

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

Scrutiny Function

The Scrutiny function works effectively to challenge performance and policy development which is supported by focussed reviews undertaken by Task and Finish Groups (such as remodelling older peoples housing with support and the Council's response to cold weather) and Scrutiny Panels (such as the One Barnet Scrutiny Panel and the Housing Allocations Scrutiny Panel).

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

Scrutiny has also had an ongoing role in the Council budget process, allowing member oversight of the long and short term financial picture, together with guiding the Council's direction with regard to budget consultation. The budget papers for the 2011-12 medium term financial plan were scrutinised by the Budget and Performance Overview and Scrutiny Committee throughout the year. The Committee's meeting in October 2010 considered the outline proposals, the December meeting scrutinised the budget headlines, and the January meeting considered some detailed evidence in respect of the impact on the voluntary sector. This Committee also scrutinised the Treasury Management strategy in November.

A full review was undertaken in 2010/11 of the Council's Overview & Scrutiny arrangements that had been in place since 2009. The findings of the review were considered by the Business Management Overview & Scrutiny Committee, the Policy and Performance Overview & Scrutiny Committee and the Special Committee (Constitution Review) in March and April 2010. Following on from these considerations, the recommendations of the Special Committee (Constitution Review) were adopted at the Annual Meeting of Council on 17 May 2011.

Audit Committee

A strength of the internal control system is the role of the Audit Committee. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee's membership has been significantly enhanced during the current financial year by the inclusion of two independent members that provide additional skills and knowledge to the assurance processes.

To achieve its overall aim, the Committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, including review of summary internal audit reports, and seeks assurances that action has been taken as necessary;

- Consider, where appropriate, the reports of external audit and inspection agencies.

- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken to mitigate risks;

- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;

- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;

The Chief Internal Auditor completes an annual review of the effectiveness of the Audit Committee, which found that they have been largely effectively in their role in meeting their objectives.

Standards Committee

The Standards Committee is responsible for:

- Promoting high standards of conduct

- Assisting members to observe the Code of Conduct

- Advising the Council on the adoption of revisions to the Code of Conduct

- Monitoring the operation of the Code of Conduct

- Provision of training on the Code of Conduct

- The granting of any dispensations
- Monitoring and reviewing an annual report of the Register of Members' interests and declarations
- Monitoring and reviewing the Council's Ethical Governance Assessment
- Assessing and reviewing Member complaints alleging a breach of the Code of Conduct

Robust Risk Management Arrangements

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during the financial year. Formal risk management arrangements provide for risk identification, analysis and ownership. Service Plans utilise service based risk registers in their objective setting and overarching or corporate wide risks are identified within the Corporate Risk Register. Arrangements for risk management are now 'live' as they are managed through the Council's risk management system JCAD. This system allows for regular updating and reporting.

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

Quarterly risk management and fraud forums are held to share best practice and to agree procedural improvements and the Internal Control Checklist process to aid managers proactively manage their service risks. Service and Corporate risks are included within quarterly performance reports, these reports are presented to the Council Directors Group (CDG) and Cabinet Resources Committee

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

The Internal Audit Function

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, in addition the work of the Service reflects professional best practice which is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

There is a 'managed audit approach' with the Council's external auditor which ensures that there is no duplication of effort on audit activity and that key concerns are shared and adequately planned for. Key documents such as the Internal Audit Strategy and the Internal Audit, Risk Management and CAFT Plan are shared with external audit prior to Audit Committee approval. External audit review the work of internal audit during the year with a view of placing reliance on their work over controls feeding into the year end accounts process.

Management is responsible for operating a sound system of internal control and having arrangements for the prevention and detection of fraud and other irregularities. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such internal audit relies on management to provide them full access to their accounting records and transactions for the purposes of their audit work and to ensure the authenticity of these documents.

Effective and timely implementation of recommendations by management is important for the maintenance of a reliable internal control system. Progress reports are prepared for the Audit Committee on a quarterly basis; these include summaries of all reports that were issued with limited or no assurance. The Audit Committee is able to follow up areas of fundamental weakness through quarterly exception recommendation reports.

The internal audit service aspires to creating a positive culture of improvement, there have been a number of improvements to the service during 2010-11 to ensure that it assists the Council in improving areas of high risk. The areas of improvement in the current year include:

- Refocusing communications with services to ensure the areas of significance are highlighted;
- The implementation of a timely follow-up process on priority one (high risk) recommendations;
- Reinstatement of customer satisfaction surveys to better understand areas of development
- Better reporting to the Audit Committee of audits with limited or no assurance
- Raising the profile of internal audit within the Council
- Joining up plans with Corporate Anti-Fraud Team (CAFT) for the most efficient use of resources

Internal Audit has concluded overall, based on the findings of work undertaken at Barnet Council that only limited assurance can be given on the systems of internal financial control in place. The Annual Audit Report identified a number of key themes that the Council needs to address going forward, which are included as key governance issues going forward in this report.

Corporate Anti-Fraud Team (CAFT):

Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Director of Corporate Governance has the delegated authority for providing and maintaining this service.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority

CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate. The council has a zero tolerance approach to fraud and other irregularity including any Money Laundering activity.

The CAFT operate under the Council's approved Counter Fraud and Anti Money Laundering Frameworks. The purpose of these Frameworks is to ensure that we have an appropriate set of policies and guidelines in place in order to ensure fraud and money laundering activity is minimised through effective prevention,

detection, investigation and deterrent measures and that we have a unified cohesive approach to reflect best practice.

The work and effectiveness of the Team is reported regularly to the Audit Committee. Improvement has occurred for 2011-12 in the development of the proactive fraud plan which seeks to allocate resources to areas of fraud risk to any uncover any potential or actual cases of fraud., Proactive work is used to identify areas of concern before they lead to actual fraud whereas the reactive work that CAFT completes generally looks to review procedures after an actual fraud has occurred. As discussed previously, this has joined up resources with internal audit and risk management.

Strong Financial Management:

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

- The establishment of key controls within the accounting systems of the Council
- A robust system of budgetary control including formal detailed quarterly monitoring including projected outturns, and additional summary reports. Provisional outturn statements are produced and presented as close to the end of the financial year as possible followed by Final outturn
- Budget challenge sessions to periodically review all areas of the Council
- Financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets as well as forecasts
- A clear and concise capital appraisal process for prioritising and approving all capital projects and financing
- Adherence to Prudential Indicators approved by Council to ensure that the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers;
- Financial Training for new budget holders through out the financial year and in preparation for year end
- Provision of Project Management training

We are also committed to presenting more information to the public in the interests of transparency, for example we were early adopters of publishing the £500+ expenditure report. Work also continues in making our financial information understandable and relatable to how we spend taxpayer's money, the Council's infograph breaks down expenditure by service.

External Audit:

The Council's external auditors are Grant Thornton UK LLP. Officers of the Council meet with the external auditor on a monthly basis to discuss regular business and to address any areas of concern the auditors may have. The external auditors also meet with the Chairman of the Audit Committee in private at least once a year as a matter of good governance. The external auditor produces a number of key documents for the Council to review in the year that contribute to our assessment of the governance arrangements. Their work has changed during the year with a reduction in inspection from five key areas around use of resources to a focus on financial resilience and value for money. There is a continual focus on the financial statements and key financial systems that feed into that process.

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

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

Members

- All new members are provided with a detailed induction programme into the operations, objectives, partnerships, and codes of the Council.

- As stated in Core Principle 3, a two year Member Induction and Development Programme was developed in consultation with Members and Officers, and was implemented at the start of the municipal year 2010/11. The sessions included within the programme cover governance and standards, as well as developmental sessions on subjects like Effective Chairmanship and informational sessions on subjects such as Complex Procurement. A larger Partnerships event in Autumn 2010 ran as part of the Member Development Programme and supported the ethos of One Barnet.

Officers

The Council has implemented a new Employee Performance Management strategy to strengthen the relationship between corporate objectives and individual performance.

Aims of the Employee Performance Management are:-
- To drive organisational and cultural change
- To develop a culture of continuous improvement
- To integrate performance management into everything we do

It is through the delivery of this strategy that performance standards and expectations have been reset, for employees:-
- Live our values and behave in a way that always puts the customer first
- Fair and equitable performance management process
- Recognise good and address poor performance
- Develop and retain the right skills mix for today and the future
- Invest in high potential employees ensuring readiness to take up future roles

Core Principle 6: Engaging with Local People and Stakeholders

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

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

The Council adopted a Consultation and Engagement Strategy in 2004, which was re-launched in January 2010 as an Engagement Strategy. As a consequence some traditional modes of communication have been used such as Residents Forums, and a Civic Network. However, in recent years communication vehicles have gone through radical change. This change and the economic climate has led to less use of some more traditional means of engagement and the Civic Network, while running two meetings in the review year, ceased to exist in April 2011.

The Council has maximised the use of these new opportunities of communication during the review period, including:-

Website:	• Website re-launched in 2009, which is being significantly redeveloped for 2011/12. The council's website is an area the council is developing to assist with ensuring a transparent decision making process and to encourage public engagement with the council and the decision making process.
	• Social networking links from home page and increased use of social media
	• 'Improved ability for citizens to post comments
	• 'Fix My Street' – ability for residents to post issues
	• Pledge Bank – opportunity for communities to obtain funding by making a part commitment
	• Citizen's Space – central portal for access to all consultation

	activities in the borough
Ward Walks:	The Chief Executive met with Ward Members in their wards in a programme of ward visits. Officers from all departments variously joined each walk and the resulting group walked around a selection of areas in the ward. The walks occasionally included organised interviews with local groups or residents but mainly these interactions were ad hoc and less forced, allowing a snapshot of local opinion to complement the issues raised by the ward Members. Ward Members were able to raise issues both large and small for a response from Directorates or in some cases, partner organisations such as Barnet Homes and NHS Barnet. The walk acts as a movable round table discussion, seeing the issues and successes on the ground and encouraging officers to interact with each other and with Members in a less formal setting. The Ward Walk programme is set to continue in 2011/12.
Budget Consultation:	The council ran two stages of consultation on the 2011/12 budget. Stage one took place ahead of the publication of budget proposals. An "Ideas Website" crowd-sourced suggestions from residents. The site contained a video with the Cabinet Member for Resources explaining the council's spending constraints. This video had around 1000 views. The site generated over 200 suggestions and over 300 comments. It had 3,041 unique visits and 21,991 page views. It was promoted in Barnet First and the magazine contained a tear-out sheet so that residents without web access could also comment. The Council also ran service specific consultations on barnet.gov.uk. using the survey monkey tool. The second stage of on-line consultation allowed residents to comment online on each line of the budget proposals. A separate event was held with the Citizens' Panel gathering similar feedback. Services also held events with service users on specific proposals.

4. Review of Effectiveness

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

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

Monitoring:	Financial and operational detailed monitoring presented to senior managers, the Cabinet Resources Committee, and Scrutiny Committees on a quarterly basis and an additional two summery reports.

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Internal Audit:	• Monitored by Audit Committee in year • Further strengthening of resources and profile enhanced • Implementation of revised reporting procedures
Year End Processes:	• No significant issues identified in year end service control reports • Statutory Officer assurances obtained on internal control and governance arrangements • Review and cross referencing of inspection and audit reports and no issues identified.
Risk Management:	All risk registers, service and corporate, are available on the Council's risk management system 'JCAD' and is considered a 'live' system available to review by those that have access.
Statutory Officers Group	Monthly meetings held between the Chief Executive, Monitoring Officer, Section 151 Officer and attended by the Head of Internal Audit, Deputy Section 151 Officer and Assistant Chief Executive. These meetings are held to discuss key governance and control issues around the Council.
Standards Committee:	Met regularly and covered work programme in addition to fully operating the system of local regulation through Sub-Committee assessment meetings and hearings. For the third successive year the Committee presented its Annual Report to the meeting of Council in July 2010. Amongst other matters the Committee oversaw the introduction of the online Register of Members Interests and the production of the third Ethical Governance Assessment.
Audit Committee:	Met regularly throughout the year Regular reports received on:- • Risk management • Internal Control • Anti fraud • Governance • Financial Reporting
Overview & Scrutiny	Overview & Scrutiny reviews its effectiveness on a yearly basis, with the findings reported with its annual report to Full Council.
Special Committee (Constitution Review)	Special Committee (Constitution Review) reviews the Council's Constitution over the course of the municipal year to ensure that good governance is maintained by it accurately reflecting current legislation and practice. The Committee met in October 2010, February 2011 and twice in April 2011. Recommendations from the Committee were adopted at the Annual Meeting of Council on 17 May 2011

Significant Governance Issues:

A number of areas for improvement were identified in the 2009/10 Annual Governance Statement. An update of those issues is set out below:

Key Improvement Area for 2009/10	**Current position**
CAFT Pro Active Fraud Programme 2010/11 will include high risks areas based on outcomes from previous CAFT investigations, 'No Assurance' IA reports, and national areas of concern for local government. This includes the impact of the recession on local authority fraud risks.	The Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) produced a joint annual plan for 2011-12 in order to use their resources more efficiently.

An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Whilst a significant amount of work has been undertaken in further developing individual policies and procedures, the overarching IMS has not progressed. It is and will be a priority action for the corporate Information Governance Council and the recently appointed Head of Service in 2011/12
A detailed action plan for addressing the data protection issues highlighted in the ICO Audit Data Protection Audit Report	Substantial progress was made on implementing the detailed action plan. The Council most recently had a follow-up audit by the Information Commissioner's Office who gave 'reasonable assurance' that procedures were adequate for data protection. This demonstrated a significant improvement on the previous assessment. However our own internal view is that this is an area where there is a need for ongoing improvements particularly in respect of ensuring better security of paper documents in 2011-12.
Internal audit will provide quarterly progress reports to the Audit Committee on performance against the agreed annual plan.	This work has been addressed through-out the year with quarterly progress reports presented to the Audit Committee.
Internal Audit will work with directors and senior managers on strengthening the risk management system	There has been considerable work completed to improve risk management and the roll-out of the 'live' risk management system called JCAD. Reporting has improved to the Audit Committee.
A comprehensive training programme for Members of the Audit Committee will be prepared and delivered to enhance the Committee's performance	A training programme was devised which had the needs of members considered. This work is on-going into 2011-12 but no longer remains a significant governance issue.
Improving the Overview & Scrutiny structure to maximise the effectives of the Scrutiny function, including entrenching a pro-active culture of pre-decision Scrutiny.	A review of the Scrutiny arrangements has taken place and a new Scrutiny structure has been implemented at the Annual Council Meeting in May 2011.
Ensure partnership governance arrangements fit for purpose, specifically of the LSP	Work continues to address the partnership governance and to refocus the One Barnet Partnership Board since the demise of the LSP. Partnerships is carried forward into 2011-12.
Raise the profile of risk management within the organisation and embed within the business planning process.	Work completed in 2011-12 to further embed risk management within business planning processes. Work will continue however is not a serious governance issue for 2011-12.

5. 2011/12 Improvement Areas

Key Improvement Area:	Assigned To:

An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Director of Commercial Services
Contract Management/Procurement – work is underway to ensure that the Council has an accurate and complete contracts register and that centrally there is a process to monitor spend in accordance with the contract procedure rules (CPR).	Director of Commercial Services and All Directors
Data Quality – all services are to review their arrangements to have reliable, accurate, timely, complete, relevant and valid data, in particular services will review their quality assurance processes and work with the Assistant Chief Executive to perform 'spot checks' of current arrangements.	Assistant Chief Executive
Oversight of devolved processes – work is required to set a series of expectations for Assistant Director level and below for the level of internal controls required to 'meet the grade'.	Assistant Director of Human Resources/Deputy Chief Executive
Measuring success of strategies – work is underway to better join business and financial planning and to ensure that strategies are reviewed from the previous period and included within forward looking plans.	All Directors/Deputy Chief Executive
Data protection – the Council has completed a large scale review to address concerns raised by the Information Commissioner in respects of personal data which has largely addressed major concerns, however during 2011-12 the focus will be on the security of paper documentation containing personal information.	Director of Corporate Governance
IT functionality – a detailed action plan has been devised to take forward the current arrangements within the IT service, work around project management arrangements will seek to address some IT dependencies within the Services.	Director of Commercial Services
Partnerships – work is underway to make the best use of partnerships by agreeing mutual responsibilities, accountabilities and expectations. This includes forming a better understanding of neighbouring boroughs and their fit within key decision making bodies.	Assistant Chief Executive
Work is required to understand how the Localism Bill will impact upon the Council's governance arrangements and also affect our relationship with the community particularly in the context of the provision for local authorities to work with locally established Neighbourhood Forums to prepare Neighbourhood Plans. The Bill is progressing through Parliament and Royal Assent is not expected until late 2011 with the main provisions implemented in 2012.	Director of Corporate Governance
As the One Barnet Programme progresses work is required to set out the principles on how the relationship between a potential provider and the Council will work in a way that clearly defines roles and responsibilities, supports good governance and openness and provides transparency in decision making.	Director of Commercial Services/Deputy Chief Executive

6. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council: _____

Date: _____

Chief Executive: _____

Date: _____