

<u>MEETING</u> AUDIT COMMITTEE
<u>DATE AND TIME</u> TUESDAY 6 SEPTEMBER 2011 AT 7.00PM
<u>VENUE</u> HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Lord Palmer
Vice Chairman: Councillor Brian Schama

Councillors:

Alex Brodkin	Sury Khatri	Hugh Rayner
Geof Cooke	Graham Old	

Substitutes for Councillor Members:

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

Independent Members:

Richard Harbord	Debra Lewis
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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

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<http://committeepapers.barnet.gov.uk/democracy>

ORDER OF BUSINESS

Item No.	Title of Report	Pages
1.	MINUTES	-
2.	ABSENCE OF MEMBERS	-
3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-
4.	PUBLIC QUESTION TIME (If any)	-
5.	MEMBERS' ITEMS (If any)	-
6.	Annual Report and Service Plan of the Corporate Anti Fraud Team 2010	1 – 21
7.	External Auditor's report under International Auditing Standard (ISA) 260 for the year 2010/11	22 - 25
8.	Procurement Controls and Monitoring Plan Progress Report – August 2011	26 – 46
9.	Internal Audit Progress Report – 2011-12 Quarter 1	47 – 81
10.	Exception Recommendations Report	82 – 116
11.	Annual Governance Statement	To follow
	MOTION TO EXCLUDE THE PRESS AND PUBLIC: That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act (as amended) shown in respect of each item.	
X1.	ANY EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	–

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AGENDA ITEM: 6

Page nos. 1 - 21

Meeting	Audit Committee
Date	6 September 2011
Subject	Corporate Anti Fraud Team Annual Report 2010-11 and Service Plan 2011-12
Report of	Acting Head of the Corporate Anti Fraud Team (CAFT) and Director of Corporate Governance
Summary	The Committee is asked to consider and endorse the CAFT Annual Report 2010-11 and CAFT Service Plan for 2011-12

Officer Contributors	Clair Green, Acting Head of the Corporate Anti Fraud Team Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix 1: CAFT Annual Report 2010-11 Appendix 2: CAFT Service Plan 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: Clair Green 0208 359 7791

1. RECOMMENDATIONS

- 1.1 That the Committee endorses and comments on the Corporate Anti Fraud Team Annual Report 2010-11 and Corporate Anti Fraud Team Service Plan for 2011-12.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Delegated Powers Report (ref: BT/2004-05 -2 March 2004) - The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004.
- 2.2 Audit Committee 24 March 2011 (Decision item 10) – the Audit Committee included in the work programme for 2011/12, that an Annual Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 Audit Committee 24 March 2011 (Decision item 9) – the Audit Committee approved the joint Internal Audit (IA), Risk Management (RM) and CAFT Annual Plan for 2011/12.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's Corporate Plan 2010/13 sets out three new corporate priorities; Better Services with less money, A successful London Suburb and Sharing opportunities and Sharing responsibilities.
- 3.2 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti Fraud Team supports this by continuing to provide an efficient value for money anti fraud activity, that is able to investigate all referrals that are passed to us to an appropriate outcome, whilst continuing to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering, other criminal activity, and deterrent measures whilst delivering a cohesive approach that reflects best practice and supports all the new corporate priorities and principles.

4. RISK MANAGEMENT ISSUES

- 4.1 The ongoing work of the CAFT supports the Council risk management strategy and processes. Where appropriate outcomes from our Investigations are reported to both IA and RM to support their ongoing work and to assist in either confirming effective anti fraud risk management or suggest areas for improvement. This joint work with IA and RM feeds into the assurances that are given to Directors, that managers and controls are effective in managing the anti fraud risks within a service.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through an annual report and our service delivery.

- 5.2 CAFT assess each individual investigation as appropriate with regard to the impact of differential aspects on different groups of individuals.
- 5.3 This report will have no adverse impact on equalities or diversity issues. CAFT continue to work with both the Benefits Service and Communications Team in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided and reduce the likelihood of intentional or other fraud being committed.

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

- 6.1 In April 2011, the CAFT underwent a successful process of restructuring the team, this restructure was necessary for the team to continue to meet the changing needs of the service whilst still achieving an excellent service that is robust, professional, value for money and fit for purpose. Furthermore, this restructure delivers the realignment of CAFT services so that the team can embrace the corporate priorities and the significant changes promoted under the Council's One Barnet programme in order to fully meet the changing needs and demands of the Council, its clients, stakeholders and partners (DWP, Barnet Homes, Police and UKBA)
- 6.2 The Council receives subsidy funding from the Department of Work and Pensions (DWP) for the administration of Housing and Council Tax Benefit. The CAFT receive a percentage of that funding for the prevention, detection and investigation of Housing and Council Tax Benefit Fraud and Error in the Benefit System.
 - 6.2.1 In 2010/11, CAFT received £620,590 (representing 21.4% of the overall amount allocated to Barnet). Taking this subsidy amount into consideration, the net budgeted costs for CAFT were £178,280.
 - 6.2.2 For 2011/12, CAFT will receive £575,507 (again representing 21.4% of the overall amount allocated to Barnet). Taking this subsidy amount into consideration the net budgeted costs for CAFT are set at £157,133.

7. LEGAL ISSUES

- 7.1 None identified within the context of this report.

8. CONSTITUTIONAL POWERS

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

9 BACKGROUND INFORMATION

- 9.1 Attached to this report is Appendix A which is the CAFT Annual Report for 2010/11. The aim of the report is to provide an overview of the performance of the Corporate Anti Fraud Team (CAFT) over the last 12 months, along with

review of the preventative anti fraud work that has taken place and a summary of some of the investigations of the team and an update on our ongoing partnership work.

- 9.2 Previously, the Committee have been provided with separate Internal Audit and CAFT annual plans. However, in March of this year, CAFT, IA and RM presented a joint annual work plan to signify the new way in which we now work in practice: a joined up approach in ensuring the Council has robust processes to improve its internal control environment and anti fraud arrangements – this plan was approved by the Committee. Further to that plan, and attached as Appendix B, is the CAFT service plan which further details a number of work streams and projects that the CAFT intend to undertake in 2011/12 in addition.
- 9.3 Members should be satisfied that the report and service plan will assist them in making their assessment of the anti fraud internal control environment prior to approving the attached documents.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM

Finance: MC

Corporate Anti Fraud Team (CAFT) Annual Report 2010/11

Introduction

The Corporate Anti Fraud Team (CAFT) has been established within Barnet for 7 years. During that time we have strived to develop and promote a strong anti fraud culture across the council, its staff, partners and residents. We are confident that we continue to provide an efficient value for money counter fraud service, that is able to investigate all referrals that are passed to us to an appropriate outcome. We continue to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering and criminal activity and deterrent measures whilst delivering a cohesive approach to reflect best practice which also supports the corporate priorities and principles.

In April 2011, after a considerable consultation period CAFT underwent a successful process of restructuring. This restructure was necessary for the team to continue to meet the changing needs of the service whilst still achieving an excellent service that is robust, professional and fit for purpose. The restructure saw the creation of 3 separate teams within the CAFT: Benefit Compliance; Benefit Investigation and Corporate Fraud. This reflects the realignment of CAFT services and allows the team to embrace the corporate priorities and the significant changes promoted under the Council's One Barnet programme so as to fully meet the changing needs and demands of the Council.

We recognise that we must continue to always develop the team and staff within this new structure with new innovative streamlined working practices culminating in the strengthening of our skills and partnership work. As such, we will soon be launching our new 'e' learning fraud awareness training programme across the Council with an internal publicity campaign to run concurrently. CAFT Investigation, Intelligence and Compliance staff are currently in the process of upgrading their investigation qualifications to the BTEC professional investigation certificate. Over the last year, our Financial Fraud Investigators have continued to achieve their accreditation in financial investigation through continued professional development which is assessed and monitored by the National Policing Improvement Agency (NPIA).

The London Borough of Barnet receives subsidy funding from the Department of Work and Pensions (DWP) for the administration of Housing and Council Tax Benefit. The CAFT continue to receive a percentage of that funding for the prevention, detection and investigation of Housing and Council Tax Benefit Fraud and Error. The release of the new DWP strategy in October 2010 will have a significant and radical impact on the future of benefit investigation. Under the new strategy, the recently announced DWP 'new single benefit investigation service' is scheduled to see the transfer of responsibility for investigation of all Benefit Fraud and Error to the DWP by 2013 - 2015. It is anticipated that the implementation of the new 'universal credit' will see the responsibility for administering all welfare benefits transfer from local authorities to the DWP by 2017.

This report provides some examples of investigations that we have undertaken in the last year and demonstrates that the work we have been doing with our partners has been successful. It aims to demonstrate that, at a time when the Council has to make difficult decisions about how to manage expenditure with significantly reducing budgets, the continued work and development of the CAFT provides an overall assurance that the anti fraud controls are effective in identifying managing and fraud risks within the Council.

Benefit Compliance Team

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

Performance Table	Q1 2010/11	Q2 2010/11	Q3 2010/11	Q4 2010/11	2010/11 Total	Total 2009/10
Number of HBDMS matches received	400	795	550	0	1745	1841
Total Number of Compliance benefits assessments	169	287	295	114	865	684
Number of assessments which resulted in no change or increased benefit	27	79	66	69	241	135
Total Amount of Fraud overpayments identified	£112,601.07	£168,113.98	£135,092.95	£34,130.00	£449,938.00	£544,621.86
Number of assessments were o/p under £500	0	1	1	0	2	0
Number of assessments were o/p is £500 - £2000	6	8	16	0	30	38
Number of assessments were o/p is £2001 -£4000	6	15	18	2	41	25
Number of assessments were o/p is £4001 and above	7	16	14	2	39	26
Total amount of Error overpayments Identified	£149,555.07	£246,945.02	£148,921.93	£71,550.99	£616,973.01	£587,010.49
Number of assessments were o/p under £500	65	94	110	2	271	255
Number of assessments were o/p is £500 - £2000	39	54	51	26	170	126
Number of assessments were o/p is £2001 -£4000	16	13	13	12	54	60
Number of assessments were o/p is £4001 and above	3	7	6	1	17	19
Total amount of Fraud and error overpayments identified	£262,156.14	£415,059.00	£284,014.88	£105,680.99	£1,066,911.00	£1,131,632.35
Total amount recovered by Benefits Service – Overpayment Recovery Team	£72,747.77	£55,550.81	£37,279.90	£7,194.92	£172,773.40	£128,298.58

The performance table identifies that there have been 39 separate assessments that have resulted in a fraudulent overpayments higher than £4001; All of these have been investigated by Benefits Investigations team and to date 2 of these have resulted in prosecutions with guilty verdicts, 18 administrative penalties issued and 1 formal caution issued. A further 9 cases have been passed to our legal team for prosecution and 3 are with the DWP legal team. 1 case was closed as fraud proven with no further action being taken and 5 cases are ongoing investigations.

The largest of the fraudulent overpayment figures identified above relates to a single overpayment of £30,065.71. This case has been investigated by CAFT and is now with our legal department for prosecution and is at present with the Courts. Further details of the investigation cannot be published at this stage – however, it should be noted that in this particular case CAFT have, for the first time, successfully applied to the Crown Court for a Restraint Order under the Proceeds of Crime Act. The restraint was granted on the defendant's assets in order to secure full compensation of the benefit overpayment for Barnet on conclusion of the ongoing criminal prosecution proceedings.

There have been a further 17 assessments which identified claimant error benefit overpayments of over £4001 of which 8 were referred for Investigation, 3 are still ongoing, and 5 have subsequently been closed as no fraud/claimant error. There were 9 cases that, due to the circumstances of the overpayment, were not referred for investigation as they were closed as claimant error with overpayment recovery.

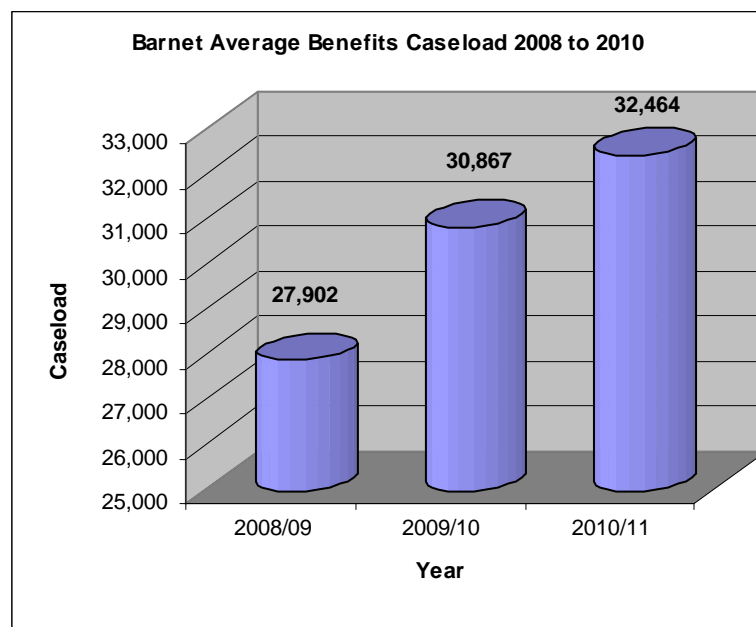
In 2010, the Council's revenue & benefit software provider changed from Anite to Civica. The previous system Anite has not been in use since December 2010 as there was a period of time required for the benefits data to be transferred between the old and new systems. Whilst this data transfer was ongoing Barnet were unable to run the Single Housing Benefit Extract (SHBE) which are the data returns that are sent monthly to the DWP from which HBDMS matches are derived. Therefore, no matches were received into the team during this period. This has had a detrimental effect on the Compliance team's performance in quarter 4 as assessments /amendments to benefit claims could not be conducted. The new system was available for use around mid March 2011.

Since the new system went fully operational we have received 952 HBDMS matches from the DWP. This is considerably higher than the normal number and therefore we are expecting to report a higher volume of assessments in the first quarter of 2011/12.

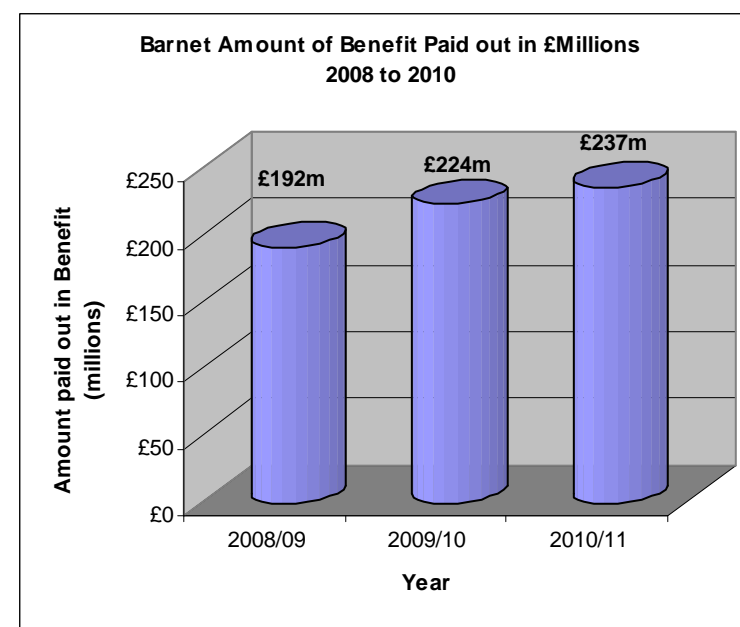


Benefit Investigation Team

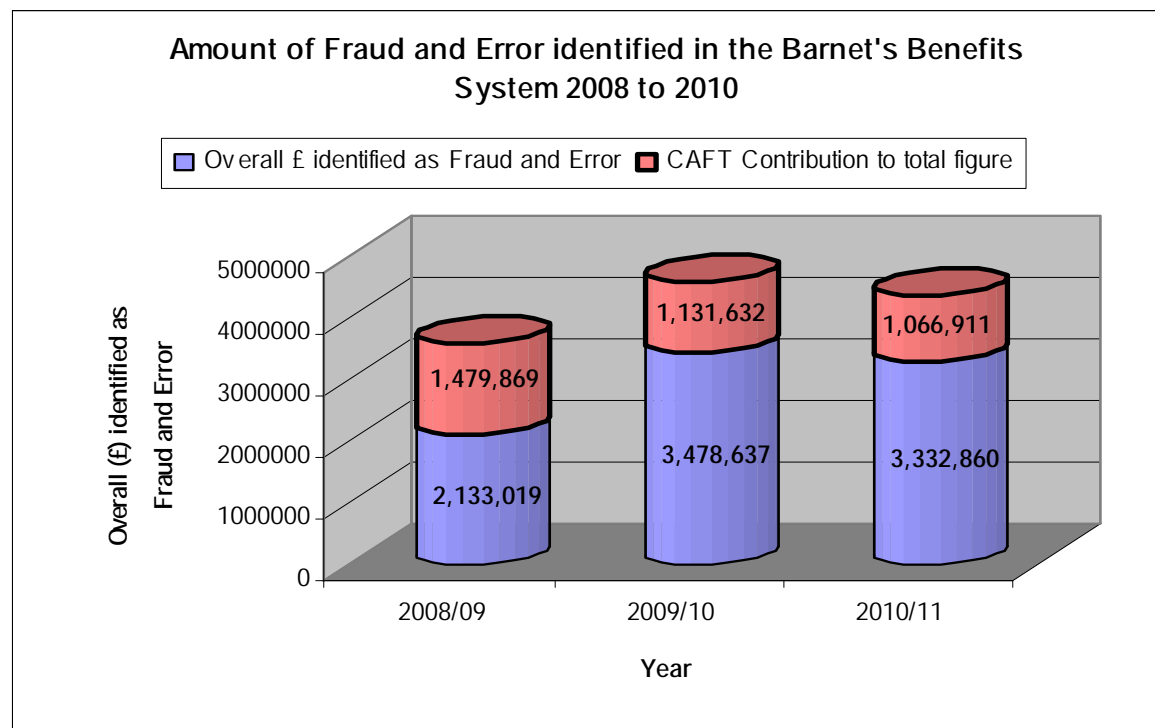
This team deals with the identification, investigation and prosecution of those persons that commit benefit fraud in Barnet in accordance with DWP Fraud and Error Strategy Guidelines and the Council's Counter Fraud Framework.



There has been a national economic downturn in recent years. From 2008/9 – 2010/11 the number of benefit claimants in the borough has increased by 16.4%.

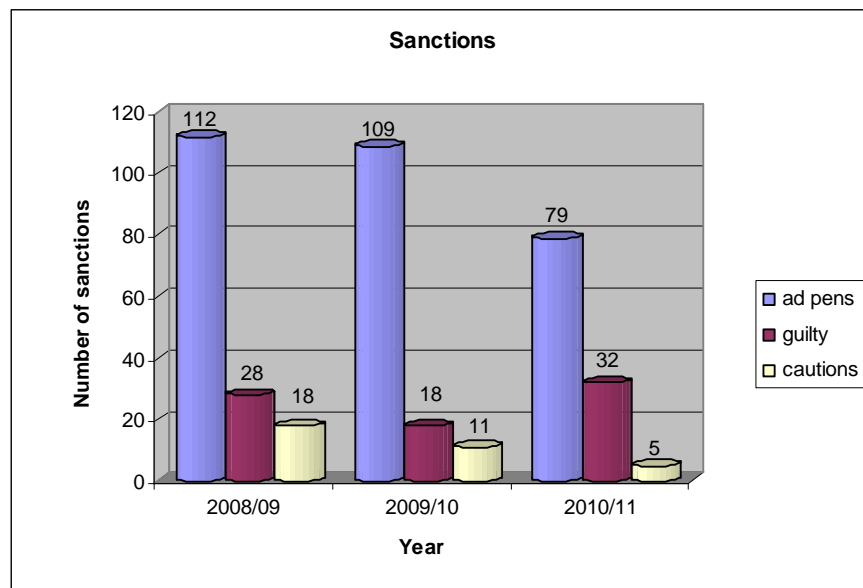


Due to the increase in benefit claimants the amount of benefit that Barnet has paid out has also risen by 23.5% in the same period



DWP have published statistics that for 2009/10 that state that the combined level of fraud and error in the benefits systems in the UK is 2.1%. In comparison Barnet's combined level of identified fraud and error is 1.9%.

CAFT set internal projections and performance targets for our investigation officers based upon on 2009/10 benchmarking with other London local authority fraud teams and the current workload and investigation staffing numbers in CAFT. In 2009/10, Barnet were placed in the top quartile for overall achievement of sanction numbers and top for achievement of number of sanctions per investigation officer. Whilst there are no 2010/11 benchmarking data available our performance levels show again that we would still be placed top across London for highest level of sanction per investigation officer which demonstrates that our new structure and procedures are efficient, effective and value for money.



Over the last year there has been increased partnership working with the DWP. This has resulted in larger fraud overpayments being identified, leading to more prosecutions. Of the 32 successful prosecutions obtain, 19 of these have been jointly prosecuted with the DWP. This reinforces the new priorities as set out in the DWP Fraud and Error Strategy 2010 and the Council's policy of zero tolerance to those that commit fraud against Barnet.

Ongoing into 2011/12, we have 169 current investigations on the team. In addition to these investigations, we already have investigated and passed for prosecution 17 cases that are with our legal team and we have a further 19 cases that we have investigated jointly with the DWP and are with their legal team for prosecution. If these cases all conclude in guilty verdicts we would again have a significantly higher level of prosecutions in 2011/12 than in previous years. This level of prosecution demonstrates our successful joint working practices and our aim to deter and punish the more serious offenders of benefit fraud in our borough.

We continue to develop our partnership working with Barnet Homes in relation to Tenancy Fraud which can often take place alongside Housing Benefit (where accommodation is "rented out" to the claimant by a fictitious landlord, or by a real person who does not own the property).

A joint prosecution between CAFT and the Police is the case of Mr Bardoshi:

CAFT received a phone call from Police in Grimsby concerning a Mr Afrim Bardoshi. They had arrested Mr Bardoshi in relation to burglaries in their area and investigations revealed he had deposited over £250,000 in cash into his personal accounts during the period 2002-2008. Mr Bardoshi had been in receipt of Housing and Council Tax Benefit and Income Support since August 2002. These accounts had not been declared to either Barnet or the DWP. Mr Bardoshi was interviewed under caution and 'no commented' throughout the interview. He offered no explanation of the sums of monies being deposited into his bank accounts. Mr Bardoshi was overpaid £55,433.31 in housing and council tax benefit in respect of the period December 2003 to January 2009, with another £25,000 being overpaid in respect of income support.

Mr Bardoshi was prosecuted and pleaded guilty to seven charges of dishonestly obtaining benefit at Sheffield Crown Court contrary to section 111(1A) of the Social Security Administration Act 1992 and was sentenced to four and a half years imprisonment

A joint prosecution between CAFT and the DWP's Counter Fraud Investigation Service (CFIS) is the case of Ms Segal:

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

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

A joint prosecution between CAFT and the UK Border Agency is the case of Ms Nana: CAFT received a referral from a member of the public concerning an Yvette Nana. The allegation was that she was claiming benefit as a single parent when in fact she had a partner living in the property. In addition a referral was received from the National Fraud Initiative matches concerning the same person. There were concerns that she was using a forged French National identity card in order to obtain housing and council tax benefits. Miss Nana had been in receipt of Housing and Council Tax Benefit since January 2001.

The case was jointly investigated with the UK Border Agency (UKBA), who have an officer embedded within CAFT. Investigations found that when Ms Nana entered the Country she was in fact a Cameroon National with no right to public funds. UKBA confirmed that the French ID card she had used to claim benefit as a national of an EU country was not genuine.

Miss Nana was arrested at her home address and interviewed under caution jointly by CAFT and UKBA officers and denied any wrongdoing. She was prosecuted and initially pleaded not guilty but changed her plea when the case was heard at Wood Green Crown Court. She was given a sentence of 12 months imprisonment after admitted six frauds and false accounting charges relating to the period between January 2001 and October 2007. This was later reduced on appeal. The total Housing and Council Tax Benefit overpayment was £91,152.04.

It was the second time Nana had been investigated by Barnet's CAFT team, having already been successfully prosecuted in 2004 for making a Housing Benefit claim under a false name – Ms Barlagne.

A CAFT prosecution is the case of Ms Powell: CAFT received a referral via the National Fraud Initiative concerning a Ms Mary Powell that suggested that she had been working for Ealing Hospital since 2005. Ms Powell had not informed the Housing Benefit section of any such work in the hospital and had completed three claims for Housing Benefit and Council Tax Benefit following the alleged commencement of employment. Ms Powell had been in receipt of Housing and Council Tax Benefit since 2000.

Details were obtained from the hospital and Ms Powell was asked to attend an interview under caution. She stated that she had only been working part time at the hospital, but the information obtained from Ealing Hospital showed this was not the case. The total overpayment of Housing and Council Tax Benefit was £23,278.85 covering the period July 2005 to October 2009.

Ms Powell was prosecuted and pleaded guilty at Wood Green Crown to three counts of providing false statements and one count of dishonestly failing to declare a change in her circumstances. She was sentenced to four months imprisonment on each offence, all terms to run concurrently. This was suspended for 18 months. She was also ordered to complete 40 hours unpaid work and pay £250 in costs.

CAFT led Partnership operation: Operation Avalanche: Operation avalanche is a case that was derived from an enquiry by Metropolitan Police Officers working on Operation Trident in August 2006 into the whereabouts of a person they wanted to locate. Following discussions with officers and extensive intelligence gathering, CAFT conducted a lengthy and complex investigation into housing benefit and council tax benefit fraud by this individual, his family and their known associates. This investigation spanned across other London Boroughs: Waltham Forest, Ealing and Kensington & Chelsea. It was established that there were 8 fraudulent housing benefit claims and 5 of these are part of the ongoing prosecution case and those 5 claims total an amount of overpaid Housing and Council Tax Benefit circa £112,000.

The investigation led to five arrests involving three family members and two associates of the family. Arrest warrants were also issued in respect of two other family members and another associate of the family. All five persons were interviewed under caution by CAFT officers at various police stations and were subsequently summonsed to appear on charges of conspiring with others to defraud, contrary to common law.

The trial commenced at Wood Green Crown Court in February 2011. Proceedings went on for six weeks, after complications that cannot be reported the Judge exercised her powers to discharge the jury and deliver verdicts herself. An appeal against this decision was refused by the Court of Appeal. The three family members are currently being held on remand in custody pending delivery of the verdict by the Judge.

Corporate Fraud



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

Corporate fraud committed by employees is estimated to cost the U.K. economy in excess of £1.2bn a year (2008 figures). Approximately 80% of corporate fraud across the UK involves employees and, sadly, internal fraud is on the increase in the current economic climate. In the Corporate Anti Fraud Team, we have experienced and skilled corporate fraud investigators, combining expertise in investigations with a sound working knowledge of employment law.

According to the National Fraud Authority Annual Fraud Indicator, local government could be saving taxpayers £2.1 billion a year by cracking down on fraud in housing tenancy; procurement; pay, pensions and recruitment; council tax; grant; and blue badge schemes. Money currently lost to fraud and error costs every household in England almost £100 a year.

During the last year CAFT worked closely with Internal Audit (IA) and Risk Management (RM) to produce a new joint annual work plan. This plan signifies the new way in which we now work in practice i.e. a joined up approach in ensuring the Council is making the most of the resources and knowledge of all our services and that there are robust processes to improve its internal control and anti fraud environment.

Targeting and combating fraud is high on the agenda for local authorities. Local authorities are being encouraged to use the powers under the Proceeds of Crime Act 2002 to target fraudsters who have been enriched through their criminal conducts. Under the Home Office's POCA incentive scheme, local authorities who have an accredited financial investigator could recover up to two-third of the 50% confiscated assets. This would enable local authorities to reinvest the proceeds back into local public services. It was reported that in 2007/08, £135.7m were recovered from criminals using the POCA.

CAFT currently have 2 fully qualified and 2 part qualified Financial Investigators with in the team. Whilst this area is relatively new to the Council, a number of Financial Investigations have been initiated and are currently being processed through the legal system. A successful outcome to all of these cases could see the Council confiscate almost £400,000 of criminal money from the offenders.

The table details the number of referrals that were made to CAFT during 2010/11 in addition to the ongoing investigations that were carried forward at the close of 2009/10. CAFT continue to deal with a variety of issues and are often requested to provide intelligence reports for the Police other local authorities and advice and assistance to services within the Council on matters that do not necessarily equate to criminal activity but are still issues of concern that require CAFT expert advice.

The 2010/11 CAFT Fraud Awareness campaign and efforts to promote the work of the team and the Counter Fraud Framework that we operate under have been successful as the level of referrals to the team and requests for advice and assistance have increased significantly on previous years. As such, our upgraded fraud management system ensures that recourses are appropriately deployed and outcomes accurately reported

						Outcomes for cases closed						
Directorate	Total number of cases referred for investigation in 2009/10	Number of cases carried over from 2009/10	Number of new cases referred for investigation 2010/11	Total number of cases closed in 2010/11	Ongoing investigations carried over to 2011/12	Insufficient evidence to proceed with Investigation	Closed insufficient Funds for a financial Investigation	Passed to Police / Serious Organised Crime Agency (Money Laundering) to investigate	Closed Advice given to service area	Closed No Fraud	Dismissed as a result of CAFT investigation	Closed Fraud Proven
E & O		5	22	20	7	3	0	1	7	6	3	0
Corporate Services		4	23	15	12	1	3	1	3	6	0	1
Commercial services			3	2	1	0	0	1	1	0	0	0
Adult Social Services		2	6	8	0	4	0	1	2	1	0	0
Children's Services		1	6	6	1	0	0	0	3	2	0	1
Planning, Housing & Regeneration		4	8	10	2	1	1	0	2	6	0	0
Chief Executive Services			9	9	0	0	0	0	2	2	0	5
Corporate Governance			4	4	0	0	0	0	0	4	0	0
Barnet Homes			9	3	6	0	0	0	0	2	0	1
Total	57	16	90	77	29	9	4	4	20	29	3	8

The 3 cases above categorised as 'dismissed as a result of a CAFT investigation' relate to:

Operation HOMBRE, an investigation into the alleged use of a false identity by a member of catering staff employed at East Barnet School.

Due to a pending review of HR files, the employee, Rosemary Mohamed Ali, came forward in November 2009 and stated that she used a false ID to obtain her post and supplied false documents to the staff at the school in 2004 when she commenced her employment. She claimed that her real name was Eunice EVANS-APPIAH and that she had now been given indefinite leave to remain in the UK, so now wished to be known by her real name.

CAFT obtained the personnel file for Rosemary Mohamed Ali, and established that within this file there was a Home Office letter dated 30th August 2001 and Copy of her passport both in the name of Rosemary Mohamed Ali, there was also an Inland Revenue P45 Document showing a Nation Insurance number for Rosemary of JA 62 22 20 A – we confirmed via the UKBA that these documents were in fact counterfeit documents.

Eunice EVANS-APPIAH was suspended from duty and requested to attend an interview under caution with CAFT officers, as it was confirmed that the actions carried out by her constituted offences under Section 3 of the Forgery and Counterfeiting Act 1981. During the interview, she admitted that the Home Office documents in the name of Rosemary MOHAMED ALI were counterfeit and that she had made them herself. She also confirmed that she had fraudulently obtained a passport from the Embassy in Ghana in the same name and that she had also made up the National Insurance number of JA 62 22 20 A

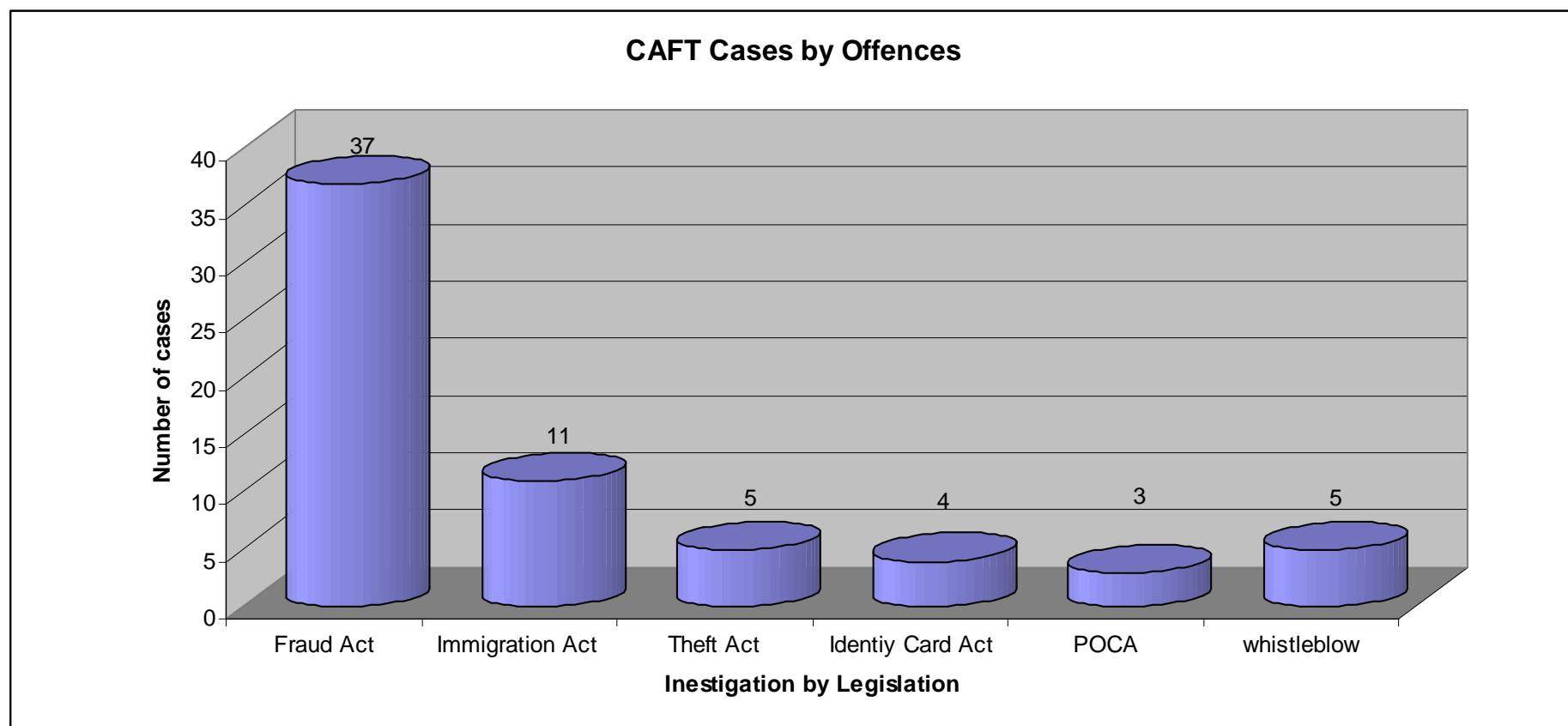
CAFT established that she initially came to the country in 1986 with permission to enter for a 1 month period under a visitors visa , she then failed to return home and remained here for 14 years illegally before applying for permanent leave to remain in 2002.

Following a disciplinary process, she was dismissed from the Council in January 2010. In December 2010, she was prosecuted and pleaded guilty when the case was heard at Wood Green Crown Court. She was given a 4 month prison sentence, suspended for 12 months, with a community sentence for 120 hours unpaid work and ordered to pay costs of £400 to the Council.

Operation Gremlin II - a proactive operation relating to the verification of identity documents supplied by employees in the Street Scenes team Environment and Operations Directorate.

The exercise was carried out by CAFT and our UKBA seconded officer which identified 2 employees who had supplied counterfeit passports to Barnet. CAFT and UKBA officers attended the Mill Hill depot and arrested the two who were found to have no leave to remain in the UK. Subsequent searches of their home addresses found a large number of Barnet Council marked clothing in their original packaging. It is believed that these items were stolen from the clothing stores at the Mill Hill Depot. The 2 employees were dismissed from the Council and UKBA made arrangements for them to leave the UK

Below is a chart that details the types of offences that CAFT have investigated in the last year (closed cases).



In addition to the above referrals received in 2010/11, there have been seven referrals under the Council's Whistleblowing policy – although full details of these referrals cannot be reported due to confidentiality reasons, we can confirm that 5 of them have been closed after either a CAFT and/or service area investigation; 1 was closed as no action was required, 1 was closed by CAFT as a referral was taken forward under the Safeguarding Adults Policy, 2 were closed as unsubstantiated allegations – insufficient evidence to proceed and 1 was closed as the allegation passed to the benefit fraud investigation team to deal with. Two referrals are ongoing current investigations into 2011/12.

CAFT / UKBA Partnership



Last year CAFT continued to work in partnership with UKBA for the second year and continue to be one of five London Boroughs with a UKBA Officer embedded within a local authority. The indications are that the Barnet partnership has been the most successful of the five boroughs and has proven results for both the Council and UKBA.

The partnership demonstrates value for money for the Council due to the minimal costs incurred (just the cost of office accommodation of the officer) and increased successful outcomes, especially as we now have immediate access to immigration records, assistance and advice when required. Whilst we are unable to report on UKBA successes, we have summarised below a pro active exercise that was carried out in the last year by CAFT / UKBA.

Sham Marriages: Operation Malibu, Operation Matador, Operation Medallion, Operation Maxima, Operation Milano

As a result of analysing information being received by our UKBA officer it was apparent that the London Borough of Barnet's Register Office in Burnt Oak was being targeted by immigration offenders who were entering into 'Sham Marriages' as a way to facilitate and legitimise their stay in the UK.

Officers from CAFT, UKBA and Police carried out a number of joint operations by attending the Register Office on the date and time of the weddings to identify and capture immigration offenders and to prevent an abuse of the marriage ceremony process..

These operations were all successful and resulted in the 5 immigration offenders being arrested. They are currently being dealt with in accordance with the statutory immigration requirements. Additionally, information became available leading to the identification of a further suspect who was involved in Benefit fraud.

As a result of the partnership, the UKBA have managed to remove a number of immigration offenders from within the London Borough of Barnet, these included failed asylum seekers, overstayers and illegal workers. Research carried out by the CAFT Intel team helped the UKBA to identify and trace these offenders who were posing as claimants, students and employees, some of whom were found to be working in local schools.

CAFT / Barnet Homes Partnership



Social housing is a valuable national asset with over four million social housing properties in England providing homes for many low income households and families. At a time when demand for social housing is outstripping supply it is estimated that up to 50,000 homes may be unlawfully sublet; which equates to more than 1 in 100 housing association and council homes across England. With temporary accommodation for homeless families costing Councils' around £18,000 per family, per year, the public purse is being depleted to the tune of nearly £1 billion per annum. In an attempt to counter this trend, last year, the Department of Communities and Local Government distributed nearly £4 million to Local Authorities to help them tackle tenancy fraud more effectively.

The National Fraud Authority made the following recommendations relating to how this funding should be used:

- All landlords should ascertain the level of unlawful occupation in their stock
- Local Authorities should provide a fraud investigatory service to housing associations in return for nomination rights to homes recovered
- Local Authorities should consider photographing tenants at allocation and existing tenants at tenancy audits
- Local Authorities should consider the balance of the resources they allocate to housing benefit and housing tenancy fraud
- The Government should consider further incentivising Local Authorities and Registered Providers to investigate and recover unlawfully sublet properties
- Registered Providers and Councils should commit to joint working and there should be political and managerial commitment to the recovery of unlawfully sub-let properties

In Barnet, CAFT have initiated a Partnership scheme with Barnet Homes and have placed one fully qualified Fraud Investigator on secondment to the Barnet homes Office in Grahame Park. The types of frauds that this partnership is focusing on are:

Illegal sub-letting: This occurs where tenants transfer the keys of their property to another person or family, normally when the tenants' circumstances change. Instead of returning their home to be re-allocated to a needy family, they rent out their flat and keep that rent. Sometimes, the sub-tenant connives at this because they have difficulty in obtaining accommodation because of their legal status or for other reasons. Sometimes, they are friends or members of the tenant's family. Sometimes, relationships break down or start up and create accommodation "surplus to the tenant's requirements". This can be done on a commercial basis, advertising the property for rent in local newspapers, even using local estate agents and rental agreements.

Right to buy fraud: This type of tenancy fraud exists to enable the tenant wrongly to benefit from the *right to buy* discount, when they themselves have not been living in the premises as their main residence for all the period they claim. Substantial sums of money can be involved.

Succession fraud: Tenancies can be transferred to close members of the family as well as a spouse when a tenant dies. The relation may claim to have lived at the address for the 12 month qualifying period, and thereby succeed to the tenancy, when they would not otherwise have qualified for being housed in those premises, or at all.

Corporate Anti Fraud Team Plan 2011-12

Corporate Governance Directorate

1. Introduction

The Corporate Anti Fraud Team (CAFT) is an independent, specialist 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 which CAFT enforce throughout their work.

The primary responsibility for the prevention detection and deterrence of fraud or money laundering activity lies with Heads of Service. This responsibility includes ensuring that staff and partners are aware of both the implications of fraud and money laundering and the risks of fraud and money laundering across their service area. The responsibility for the investigation of any suspected fraud or money laundering activity found in a service area lies with the CAFT.

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, CAFT staff are clear about their role and receive regular professional updates and training to provide the best advice to the Council.

2. Corporate Priorities – Better services with less money, A Successful London Suburb and Sharing Opportunities and Sharing Responsibilities

Strategic objective	Owned by	Initiatives, projects and work streams	Key partner/s	Deadline	Outcomes or targets aimed for in 2011/12	Monitored via
<u>Better Services Less Money</u> – Manage resources and assets effectively and sustainably across the public sector in Barnet - by continuing to provide an efficient value for money anti fraud activity, that is able to investigate all referrals that are passed to us to an appropriate prosecution outcome, whilst	Head of CAFT	CAFT, Internal Audit (IA) and Risk Management (RM) joint annual work plan - to provide an anti fraud assurance on particular high risk functions.	All Directorates, RM, IA and External Audit	March 2012	Successful delivery of plan.	CGD SMB / CAFT SMT
	Director of Corporate Governance Cllr Melvin Cohen	CAFT project – modernised 'E learning' for Fraud Awareness Council wide in 2011/12.	All Directorates, Legal Services, Information Systems, Communication Team.	June 2011 Ongoing to March 2012	Successful implementation, staff awareness and internal publicity campaign. 75% of all existing and new staff have completed programme	CGD SMB / CAFT SMT

continuing to offer support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering and any criminal activity.	Head of CAFT Director of Corporate Governance Cllr Melvin Cohen	To continue to effectively deal with the prevention, detection deterrence and investigation and prosecution of all Fraud within the council including internal fraud, Housing and Council Tax Benefit Fraud and compliance and money laundering.	Legal Services, Communication Team, Department of Work and Pensions (DWP) and Police.	Ongoing to March 2012	CAFT have set internal performance targets based on caseload, staffing levels, benchmarking and good practice for both Benefit Fraud Sanctions and Compliance.	CGD SMB / CAFT SMT
		Project: National Fraud Initiative (NFI) referrals from the Audit Commission (AC).	All Directorates – Audit Commission	Ongoing to Jan 2012 + plus key milestones as per Audit Commission	Successful co-ordination and progression and investigation of the data matches. Adherence to AC timescales for data returns.	CGD CAFT SMT – Audit Committee
		Barnet Homes Partnership – Combat Tenancy Fraud in Barnet – with LBB Corporate Plan Priority Target – “ <i>To work with Barnet Homes to recover properties where tenancy fraud is being committed</i> ”.	Barnet Homes, RSL's, Police, UKBA and Legal Services	July 2011 March 2012	Successful progression of the project within Terms of Reference (initial 6 month Project – CAFT Seconded Officer – to progress to a full year with CLG Funding) Achievement of New Corporate Priority – “ <i>To recover 18 properties a year</i> ”.	CGD SMB / CAFT SMT – Barnet Homes SMT.
<u>Better Services Less Money</u> Manage resources and assets effectively and sustainably across the public sector in Barnet by further developing our existing partnerships with both the Police and the UK Border Agency.	Head of CAFT Director of Corporate Governance Cllr Melvin Cohen	Police- further strengthening of partnerships with Metropolitan Police colleagues.	Legal Service Police and UKBA, and Criminal Prosecution Service	Ongoing to March 2012	Developing partnerships with Police liaison to deal with fraud and money laundering criminality within Barnet ensuring that criminals within the borough do not profit the proceeds of crime.	CAFT SMT – UKBA – Met Police
		UKBA Partnership – UKBA embedded officer within the CAFT.			Continued partnership working with the UKBA to ensure that only those eligible to work, reside, receive services and benefits from the Council, receive it.	

AGENDA ITEM: 7

Page nos. 22 – 25 (appendices to follow)

Meeting	Audit Committee
Date	6 September 2011
Subject	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2010/11
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2010/11 accounts. This includes the pension fund accounts.

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 – ISA 260 report 2010/11 Appendix B – Audited Statement of Accounts 2010/11
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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

1. RECOMMENDATIONS

- 1.1 That the Committee approve the audited Statement of Accounts 2010/11 and they be signed by the Chairman as having been approved.**
- 1.2 That the matters raised by the external auditor relating to detailed aspects of the 2010/11 accounts audit, including the pension fund accounts, be noted.**
- 1.3 That the officer response to matters raised by the external auditor be noted.**
- 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 The un-audited Statement of Accounts for 2010/11 were approved, subject to audit, by the Audit Committee on 16 June 2011.**

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Review of reports made under the International Standard on Auditing (ISA) 260 are an integral part of corporate governance, this is inline with Barnet's Corporate Plan within 'Better services with less money'.**

4. RISK MANAGEMENT ISSUES

- 4.1 A positive external audit opinion on Barnet's Statement of Accounts plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control.**

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

- 7.1 Section 151 Local Government Act 1972- '...every local authority shall make arrangements for the proper administration of their financial affairs...'**
- 7.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor appointed by the Audit Commission, under the provisions of the Audit Commission Act 1998.**

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 In accordance with International Standard on Auditing (ISA) 260, the External Auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 9.2 The ISA 260 report has to be considered by 'those charged with governance' before the External Auditor can sign the accounts, which legally has to be done by 30 September 2011.
- 9.3 Grant Thornton (GT) were presented with the draft financial statements on 31st May 2011 and accompanying working papers on 6th June 2011. This was a month earlier than normal and GT recognise the significant achievement by the council's finance team in managing this. GT also acknowledge that the working papers were of a high quality and the financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), based on International Financial Reporting Standards (IFRS).
- 9.4 GT identified seven adjustments, that did not impact upon the general fund but that have an impact on the council's comprehensive income and expenditure statement. The adjustments noted on the balance sheet were of a presentational nature only and had no overall net effect on the council's reported assets and liabilities.
- 9.5 The key message arising from the audit of the financial statements are:
- The Council has successfully made the transition to accounting under IFRS.
 - Significant changes in the valuation of property, plant and equipment have been reviewed by GT and found to be in line with accounting standards.
 - There were a small number of significant accounting adjustments.
 - There were a small number of control issues arising that the council should address.
- 9.6 Grant Thornton anticipates providing an unqualified opinion on the Council's financial statements.
- 9.7 In providing the opinion on the financial statements GT are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion). GT expect to present an unqualified Value for Money Conclusion. GT will draw attention to the identified weaknesses around contract management. GT and Internal Audit will continue to monitor and report progress.
- 9.8 The ISA 260 report contains matters raised by the auditor, their

recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. To assist members in reviewing the external auditor's comments the audited Statement of Accounts 2010/11 are attached for information.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

Finance: MC / JH

AGENDA ITEM: 8

Page nos. 26 - 46

Meeting	Audit Committee
Date	6 September 2011
Subject	Procurement Controls and Monitoring Plan Progress Report – August 2011
Report of Summary	Deputy Chief Executive and Section 151 Officer Members are asked to note the Progress Report and Appendices.

Officer Contributors	Craig Cooper, Commercial Director Mick Stokes, Assistant Director of Commercial Assurance
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A - Procurement Controls and Monitoring Plan
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Mick Stokes, Assistant Director of Commercial Assurance - 020 8359 7535

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report and the actions being taken to address the deficiencies in contract management.**
- 1.2 That the Assistant Director of Finance – Audit and Risk Management report to the December Audit Committee providing assurance that the Procurement Controls and Monitoring Plan has been actioned according to plan.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the Audit Committee meeting on 16th June 2011 Members agreed that the Deputy Chief Executive and Chief Finance Officer report to the Committee how these deficiencies are being addressed and the actions being taken regarding audit arrangements with suppliers.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Having an adequate Procurement Function supports the council's priorities in the 2011/14 Corporate Plan of delivering 'better services with less money' and a 'successful London suburb'.

4. RISK MANAGEMENT ISSUES

- 4.1 Without an effective procurement and contract management function there is the risk to the Council of failure to deliver value for money and having uncommercial contracts with suppliers. There are also potential safeguarding risks if adequate procurement due diligence has not been followed. The Procurement Controls and Monitoring Plan were devised to respond to identified risks.
- 4.2 There are also potential safeguarding risks if adequate procurement due diligence has not been followed. The Procurement Controls and Monitoring Plan was devised to respond to these identified risks

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 5.1 The Equalities Act 2010 states that:

Public sector organisations will be judged on outcomes and therefore have a responsibility to consider equality as part of every procurement.

(Equality Act 2010, Part II Advancement of Equality Chapter 1 Public Sector Equality Duty Clause 149 (2)).

The duty applies to a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty. This includes

any organisation contracted by a local authority to provide services on its behalf.

- 5.2 Pursuant to the Equalities Act 2010, the council is under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation
- 5.3 Implementation of the Procurement Controls and Monitoring Plan will ensure that the Council addresses any non-compliant contracts, taking action to ensure that all contractors comply with the general equality duty set out above
- 5.4 The Council's Equalities policy will also form part of the formal evaluation of all future providers' proposals. Any contracts will include explicit requirements fully covering the Council's duties under equalities legislation.

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

- 6.1 The Procurement Controls and Monitoring Plan supports the delivery of value for money from procurement activity. This report notes the progress of the controls designed to improve the control environment relating to Council procurement activity.

7. LEGAL ISSUES

- 7.1 Section 3(1) of the Local Government Act 1999 imposes a duty on Local Authorities to 'make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.' The Procurement Controls and Monitoring Plan would, amongst other things, assist the Council in performing the above duty as well as meeting its general fiduciary duty to the tax payer, to ensure effective utilisation and monitoring of its use of resources

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution Part 3 Responsibility for Functions section 2 allows the Audit Committee the ability to monitor the effective operation of risk management and corporate governance in the Council.

9 BACKGROUND INFORMATION

- 9.1 This report provides an update on actions taken by Service Areas within the Council to address the Procurement Controls and Monitoring Plan that was presented to the Committee on June 16th. The Action

Plan was presented in response to the findings of the Internal Audit Annual Report (and the accompanying report into the appointment of Metpro Security Company) reported to the Audit Committee held on 16th June 2011.

- 9.2 This Action Plan (appendix A) sets out the immediate actions being taken by Officers to mitigate the risks associated with existing non-compliant contracts across the Council and to improve the overall internal control environment. In addition, the Corporate Procurement team is working across service areas within the Council to create a forward plan of procurement activity required over the remainder of 2011/12 financial year and going forward into 2012/13. It should however be noted that part of the work to compile a forward plan will include an assessment of the potential impact on local businesses and the SME (Small and Medium Enterprise) community as a result of the Council having enhanced procurement procedures and controls.
- 9.3 Early work on our Contracts Register to date has highlighted that over 80% of spend is compliant with existing Contract Procedure Rules (CPR's), this is significantly above the median for other Councils within the London region. Our benchmark data was received through our participation in 2010 in a London Efficiency Challenge (LEC) which was developed, managed and sponsored by Capital Ambition. Data from this exercise identified that the benchmark for all Council's within this dataset (25 London Councils) showed that 63% of relevant spend is under contract.
- 9.4 For the purposes of preparing the corporate contracts register, the highest threshold test has been used to define a compliant contract: "a contract that is signed/sealed by both parties is in existence and its location is known and it is available for scrutiny". Legally, however, an enforceable contract can, in principle, be demonstrated to be in place between the Council and its suppliers in the absence of a signed agreement. A number of issues have been identified as result of compiling the corporate contracts register, namely;
- Relationships with the Adult Social Care market – social care is typically procured through spot purchase arrangements where the price will be negotiated directly between the Council and the care provider. More importantly, most Social Care procurement falls under the Public Contracts Regulations 2006 Part B Procurement Regulations – which removes the need to fully adhere to EU Procurement Rules, however Public Bodies are then required to be open and transparent and fair in its procurement activity. The Council is satisfied that it has adequate arrangements in place to demonstrate this.
 - Single source arrangements – A number of contracts can only be "procured" using one provider. An example of this would be IT maintenance contracts where you can only

engage with the software/hardware provider limiting the ability to undertake open and competitive competition, further limiting any opportunity to negotiate the costs associated with such arrangements

- Other spot purchase arrangements such as media advertising where suppliers typically do not enter into direct contracts with organisations.

9.5 Current compliance issues observed across the council and the actions to address these are as follows:

Adults: Of the 402 contracts that did not meet the compliance test, there are 28 with no traceable contract document, 35 are expired contracts, 240 contracts are in place but have yet to be signed by either party, and a further 99 contracts have been signed by the provider but not by the Council. As detailed in paragraph 9.4 there are a number of provisions relating to procurement practice within the Adult Social Care market, namely to achieve flexibility and to accommodate vulnerable adults immediate, and sometimes urgent, needs.

The adult social care contracting model, in line with the vision for choice and independence, is for spot purchasing based on individual needs and this is reflected in the high number of contracts for the directorate. The Directorate has sought legal advice regarding the status of unsigned and expired contracts which are not fully compliant. This advice has confirmed that the terms and conditions of these contracts are enforceable. Detailed actions to re-commission services are in place in order to achieve best value and contract compliance. Key actions for the main expenditure programme are as follows:

Residential care and nursing care – 304 non compliant contracts relate to this category, the majority of which the contract documents have been signed by neither party. Immediate action taken to secure full signatures on unsigned contracts for the intermediate period, with the intention to procure a framework agreement effective from 1st April 2013 with

Day Care - Future day care provision will be the subject of public consultation in quarter 4 2011/12. Interim contracts will be put in place by November 2011 for all day care services currently out of contract which includes 17 out of the 28 contracts with no traceable contract relating to spot purchased day care.

Supported Living – Unsigned contracts will be re-issued for signature in September 2011. A full tender for a framework agreement is planned to commence by December 2011 as a platform to control costs and quality, with interim extension of contracts.

Home and Community Support- a full tender for a framework agreement is in place. The contract documents have been signed by

the providers however are awaiting legal execution by the council and thus are determined as non compliant in the strict definition of the term. For the 7 home care contracts for which there is no traceable contract documentation, interim contracts will be issued to be in place by November 2011.

Voluntary Sector / Housing Related Support – interim contracts are in place with most providers pending re-commissioning during 2011-12 and outstanding contracts are expected to be signed by end October 2011.

Safeguarding for contracted care and support

Despite the absence of formal signed contracts procedures are in place to ensure safeguarding of vulnerable adults. For contracts and spot purchasing arrangements, category leads and managers use the performance frameworks within contracts to assess and quality assure. Due to the volume and complexity of contracts and to ensure proportionality, there is an ongoing risk assessment across the department to determine priorities for monitoring and intervention. In summary safeguarding arrangements are as follows:

- All contracts and spot purchasing arrangements include safeguarding requirements and compliance with local multi-agency procedures overseen by Safeguarding Board;
- All individual service users receive minimum annual review scheduled by Care Services Delivery;
- Quality alerts are reported to contracts team with separate mail boxes for each category of provision which are followed up with referring agent and supplier;
- A suspension policy has recently been approved for third party providers commissioned by Adults Social Care & Health and this will become embedded in the contract management processes;
- A provider's subgroup of the Safeguarding Board oversees quality and safe guarding alerts and trends. Quarterly meetings with Care Quality Commission are used to share market information and intelligence on registered suppliers;
- Monitoring site visits are undertaken on a scheduled basis to all contracted providers;
- All tenders include requirements for safeguarding information. The market test for Home and Community Support suppliers included comprehensive inspection of sites by category officers; and
- All care homes contracted by LBB in borough are currently subject to financial assessment to assess degree of risk of insolvency/ bankruptcy. This is now complete and intelligence being used to highlight and follow up on high risk suppliers.

Chief Executives Service: There are 2 contracts that failed the compliance test – Media Purchasing and Print and Delivery. Print and Delivery is currently out to tender and there will be a cross Council tender for Media Purchasing later this year.

Deputy Chief Executives Office: Of the 2 non compliant contracts, 1 is out to quote at present and the other will be made compliant by utilising an existing London wide framework agreement.

Children's Service - Non-compliance for Special Educational Need (SEN) and children in care placements: For children in care placement providers, 3 providers are not yet confirmed signatories to the pan London Care Placements framework. In the interim, a Barnet specific contract has been issued. For SEN placements, revised contracts, based on the new National Association for Independent Schools and Non Maintained Special Schools (NASS) framework, have been issued to all independent and private SEN providers without a signed agreement in place. We anticipate having signed agreements returned by the end of September.

Children's Service: Other SEN and complex needs related expenditure: There are a number of services provided for children with special educational need and/or disabilities commissioned from schools, NHS providers and the voluntary sector e.g. therapies, after school activities, home tutors. The majority of this spend is currently non compliant. We are looking to develop a framework agreement for therapies so that we can purchase the most appropriate service, tailored for each child. This will require a tender process, scheduled to commence in December 2011. Contracts for the provision of short breaks for disabled children expired at the end of June 2011 and a contract extension is being sought. Compliance is being achieved in the remainder of this category, through the development of an appropriate contract or service level agreement with Barnet special schools or other providers. This process is underway and we hope to complete this by October half term.

Children's Service: Children, young people and family support services and schools services (e.g., school catering): Two significant contracts, one delivering support services for young people and one delivering workforce development expired in March 2011 and arrangements for a contract extension are at an advanced stage in both cases. Expenditure on specialist food by the school catering service is now in the process of being tendered by our buying consortium. Expenditure made on behalf of schools through our ICT traded service and arrangements for agency teachers will be compliant by October.

Safeguarding for Children's Service commissioned services

The majority of services for children with additional needs purchased by the Children's Service are from organisations registered by Ofsted and as such comply with their safeguarding criteria. For children in the care of the authority, we endeavour to use placements that have been approved by London Care Placements. Performance monitoring and reviews assess quality and compliance of the services provided through placement reviews (at least annually) linked to the child's care plan or statement of educational need. For spot purchasing arrangements for children in care, providers are checked through their Ofsted report, statement of purpose, safeguarding policy and references from other local authorities. For other types of services, all tenders include requirements for safeguarding information and monitoring and inspection activity is based on the level of risk.

Commercial: There are a number of compliance issues, 31 in total of which 30 are IS related. Actions required to make these compliant are:

- 15 IS contracts are single source contracts for individual maintenance agreements;
- 3 contracts will be novating over to an existing IS contract;
- 3 will be going out to tender and a timeframe is currently in development;
- The remaining 9 contracts are currently to tender; and
- The remaining non IS related contract is currently being prepared by Legal Services

Corporate Governance: for 2 contracts that failed the compliance test, the action required is as follows:

- Counsel Contract: This contract are now be considered compliant as all instructions of counsel come under pro forma contractual terms under the Bar Council Code of Conduct, and instructions to counsel automatically apply these terms under Bar Council rules; and
- External Legal Advice - Insurance Claims: the appointment of ad-hoc external legal advice from solicitors approved by liability insurer is to be reviewed. A full options appraisal is to be undertaken in conjunction with Procurement.

Environmental Planning and Regeneration: 26 non compliant contracts, of these 1 requires a Delegated Powers Report (DPR) for an expired contract, 11 require DPR to formalise ongoing arrangements, 3 will be incorporated into existing available framework agreements, 3 will be incorporated into existing East Shires Purchasing Organisation (ESPO) Framework agreements, 1 is out to tender at the moment, 1 requires a DPR for an interim arrangement as procurement is already underway and 4 require DPR's for an interim period and will require framework agreements to be set up going forward and the remaining 1 contract is being investigated by Legal Services at present. This leaves

one remaining contract which is currently being reviewed by contracts to establish needs going forward.

- 9.6 The Audit Committee received the action plan in relation to Procurement Controls and Monitoring at the June Committee, it was reported at that time that the majority of this work was scheduled for delivery by the end of September; Appendix A details the position as at the week ending 26th August and this evidences is a good amount of progress. We are approximately 80% through our internal quality assurance processes to ensure our contracts register is fit-for-purpose. Work on the Corporate Contract Register will continue and is expected to be completed to schedule.
- 9.7 A number of other activities underway to support the delivery of this including:
- A forward plan and timeline of procurement activity for the remainder of 2011/12 and for 2012/13;
 - Ascertaining the number of projects that will require full publication in the Official Journal for the European Union (OJEU) and adherence to the European Regulations 2006, as amended,
 - The number of non OJEU procurement projects,
 - Undertake risk assessments to ensure effective prioritisation and resource planning;
 - Exploring possible frameworks available to limit procurement activity timelines and support successful project delivery.
- 9.8 Internal Audit has been reviewing completion of actions within the action plan and will report back to the Audit Committee in December 2011.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM
Finance: MGC

LBB Procurement Controls and Monitoring Action Plan**June 2011****Version Control**

Version number	Date	Author	Reason for New Version
V0.1	07/06/11	C J Cooper	Creation of Action Plan
V0.3	09/06/11	C J Cooper	Revised draft amending actions
V0.4	13/06/11		Final
V1.1	06/07/11	C Malyon	Progress Update
V1.2	11/07/11	C Malyon	Progress Update
V1.3	26/07/11	C Malyon	Progress Update
V1.4	01/08/11	C Malyon	Progress Update
V1.5	10/08/11	M Stokes	Progress Update
V1.6	17/08/11	M Stokes	Progress Update
V1.7	19/08/11	M Stokes	Progress Update
V1.8	22/08/11	M. Stokes	Progress Update

Key Codes: Blue – Action closed, Green – On track to deliver against target date, Amber – Slight slip on action target date, Red – Significant slip on action target date

LBB Procurement Controls and Monitoring – Action Plan

Objective	Issue	Risk
Procurement Controls and Monitoring Regime Objectives	<ul style="list-style-type: none"> An effective procurement function is pivotal in the successful delivery of the One Barnet Programme A detailed vendor review and savings opportunity assessment was undertaken this highlighted areas for improvement in how the Council commissions & procures goods & services Internal Audit have identified a number of necessary control and monitoring issues across LBB 	<ul style="list-style-type: none"> The council could be exposed to unnecessary risk, financial loss and likelihood of challenge arising from non compliant tendering activity. 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 There is a risk that failures to comply with 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. 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. 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. 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 reputational risk may not be identified.

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
Overarching actions							
	Establish compliance with corporate systems as key measure of senior office performance.	<ul style="list-style-type: none"> Include a 2011/12 personal objective of compliance with all corporate governance systems and procedures for Directors, Assistant Directors and Heads of Service. 	Inclusion of specific objective for 2011/12 and monitoring at 6 and 12 month appraisal.	JMcG	<p>Compulsory additional personal target added to all top four tiers of management regarding governance compliance as part of 2011/12 appraisal process – last update from HR showed that only 50 staff had this additional target added.</p> <p>Internal Audit testing confirmed Corporate Management Group (CMG) included an objective for corporate governance.</p>	30/6/11	Blue – Action Closed

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
	Introduce Directorate Annual Governance Statement	<ul style="list-style-type: none"> Directors to sign Annual Governance Statement for each Directorate to support corporate Annual Governance Statement. 	Annual Governance Statement actions implemented and compliance with governance framework.	JL	All internal control areas and AGS issues will be included in Directorate risk registers	31/3/12	Green
	Governance monitoring at Statutory Officers Group	<ul style="list-style-type: none"> Monitoring of governance framework at Statutory Officers Group, including monitoring of the implementation of internal audit report recommendations. 	Compliance with governance framework.	NW	Procurement Controls Action Plan standing item on S.O.G Agenda	30/6/11	Blue – Action Closed
Actions to address Recommendations							
1	<p>Contract Procedure rules should be followed by all services to procure works, supplies and services.</p> <p>A SAP solution should be explored by Corporate Procurement team to enter vendor limits in accordance</p>	<ul style="list-style-type: none"> Write to all Directors, ADs, and Heads of Service re-iterating requirement for compliance with Contract Procedure Rules, enclosing this action plan. Arrange training 	Compliance with CPR's embedded in information systems and monitoring routines.	<p>AT</p> <p>MiS/C C</p>	<p>Communication sent</p> <p>Resources plan to be approved by the end of August</p>	<p>13/06/11</p> <p>31/08/11</p>	<p>Blue – Action Closed</p> <p>Green</p>

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
	with the contract procedure rules thresholds.	programme with mandatory attendance for all relevant officers.		MiS	Training programme agreed	31/07/11	Blue – Action Closed
		<ul style="list-style-type: none"> Amend SAP and associated system to control and monitor spend in line with CPRs. 		MiS	Training to be delivered – Sept 2011	30/09/11	
				AG	System improvements not requiring re-programming identified. Logica proposal received for Business Warehouse reporting enhancements	30/09/11	Green
2	Formal written contracts should be established for all services commissioned by the Council as required by the Contract Procedure Rules.	<ul style="list-style-type: none"> Put in place contracts for all current spend for all vendors where spend exceeds £25k and no contract currently in place. 	All non-staff expenditure for vendors in excess of £25k covered by formal contracts.	Ds/ADs	Schedule of relevant contracts identified	30/09/11	Green
				MIS/HJK	Drafting forward plan in progress that will detail the following: <ul style="list-style-type: none"> Produce a pipeline of procurement activity for the remainder of this FY Pipeline of activity for 	30/08/11	Green

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
		<ul style="list-style-type: none"> Institute key control whereby new vendor records cannot be set up without confirmation of CPR compliance. 		CA MIS	FY12/13 <ul style="list-style-type: none"> Number of OJEU Procurement Projects Number of Non OJEU Projects Risk assessments and RAG statuses on both to prioritise projects Possible frameworks available to limit/reduce procurement activity and speed up project delivery This will agreement and sign off from Services/Directors- Exit strategies to be reviewed with each Service Area as part of Action/Forward Plan Procurement now authorise and set up all new vender requests	30/09/11 30/06/11	Green Green Blue – Action Closed
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	<ul style="list-style-type: none"> Directors/ADs to submit service scheme of delegation and contracts register to AD Commercial Assurance. 	Complete documentation and records as required by CPRs and full compliance.	Ds/ADs Ds/AD	Scheme of delegation received from all directorates In place	30/06/11 31/07/11	Blue – Action Closed

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
	register, which should be placed on the Council's internet to meet the transparency agenda.	<ul style="list-style-type: none"> Directors/ADs to compile and hold audit trail for all entries on contract register. 		s			Blue – Action Closed
	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.	<ul style="list-style-type: none"> Validate completeness of contract registers by cross-checking 2010/11 and 2011/12 to other data sources. 		MIS	Corporate Contract Register in place. Services currently undertaking an exercise to validate information contained in register.	31/07/11	Green
		<ul style="list-style-type: none"> Compile corporate contract register from service contract registers as amended. 		MIS	First corporate register compiled	31/08/11	
						30/09/11	Blue – Action Closed
		<ul style="list-style-type: none"> Notify all vendors £25k plus with no contract that service will be market-tested in accordance with CPRs. 		MIS/MM	Procurement and Legal are working on a communications plan to be agreed by Directors and Ad's ahead of issuing.	30/09/11	Green
		<ul style="list-style-type: none"> Forward all contract 		D's			Green

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
		documents to Head of Legal to be held in corporate repository.			Contract Repository will hold 'signed copies' of contracts only.		Green
					Contracts Repository, nominated officers will have access to folders, masterfile will be maintained by Procurement. Guidance for officers to be issued.	30/09/11	
		<ul style="list-style-type: none"> Publish corporate contracts register. 		MIS/H JK	Contract Register being validated ahead of publication	30/09/11	
		<ul style="list-style-type: none"> Establish, document and monitor updating arrangements. 		MIS/H JK	Repository established. Policy and procedures for where and in what format documents are held being established in conjunction with Legal Services. Considerations include, monthly/quarterly updating of contracts register any resource implications and agree template to be used with Services		Green
4	A fit for purpose contract service specification should be developed for tender evaluation purposes and monitoring service delivery.	<ul style="list-style-type: none"> Complete tendering of corporate security contract in line with CPRs. 	Corporate security contract in place.	CC	Tender exercise for Security Services underway and progressing.	30/09/11	Green

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
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.	<ul style="list-style-type: none"> Establish monitoring of corporate vendor limits in SAP. 	Compliance with vendor limits in CPRs.	MIS	Work package for system changes received and being evaluated.	30/09/11	Green
6	<p>Independent checks of amendments to key Vendor Master Data records, such as bank data, should be undertaken routinely for an appropriate number of records.</p> <p>Checks should ensure that appropriate checks are made to confirm details and validity of the requested changes from related parties.</p> <p>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.</p>	<ul style="list-style-type: none"> Review, amend as necessary, and monitor procedures for amending vendor master data 	Validated vendor records in place.	MIS	Master file vendor approval form updated to include additional checks. VAT and company details checked for all new vendor requests prior to approval and set up. This work will be ongoing, however control considered in place.	30/06/11	Blue – Action closed

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
7	There should be review carried out to calculate the exact figure the Council has overpaid VAT on this vendor, and immediately contact HMRC.	<ul style="list-style-type: none"> Resolve Metpro VAT issue in conjunction with HMRC. 	Metpro VAT issue resolved and compliance with VAT status requirements of HMRC.	MC	Action completed and closed	30/06/11	Blue – Action Closed
	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.	<ul style="list-style-type: none"> Procedures for establishing and amending vendor master data to cover VAT status. 		MIS		30/06/11	Blue – Action Closed
	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.	<ul style="list-style-type: none"> Include VAT issues in mandatory training. 		MIS	VAT will be addressed during the training session taking place in Sept 2011	31/07/11	Blue – Action Closed

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
8	<p>Contract extensions should be undertaken in line with CPR requirements.</p> <p>Changes to conditions of service should be formally documented for referral by all parties who may be required to certify delivery and payment.</p>	<ul style="list-style-type: none"> Directors/ADs to amend contract registers in respect of all extensions and variations, forwarding amended contract documents to Head of Legal and Head of Procurement. 		Ds/ADs	All service now have a contracts register, with quality assurance on-going and actions plans now in place. Revised delivery date 30/09/11	31/07/11	Blue – Action Closed
		<ul style="list-style-type: none"> Directors/ADs to hold audit trail for all extensions and variations. 		Ds/ADs	<p>Services are in the process of ensuring a full auditable list of contracts and contract extensions are in place for their respective Service Area.</p> <p>Quality Assurance received by Directorates</p>	31/07/11	Blue – Action Closed
9	<p>Standard practice should be re-enforced through-out the Council, specifically:</p> <ul style="list-style-type: none"> Changes to contract terms should be formally approved and documented for referral by those involved in 	<ul style="list-style-type: none"> Purchase orders to be raised against all formal contracts 	Compliance with CPRs.	Ds/ADs	Instructions issued to all relevant staff by email on 20th July regarding new procedures and controls which will also be included within staff training	30/09/11	Blue – Action Closed
		<ul style="list-style-type: none"> Directors/ADs to hold evidence of service delivery and record on SAP against purchase order. 		Ds/ADs	SAP file structure not suitable – agreed that performance data should be held on the corporate repository – see CCR Protocols	30/09/11	Green

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
	certifying delivery per invoice. <ul style="list-style-type: none"> Invoices should be initialled 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. 	<ul style="list-style-type: none"> Invoices to be paid against goods-receipted purchase orders only. 		MC	New AP controls to be implemented by end of July – In place	30/09/11	<div></div> <div>Green</div> <div>Green</div>

	Actions	Tasks	Measure of success	Lead Officer	Comments/Update	Target Date	RAG
10	<ul style="list-style-type: none"> Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts 	<ul style="list-style-type: none"> All contracts to be monitored, with arrangements documented in service schemes of delegation. 	All contracts managed effectively.	Ds/Ads	All Services have a Scheme of Delegation in place areas.	31/07/11	Blue – Action Closed
		<ul style="list-style-type: none"> Directors to report compliance with scheme of delegation through monthly performance monitoring process 		Ds/ADs		31/07/11	Blue – Action Closed
				MiS/CA	Performance monitoring - Format and to whom this should be reported to be determined	30/09/11	Green
				MiS	Contract monitoring - Guidance and training required for contract monitoring to be put in place Guidance on reporting and monitoring of suppliers used across the Council	30/09/11	

Initials: JMcG – Jacquie McGeachie, JL – Jeff Lustig, NW – Nick Walkley, AT – Andrew Travers, MiS – Mick Stokes, CC – Craig Cooper, AG – Andrew Gee, HJK – Haroon J Khan, MM – Margaret Martinus, MC – Maria Christofi, SS – Sheila Saunders; CA – Colin Atree; Ds/ADs – Directors and Assistant Directors

AGENDA ITEM: 9

Page nos. 47 - 81

Meeting	Audit Committee
Date	6 September 2011
Subject	Internal Audit Progress Report – 2011-12 Quarter 1
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 any deficiencies noted.**

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 Section 151 Local Government Act 1972- ‘...every local authority shall make arrangements for the proper administration of their financial affairs...’

Regulation 6 of the Accounts and Audit (England) Regulations 2011 - 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution Part 3 Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific audit reports as requested.

9 BACKGROUND INFORMATION

- 9.1 This report provides details of the audits carried out during June to August 2011 and also gives the assurance level for each audit. Those reports that were limited or no assurance were:
- Complaints
 - IT data security risks and issues (2010-11 report)
 - St Andrews School
 - Income and Debt management (2010-11 report)
- 9.2 Of the 2011-12 audit opinions issued 82% of these have been rated as satisfactory or above, however it should be noted that only 17% of the plan (on target according to the timing indicated on the Annual Audit Plan 2011-12) has been delivered.
- 9.3 The Committee is also asked to note the risk management arrangements and Corporate Risk register for those risks rated as 12 and above according to the risk management policy and strategy.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM
Finance: JH

London Borough of Barnet
Internal Audit & Risk Management
Progress Report 2011-12 – Quarter 1

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

Table of Contents

1. Introduction	1
2. Final Reports Issued	1
3. Key Findings from Internal Audit Work with Limited or No assurance	2
4. Work in progress and effectiveness review	20
5. Liaison with Officers and External Audit	21
6. Changes to our plan	21
7. Risk Management	21

Appendices:

- A: 2010/11 Work during quarter including assurance levels
- B: Work in progress
- C: Internal Audit Effectiveness Indicators
- D: Corporate Risk Register

1. Introduction

The Internal Audit Plan was agreed by the Audit Committee on the 24th March 2011. 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.

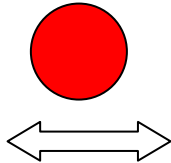
2. Final Reports Issued

This report covers the period from 1st May to 15th August 2011. The Internal Audit service has over this period issued 11 reports in accordance with the 2011-12 Internal Audit Plan and 4 reports were in relation to the 2010-11 Audit Plan – 15 reports in total. The full list of completed audits during this period is included within Appendix A. Of the 15, the majority of these were rated as satisfactory or substantial assurance however 4 were rated as limited or no assurance (2 of these related to the 2010-11 audit year), details of which are included within section 3 of this report.

Of the 2011-12 audit opinions issued 82% of these have been rated as satisfactory or above, however it should be noted that only 17% of the plan (on target according to the timing indicated on the Annual Audit Plan 2011-12) has been delivered. However this is a positive direction of travel in comparison to quarter 4 of 2010-11.

Two audits that were due to start in quarter 1 were deferred to subsequent quarters; details of these are contained within section 6.

3. Key Findings from Internal Audit Work with Limited or No assurance

Title	Review of Information Service (IS) Data Security Risks and Reports (Commercial Services)			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Last reviewed: Data Security and Handling 2009-10 Date final report issued				
Background	July 2011 This review has been undertaken as a result of a series of concerns raised relating to data security within the Council. This piece of work was outside of the Annual Audit Plan approved by the Audit Committee in March 2010 however commissioned by the Assistant Director of Finance – Audit and Risk Management to seek assurances of reported risks, the Audit Committee were made aware of this piece of work being additional to the annual plan on the 16 th June 2011 through the quarter 4 progress report. The IT service is currently a reactive/tactical team that operates in an environment of rapid transformation and development. The lack of strategic fit of the current IT service has been recognised through-out the Council, where the provisions of IT support acts largely as an inhibitor in taking innovation and transformation forward. We reviewed the IS management arrangements with its Infrastructure Supplier, where there were concerns noted that they were reduced to a tactical role and have been unable to be included within strategic direction of IT. This in itself presents a risk to data security and IT asset management. The Deputy Chief Executive also became aware of a number of internal concerns regarding data security arrangements in relation to IT and requested that a further review be carried out to understand the potential gaps in controls and exposure to significant risks. * Note - since this review was carried out IT have combined a number of actions together in a combined action plan to ensure it systematically addresses concerns raised from various reports to management.			

<p>Summary Findings</p>	<p>of</p> <p>Our approach was to review a series of data security risks identified through analysis of the risk register and service review carried out on behalf of the Council. We selected eight high level issues:</p> <ul style="list-style-type: none"> • It Programme and project management • CISCO (telephony) infrastructure upgrade • Server Virtualisation Project • Infrastructure Supplier Service Review reports • E-vault back-up system • Maintenance Window • 7 Safe Report • Risk Management arrangements and Risk Registers <p>We sought understanding of the timing of risks, ownership of those risks, how they were mitigated and how they were escalated to senior management. We also sought to gain an understanding of project management and prioritisation. Our review is therefore limited to those eight areas, and would like to stress that there are a number of other potential risks that had not been assessed by the IS service, overall it is our recommendation that a thorough review of risks is completed as a matter of priority by the Interim Assistant Director of IS or current Head of IS Service Delivery.</p> <p>We also identified that there are a number of issues which appeared to have not been addressed on a timely basis despite being highlighted in a number of reports over a long period of time. In addition, there are references to competing priorities within IS noted during the discussions held, which whilst noted, highlight the need for a clear and overarching approach to addressing the issues identified to ensure that the risks are systematically addressed.</p> <p>Key Findings:</p> <p>There was a lack of evidence of project governance in place to review progress of all IT projects, project priorities, project decisions, and project risks. This has had a detrimental effect on progressing some service level priorities. In addition, this has not allowed appropriate resource planning to take place.</p> <p>Information Systems Service Plan and Information Systems Business Plan had inconsistencies for project timescales and delivery of these, for example server virtualisation and the CISCO telephony infrastructure. There were also some large projects not started during 2010-11 that were going End of Life (EOL) and would need new infrastructure, including scoping and tendering exercises to begin. There was a lack of escalation noted from the Head of Service (at the time) to the Director of Commercial Services.</p> <p>Evidence of team meetings to progress issues and risks were not always evidenced. In addition, the issues discussed were not escalated to senior management despite the significance and dependency of some of the issues being discussed.</p>
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Appraisals and objectives were not always reviewed formally as part of regular one to one discussions between the Head of IS (at the time) and the (former) Director of Corporate Services. Some objectives were clearly not met however there was no record of those being discussed and action agreed. Recently, one to one's were evident with the Director of Commercial Services however not formalised.

Reports received from the Council's Infrastructure supplier evidenced a number of issues had been reported to the then Head of IS since March 2010 that were of significance. A number of issues included within this report were regarding the Council's back up system reaching capacity, CISCO infrastructure (telephony system) going End of Life (EOL) and network patches not being regularly applied. All of these matters were not noted as risks or reported to the then Director of Corporate Services or the present Director of Commercial Services.

Contract service review meetings with the Infrastructure Supplier ceased during 2010, and in addition the supplier was requested to stop producing service review reports by the then Head of IS. These reports identified key risks that the Council was facing. Once the Infrastructure Manager returned from secondment in February 2011 these monthly meeting were reinstated. Review of the meeting notes however highlighted that issues had not been assigned ownership and deadlines for implementation.

The Infrastructure Supplier noted that the Council's E-Vault Back-up system was reaching capacity since March 2010. In addition, there were some concerns that the Council's approach to deleting old back-ups being in compliance with the Council's retention policy. Additional storage was purchased in 2010 however this was a short term solution as the issue reoccurred. Decisions relating to the progress of the E-Vault system could not be evidenced for prioritisation.

In March 2010 and January 2011 the Infrastructure Supplier was not granted system downtime to complete Network Security patches. There was some confusion as to the process that should be followed to initiate change requests to carry out this operation. However we noted that the change request process was not implemented until January 2011, however the procedure available on the intranet was still in draft.

The Council, through the Interim Service Delivery Manager in February 2010, commissioned 7 safe (a company who specialised in computer security) to conduct a forensic investigation of the network following a hacking incident in the Citrix environment. 7safe produced a list of recommendations and an action plan was devised by the Infrastructure Supplier. The Head of IS (at the time) did not formally record the actions in an action plan, nor was there evidence of these being progressed on a timely basis.

Risks relating to the Information Service had not been recorded within the Council's risk management system JCAD until December 2010. There were a number of risks identified from supplier reports and the 7Safe report that had not been included within the risk register, or if they had been they were not risk rated, assigned ownership or given an action plan. There were no escalation procedures in place to notify senior management of risks other than one risk relating to the Council's data centre.

<p>Priority 1 recommendations</p>	<p>We have raised six priority 1 recommendations. These are fundamental weaknesses and systematic failings in the system of control, which should be addressed by Management to strengthen the control environment. These are:</p> <p>1) It is recommended that good practice standards of IT Project Management and Programme Management should be implemented within IS. The procedures should lay out the key stages in project management. This could include, though not be limited to: Developing a project portfolio, obtaining strategic approval for projects; development and approval of a PID and Business Case; prioritisation of projects, budget and timeline monitoring and regular reporting on project status.</p> <p>The Council should also establish an IT Programme Management Office function or similar to be able to support projects. Additionally, the corporate system Hydra, should be utilised within IS to track projects and formalise capture of project decisions and risks.</p> <p>2) A review should be carried out of the Information Systems Service Plan for 2011-12 against the Draft Information Systems Business Plan for 2011-12 to ensure all IT initiatives and projects have been included within the Plan and are communicated to the Director of Commercial Services. The project monitoring owner should be defined.</p> <p>As part of this review, the project deadlines for the CISCO IPT infrastructure upgrade project should be reviewed for accuracy and suitability. As a matter of priority, a review should be carried out of all the actions to be taken to ensure support is available from CISCO for the IPT infrastructure in the interim between the infrastructure going End of Life in April 2011 and the upgrade project being completed by 2012. A formal confirmation should be received from CISCO for provision of this support and senior management need to be made aware of any potential costs which could be incurred if CISCO conditions are not met and support is not extended as well as the risks of running an unsupported CISCO IP Telephony platform.</p> <p>3) A formal process should be implemented to review and address any issues or risks raised within the Infrastructure Supplier service reports. Responsibility to review, address and monitor progress of implementing these issues should be formally defined and allocated to a designated officer in IS. Any risks identified from the reports should be added to the IS Risk Register where appropriate. Implementation of these issues should form part of regular reporting to senior management.</p> <p>4) It is recommended that the E-Vault back-up system upgrade requirement is reviewed as a matter of priority. The project should be appropriately scoped and the delivery timeframe should be assigned and formally communicated to senior management. As part of this upgrade, the proposed risk of not complying with LBB's data retention policy due to expired backup safe sets being deleted should be reviewed and the results should be formally communicated to senior management.</p> <p>Management should carry out a formal impact analysis with each Service to ensure that the back-up solution and back-up retention policy adequately satisfies their recovery point objectives or legislative requirements for retention of back-up data for that system and service.</p>
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5) It is recommended that Network and CITRIX security patches are applied on a regular basis. A regular maintenance window should be agreed with the business and scheduled.

Furthermore, the Change Management Policy and Procedure should be formally approved by senior management. The Senior Management Board should provide a directive to ensure that Change Approval Board meetings are held on a regular basis and attended by all. Any Requests for Change (RFC) raised should be reviewed and approved on a timely basis.

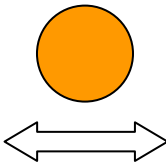
6) Management should ensure that the IS Risk Register on JCAD (Council's risk management system) is updated with all IS risks and all IS risk registers should be consolidated onto a central risk register on JCAD.

The Head of IS should ensure that the formalised risk management methodology is used to rate the risks in order to identify all the top risks within IS. These should then be reported to senior management team.

It is further recommended that a formal procedure is implemented to ensure IS risks are reviewed by IS management on a regular basis and updated on JCAD. All risks should be given a Risk Rating, assigned ownership and have an action plan developed.


Management Responses and agreed action dates	<p>1) Action: Head of IS Service Delivery (August 2011) The IS Transformation Action Plan, monitored weekly by Director, Commercial Services and by the IS Transformation Programme Board, has an action to develop an appropriate project management function. A paper went to General Functions Committee on 30th June which set out the principles for restructuring the IT service and creating essential posts in contract, performance and project management. A Project Management post will be created, subject to approval. The role will deliver IS programme management for all IS projects, and will issue project templates and toolkits. The role will monitor all IS projects, risks, resources and timelines, and report to IS senior management. The role will undertake post-project reviews on the delivery of benefits stated in business cases.</p> <p>IS recognises the need to follow Corporate Project Management standards and a training plan for IS personnel on the corporate standards will be implemented. IS have also implemented a Project Gateway to ensure standard project documentation is produced and received prior to project approval, which covers project resources and costs.</p> <p>2) Action: Head of IS Service Delivery (August 2011) A DPR and business case for a revised project has been approved, with funding, and the upgrade will be taken forward with Infrastructure supplier under a formal programme of works. A full project plan and approach and methodology will be produced to review accuracy and suitability. This will form part of a large programme of work with Infrastructure supplier on infrastructure upgrades prior to the NSCSO change.</p> <p>Action: Infrastructure and Systems Support Manager (Complete) Confirmation has been received from CISCO for the continuation of support prior to the upgrade being implemented.</p> <p>3) Action: Infrastructure and Systems Support Manager (Complete) A formal monthly review process is in place between IS Infrastructure manager and Infrastructure supplier Service delivery Manager. Reports are forwarded a week prior to each meeting, and emphasis is placed on monitoring availability, capacity of IT infrastructure and any major incidents. Terms of Reference for these meetings are documented, with responsibilities assigned, and all agreed risks are logged on JCAD and reviewed monthly under the IS Management Red Book meetings.</p> <p>4) Action: Infrastructure and Systems Support Manager (August 2011) The E-Vault back up service has been reviewed and an upgrade plan produced. The solution has been scoped and a Project Initiation Document will be prepared with a full scope and delivery timetable. The backup risk is formally recorded on the JCAD system, and is being addressed by the Infrastructure Transformation Plan, and within the DR action plan. The DR action plan includes provision for the improvement of the EVault back up systems and a new tape solution. Formal approval for capital spend in 2011/12 is awaited from CSG. This will be a priority project for IS / Infrastructure supplier.</p> <p>Action: Information Governance Council Programme Manager (September 2011) There is no authorised corporate Data Retention Policy, and a request has been submitted to the Information Governance Council for a review and authorisation for the policy.</p>
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	<p>5) Action: Infrastructure and Systems Support Manager (August 2011) A formal Change Control procedure is in place, with weekly CAB meetings, managed by the Service Desk manager. A patch management policy and procedure is under development as part of the Internal penetration test action plan, managed by the Infrastructure Manager.</p> <p>Action: Communication and Training Officer (August 2011) A 12 month forward schedule of maintenance windows will be agreed with the business for the implementation of patches and server maintenance.</p> <p>6) Action: Head of IS Service Delivery (complete) The IS service runs weekly management meetings with a management report "Red Book" which includes risks. These meetings are minuted. The meeting reviews the JCAD system and ensures risk are appropriately recorded and actioned. An IS risk assessment methodology, aligned to corporate standards, has been implemented against which all risks are assessed for Threats, Likelihood, and Mitigation. These risks are recorded on the JCAD system.</p>
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Title	Income and Debt Management (Deputy Chief Executive – Finance)			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Sales, Invoicing and Debt Management Audit 2007/208				
Date final report issued	June 2011			
Background	<p>The Council receives income from a variety of payees for a wide range of activities. The raising of sundry debtor invoices for services provided is a decentralised function undertaken locally within each Directorate. Payments received are processed by the central Income Team's customer service centres and postal remittances teams. In addition, customers can make payment in person at the bank, post office and/or any establishment that has a 'PayPoint' facility. The central Income Team is responsible for:</p> <ul style="list-style-type: none"> ensuring the Debt Management Policy and all procedures supporting it reflect statutory requirements and best practice; reporting regularly to Members on aged debt, including an annual debt management report; seeking authority for debt write-offs, and advising the Chief Finance Officer on the appropriateness of bad debt provisions. 			

<p>Summary of Findings</p>	<p>Our review identified the following significant area for development:</p> <ul style="list-style-type: none"> • Sample testing of credit notes and refunds found a number of refunds that were signed off by officers who we could not find in the central payments section's record of authorised signatories, and two refunds were signed off by an officer whose delegated limit has not been specified. <p>Other areas for development identified during this audit were:</p> <ul style="list-style-type: none"> • There was no evidence that the debt management policy and the income collection & debt management procedures are subject to regular (i.e. annual) review; • The financial regulations require officers to seek payment in advance or at point of service delivery wherever possible. However, sample testing of invoices raised since April 2010 found that three quarters of invoices were raised after goods/services were rendered; • Four unidentified cash receipts were evidenced as held in a suspense account, and had been for some time (as far back as 2004/05 financial year). A recommendation was raised in the Cashbook Reconciliation audit in 2010/11, and therefore no further recommendation has been raised; • An analysis of invoices in dispute shows that 65% (194) out of the 300 disputed invoices date back to previous financial years (some as far back as 1999/2000 financial year); • The Accounts Procedures Manual states that <i>"under no circumstances may refunds for card payments be made by cheque, BACS or cash payments"</i>. Sample testing of refunds identified one refund by cheque, where the initial method of payment was by Credit/Debit card. In addition, sample testing of refunds shows that refunds are usually made by cheque regardless of the initial method of payment; and • There are two corporate performance indicators/targets relevant to debt management, and a Finance Directorate business plan target to promote a cashless Council by having more transactions carried out online. However, there are no local/individual performance indicators/targets that are monitored and reported on, to measure/assess the performance of the service provided by the Income Team. <p>We noted the following areas of good practice during the audit:</p> <ul style="list-style-type: none"> • Sales invoices include all relevant information required by the customer. For example. invoices sent out when payment is due to ensure that the customer is fully informed of when the Council is expecting to receive payment; • Persons responsible for raising the invoice is independent of the income receipting function; • Once all the necessary paperwork is in order, credit notes/refunds are issued and/or updated on SAP in a timely manner;
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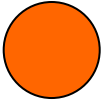
<p>Priority 1 recommendations</p> <p>Management Responses and agreed action dates</p>	<ul style="list-style-type: none"> • A debt collection agent has been appointed to chase outstanding debts to maximise the likelihood of recovery. • Access to Accounts Receivable functions on SAP is restricted to only officers who require access to perform their operational duties; and • 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. <p>1) The Accounts Payable Manager should ensure that a complete record of authorised signatories is be maintained. In addition, the authorised signatory list should be reviewed in light of changing needs (signatories starting and leaving the Council) to help ensure that signatories and the delegated limits are in line with management requirements.</p> <p>1) Action: Accounts Payable Manager (September 2011) It is agreed that the recommendation was taken on board and changes have already been made to strengthen this weakness.</p>
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Title	Complaints – Cross Cutting Service Review			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel No review in the past 5 years				
Date final report issued	July 2011			

Background	<p>The Council, in its normal course of business, will come into contact with a variety of service users, for example residents, local businesses and charitable organisations, and so on. Each service user must be assured that, should any contact with the Council not meet their expectations, there is a robust, open and transparent complaints procedure in place to deal consistently with any issues raised.</p> <p>There are currently two complaints processes within the Council:</p> <ul style="list-style-type: none"> • Corporate complaints; and • Statutory social care complaints. <p>Service users can escalate corporate complaints in three stages:</p> <ol style="list-style-type: none"> 1. The first stage is for the service user to contact the member of staff or their line manager connected with the matter of complaint. 2. The second stage is to refer the complaint to the relevant Head of Service if the service user is unhappy with the response from stage one. 3. The third stage is where the complaint is dealt with by the Chief Executive Officer if the service user is unhappy with the response from stage two. If at the end of stage three, the service user is still unhappy with the Council's response, service users can contact the Local Government Ombudsman (LGO). <p>Statutory complaints relate to social care complaints (only applicable to Adults and Children), which are managed in accordance with policies and procedures that have been developed specifically by the Adults Social Care and Health (ASCH) and Children's Service Directorates, respectively.</p> <p>As at the time of our fieldwork audit testing (May 2011), 172 stage one, three stage two and one stage three corporate complaints had been made in 2011/12. There have been 6 and 11 social care complaints made about ASCH and Children's Service, respectively.</p>
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<p>Summary of Findings</p>	<p>Positively, our work identified that there is a framework and responsibilities for management of complaints within the Council. We identified the following processes in operation:</p> <ul style="list-style-type: none"> • There is clear guidance on the Council's website to residents on how to make a complaint; • There is a SAP Customer Relations Management (CRM) module for recording and logging complaints received by the Council; and • The Corporate Directors Group (CDG) receives a performance report in respect of complaints management on a quarterly basis. <p>However, we have identified one priority 1, six priority 2 and one priority 3 recommendations, which should be implemented in order to improve the system of internal control.</p> <p>Significant areas for development identified during this audit were:</p> <ul style="list-style-type: none"> • The Council has not outlined and communicated its strategy for dealing with complaints, as well as, internal procedures which set out how Council officers should manage corporate complaints. <p>Other areas for development identified during this audit were:</p> <ul style="list-style-type: none"> • The need to review methods available for making a complaint; a postal address has not been specified for service users who wish to make a corporate complaint by post, and a typetalk number is not available for deaf and/or hard of hearing service users who wish to make a Children's Service social care complaint; • The SAP Customer Relations Management (CRM) module does not prevent duplicate complaints being recorded and concerns have been raised about the ability to under report complaints; • There is an ongoing issue of not meeting complaints timescales, and little corrective action could be identified to address this; • There is no platform for complaints officers/managers to discuss common issues and share good practice in respect of complaints management; • There is no communication or regular reporting in respect of complaints managed by partners (i.e. Barnet Homes) who fulfil statutory duties for the Council; • With the exception of ASCH who carry out an annual survey of complainants, other Council Directorates involved in the audit do not proactively obtain feedback from complainants on their performance in dealing with the complaint; and • The Corporate Directors Group (CDG) complaints quarterly performance report could be further developed to include an analysis of complaints received by type (i.e. number of complaints in respect of policy, service failure, staffing rudeness etc).
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<p>Priority recommendations</p> <p>1</p> <p>Management Responses and agreed action dates</p>	<p>Strategy, policy and procedures for managing corporate complaints</p> <p>The Council should develop a customer relations strategy, which communicates objectives for providing good customer service. The strategy should communicate its objectives and attitudes towards reducing complaints, and how the Council intends to promote and seek feedback on positive working practices.</p> <p>In addition, internal procedures for managing corporate complaints should be developed, published on the Council's intranet, and subject to regular (i.e. annual) review. Management should consider including the following within the scope of the procedures:</p> <ul style="list-style-type: none"> • Scope/definition of complaint; • Key roles and responsibilities; • How to manage the different types of complaints, i.e. corporate, social care, joint complaints between organisations, prolific or vexatious complainants, etc; • Timescales for dealing with complaints; • Training and information; and • Monitoring and reporting arrangements. <p>Action: Corporate Complaints Officer and Head of Customer Services (October 2011) – A formalised strategy and policy will be devised that will provide clarity on the complaints procedures of the Council. It will provide an agreed definition of a complaint and will outline clear roles and responsibilities and timescales for response. This formal policy will identify different types of complaints to provide greater clarity to officers. A training needs assessment will be carried out once the policy and strategy have been defined and implemented. Refresher training will be provided once knowledge gaps have been determined. Monitoring and reporting arrangements will be reviewed and improvement will be made where necessary to Customer Records Management (CRM) to allow for more accurate reporting.</p>
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Title	St Andrew's CE Primary School – Children's Services			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
Date final report issued	July 2011			
Background	<p>The aim of the audit is to provide assurance on key areas of financial management.</p> <p>The audit is conducted in line with the "Keeping your Balance" document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission (AC) and to ensure compliance with Barnet's Scheme for Financing Schools and related Financial Guide for Schools.</p> <p>The scope of the audit included assessment of the following:-</p> <ul style="list-style-type: none"> ▪ adequacy of accounting, financial and other controls; ▪ compliance to established plans and procedures; ▪ the integrity and reliability of financial and other information; ▪ assets and other interests of the Council are properly safeguarded; and that ▪ the use of the school's resources achieves value for money. 			

Summary of Findings	<p>The following key findings were reported:</p> <ul style="list-style-type: none"> • The Financial Management & Procedures Policy document did not include procedures for tendering and contract expenditure between £5k and £49,999 and collection, recording & banking of all income sources; delegated limits of authorisation were inconsistent; • Not all purchase order forms and invoices had been signed in accordance with areas of authorisation delegated by the Governing Body; • Expenditure is not always recorded when committed e.g. when purchase orders are raised; • A review of procedures and controls over the income system found no independent check to verify income collected and banked agreed to source documentation, for example spreadsheets/class lists; • Transfers of money between staff are not signed for; • No audit trails exist for income collected from educational visits/trips/swimming, as source documentation is not retained; • Arrangements for use of the School premises by hirers and independent after-school club organisers have not been formalised; • No visible evidence that lettings/after-school clubs are adequately covered by insurance; • The voluntary fund accounts have not been audited on an annual basis; • The inventory records have not been updated since December 2008; • Disposal procedures for items of inventory have not been followed; • Annual physical stock checks of sample items from the inventory have not carried out.
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**'High' Priority
recommendations**

There were two 'High' priority recommendations that is summarised as follows:

(1) Income:

The school should ensure that:

- Independent checks are carried out to confirm that amounts banked agree to control records and this is adequately evidenced;
- Transfers of money between staff are signed for;
- All source documentation is retained in order for a clear audit trail to exist. These records should be held in accordance with LA guidelines;;
- Accurate and comprehensive accounting records showing weekly the totals collected/in credit/arrears from each year group; amounts banked/cash held over are maintained with immediate effect and audit trail exist for the meals income system. Income received should be recorded promptly or at least within the week it was actually received in order to deter against possible loss or error and ensure that any outstanding payment may be followed up immediately;

It is further recommended that a full review of the system in operation is undertaken and controls put in place to improve/introduce more robust procedures and records.

(2) Lettings:

The School should ensure that:

- A formal agreement is held with all after-school club organisers, which sets out the terms and conditions of use and safeguards the position of the School;
- A copy of each club organisers/hirers insurance liability schedule is held, as visible evidence of adequate cover. If the School is providing insurance through its own insurer, then this charge should be passed onto the hirer and therefore included on the invoice;
- Adequate records are maintained to provide clear audit trails and ensure that all money due is invoiced and received in full;
- The School should seek advice from the LBB in relation to HMRC VAT requirements for lettings on the School's premises.

Management Responses and agreed action dates	<p>Management has agreed the following responses in relation to above recommendations:</p> <ul style="list-style-type: none"> (1) Controls and procedures for all income received will be reviewed to ensure that all area referred to above are addressed. (2) The newly appointed Business Manager will be in post in June and she will be responsible for the management of all lettings and ensuring that robust procedures are put in place with adequate records being maintained. The advice of the LBB in relation to VAT will be sought.
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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.

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 and we are within tolerance levels.

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

Effectiveness – the percentage of recommendations implemented, this was previously at 42%, the first quarter of the year has seen this improve to 60% implemented in the timeframe agreed. Those not implemented in time had all made action against the recommendation however the outcomes had not been demonstrated for the remainder. We expect that these will all be implemented by the December Committee. Positively, the parking service has actioned all of their recommendations (11) with the exception of one that requires some documentation of operational risks in their risk registers. Of those that had been on the previous list of outstanding recommendations 82% have now been implemented – the two not implemented relate to environmental health and Children's Services contracts in SEN.

Efficiency – Compared to the quarter 2 (2010-11) there has been an improvement in the number of days taken to draft an audit report after field work from 63% to 82% however this is still below the target of 90%. The two audit reports that failed to meet this target were from the exiting supplier Deloitte and as such we would expect to see an improvement in quarter 2 once the new supplier begins work.

5. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be relied upon as part of the financial accounts audit. We have also met regularly throughout the quarter to discuss the progress of the Procurement Action Plan, as requested by the Committee.

Regular meetings have occurred with senior officers regarding implementing action plans in accordance with the agreed timeframe.

6. 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
Changed	EDRM – Information Systems (quarter 1)	EDRM was deferred from 2011-12 however the project is no longer going ahead and as such the focus of an audit in quarter 4 will be one of the projects from the Information Governance Council.
Deferred	Apprenticeships – Children’s Service (quarter 1)	Deferred from quarter 1 to quarter 2 due to staff unavailability over summer holidays.

7. Risk Management

Improvements in risk management arrangements during the quarter:

- The updated risk management strategy and policy statement was approved by the Audit Committee in March
- The changes to JCAD (risk management system) were made end of March to facilitate compliance with the strategy
- Risk Champions worked with their services to implement the changes to the strategy
- All Senior Management Team meetings during June, with the exception of Children’s, to discuss the changes to the strategy and to facilitate greater ownership of risk at a senior level
- All risks rated 12 and above have been included in each service’s quarter performance report, instead of the top 3 risks, to facilitate better understanding of the risk profile
- ADs were asked to add to the commentary on the risk profile of their service and mitigation strategies and risk appetite
- In August, Fraud awareness e-learning was launched to staff which incorporated aspects of risk management and internal control environment

Training for officers has been gauged within the Risk and Fraud Forum and bespoke training courses have been run for Children's Services, Finance, One Barnet projects and Information Governance Council Programme/Projects. Risk Management training for all members will be delivered on the 17th October 2011.

The service recently took part in national benchmarking of risk management practices. Compared to the other 60 participants we scored well on our arrangements in place to manage risk, however one area in which we were only classified as having 'working arrangements' as opposed to embedded and integrated was in the area of Partnerships and resources. This is an area we will focus on developing during 2011-12.

There is some work also to undertake in terms of embedding areas identified within the Annual Governance Statement for 2010-11 within Directorate Risk Registers.

At the March Audit Committee 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. However as the constitution does not generally allow for tabled papers this is the most up to date register of those risks rated as 12 and above as rated at the end of July 2011 is included at Appendix D.

Appendix A: 2011/12 work completed during quarter 1 including assurance levels

Audit Opinions on Completed Audits during the period

Systems Audits	Assurance
1 2010-11 DRS Project	Satisfactory
2 2010-11 Financial Regulations	Satisfactory
3 2010-11 Income and Debt Management	Limited
4 2010-11 IT Data Security Risks and Issues	No
5 2011-12 Electoral Register	Satisfactory
6 2011-12 Complaints	Limited
7 2011-12 Carbon Reduction Commitment	Satisfactory
8 2011-12 Environment and Operations Budget managements	Satisfactory

School Audits	Assurance
1 St Josephs Infant	Substantial
2 St Mary's EN4	Satisfactory
3 St Theresa's	Satisfactory
4 St Andrew's CE	Limited
5 Fairway	Satisfactory
6 Monk Firth	Satisfactory
7 Undrehill Infant	Satisfactory

Appendix B: Work in progress

The following work is in progress at the time of writing this report.

Work in progress

Systems Audits		Status
1	Apprenticeships – Children’s Service	Planning
2	Schools Placements	Fieldwork
3	Data Protection	Fieldwork
4	NNDR	Fieldwork
5	Council Tax	Fieldwork
6	Housing Benefits	Fieldwork
School Audits		Status
1	Mathilda Marks Kennedy	Draft report

Appendix C: Internal Audit Effectiveness Indicators for quarter 1

Performance Indicator	Annual Target	Actual August 11
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	60%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment
Average client satisfaction score	90%	100%*
% of Plan delivered	16%**	17%
% of draft reports completed within 10 days of finishing fieldwork	90%	82%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By March	Quarter 4 assessment
Preparation of Annual Report	Prior to A.G.S.	Quarter 4 assessment
Staff with professional qualifications	70%	75%
Staff development days	5 days	Quarter 4 assessment

* 3 surveys had been received by the service in the quarter relating to 2010-11 work

** Targets are based on the spread of audits agreed within the Annual Audit Plan 2011-12 at the 95% target

Appendix D: Corporate Risk Register

PROBABILITY	Score:		IMPACT				
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
	5	Almost Certain	0	0	0		0
	4	Likely	0	0	0	4	0
	3	Possible	0	0	3	3	0
	2	Unlikely	0	0	0	0	0
	1	Rare	0	0	0	0	0

Table 1: Heat Map – detailing where corporate risks are rated in current assessment

Those risks rated 12 and above within the heat map have been detailed below:

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
ORG0004 – Reputational/Organisational Governance – The Council faces a period of major change with potential organisational trauma impacting on core governance systems and processes. Risk – breakdown in core governance systems leading to financial loss or	Major 4	Likely 4	High 16	Comprehensive performance management reporting process including key risks at Directorate and Corporate level. <i>Implemented (100% complete)</i> Governance reporting to Statutory Officers Group. <i>Implemented (100% complete)</i> All Corporate Leadership Group members to	Treat	-	Moderate 3	Possible 3	Medium High 9

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
reputational damage.				have a corporate governance target. <i>Implemented (100% complete)</i> Implementation of a half yearly governance statement <i>In progress (25% complete)</i>		30/9/2011			
ORG0006 – Organisational Procurement- failure to deliver value for money, uncommercial contracts with suppliers.	Major 4	Likely 4	High 16	Consolidate procurement activity within the Commercial Directorate <i>In progress (50% complete)</i> Develop and implement an up to date procurement strategy <i>In progress (60% complete)</i> Develop a complete Council contracts register <i>Implemented (100% complete)</i> Deliver actions as set out in Procurement Controls and Monitoring Action Plan <i>In progress (80% complete)</i>	Treat	31/10/2011 (normal) 30/09/2011 (normal) - 30/09/2011 (high)	Moderate 3	Possible 3	Medium High 9
ORG0010 – Strategic Development and infrastructure – Development within the Borough through the medium-term is planned to deliver 8,800 new homes and an increase in population of 20,000 by 2015. There is a risk that funding and delivery mechanisms will not be in place to deliver the necessary physical, green and social infrastructure to accommodate the requirements of an increased population.	Major 4	Likely 4	High 16	Explore other innovative forms of funding <i>Implemented (100% complete)</i> Section 106 negotiations underway for BX and other major developments as required <i>In progress (85% complete)</i> Consider opportunities around TIF, particularly for BX/CR <i>In progress (20% complete)</i> Adopt a Community Infrastructure Levy (CIL) charging schedule for Barnet <i>Implemented (100% complete)</i> Develop a corporate approach to infrastructure delivery and securing of funding <i>In progress (50% complete)</i>	Treat	- 30/09/2011 (high) 30/09/2011 (normal) - 31/12/2011 (normal)	Moderate 3	Possible 3	Medium High 9

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
ORG0011 – Compliance Waste management and sustainability – The cost of waste disposal will increase significantly in the medium-term due to landfill tax increases and the procurement of new waste disposal facilities by the NLWA. The loss of £258.4m PFI credits presents further risk to the affordability and progress of the procurement. Waste minimisation, collection and recycling arrangements will significantly impact on cost and the amount of waste sent for disposal. In addition, the carbon reduction scheme will impose financial penalties in respect of wider sustainability issues. Government likely to further increase penalties/incentives. Risk – increased waste sent for disposal at significantly increased cost. Lack of progress on wider sustainability agenda attracting additional carbon commitment penalties.	Major 4	Likely 4	High 16	Establish Barnet Waste Project Board to enable informed officer input to the process & prepare briefings for members. <i>In progress (100% complete)</i> NWLA Procurement risk register maintained and updated including review at Waste Project Board meetings. <i>In progress (100% complete)</i> Make progress at NLWA meetings, critical review of NLWA papers, with additional support from specialist consultant <i>In progress (25% complete)</i> Develop, implement and review Waste Action Plan <i>In progress (30% complete)</i> Annual communications plan to include more targeted communications based on the intelligence available. <i>In progress (30% complete)</i> Establish & Embed Carbon Reduction Commitment Steering Group to strengthen management focus on Carbon Reduction commitment <i>Implemented (100% complete)</i> Consider options put forward by the NLWA for the procurement and their affordability <i>Implemented (100% complete)</i> Prepare business case for members' decision on future waste collections <i>In progress (60% complete)</i> Prepare business case for members' decision on future involvement with NLWA, including decision on Inter Authority Agreement. <i>In progress (60% complete)</i>	Treat	- - 30/09/2011 (normal) 30/09/2011 (normal) 30/09/2011 (normal) - - 30/09/2011 (normal) 30/09/2011 (normal)	Moderate 3	Almost certain 5	High 15

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
ORG0002 – Financial Central government support has been cut and our response has been agreed by Cabinet. Risk – given the scale of the savings there will be key concerns in delivering those savings over the next 4 years and managing to deliver services in times of such uncertainty.	Major 4	Possible 3	Medium High 12	Financial and Business Planning Process <i>Implemented (100% complete)</i> Continual risk assessment of savings plans <i>In progress (25% complete)</i>	Treat	- 01/09/2011 (normal)	Moderate 3	Possible 3	Medium High 9
ORG0014 – Financial New revenues and benefits systems went live February however with process inefficiencies, data conversion issues and batch processes running slowly. In addition, due to the downtime from December to February, the main billing exercise took two weeks to process compared to 3/4 days initially specified. Significant backlog of workload is required to be processed. When the Council needs to submit its grant subsidy claim for March 2012 the risk will be that the LA error will not be in the tolerable ranges which would result in the threshold being lost circa £1.2m. As at the end of June 2011 the threshold is currently at £500k. LA error is intervening period between receipt and assessment of the claim - with a backlog situation this will always be the case. Complaints and customer enquiries are not being dealt with on a timely basis as a result of the backlog.	Major 4	Possible 3	Medium High 12	Investigating the support of the current product beyond its proposed termination date as a contingency plan as a result of delay. <i>Implemented (100% complete)</i> Legal advice ongoing <i>In progress (80% complete)</i> Constant monitoring and reporting of risks, issues and progress through the various departments and companies involved. <i>In progress (80% complete)</i> Go Live of new system once reconciled. <i>Implemented (100% complete)</i> Existing system shut down whilst the data converts to the new system. <i>Implemented (100% complete)</i> Additional resource required to process backlog of transactions. <i>Implemented (100% complete)</i> Source better solution with Civica for hosting. <i>Implemented (100% complete)</i> Process backlog <i>In progress (60%)</i>	Treat	- 30/09/2011 (normal) 30/09/2011 (normal) - - - - 31/10/2011	Moderate 3	Possible 3	Medium High 9

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
ORG0001 – Reputational/Political Transformation – The Council’s strategic agenda is defined by the One Barnet programme which is designed to transform public services to Barnet citizens, working with our partners and the community, in the context of severe resource constraint. Risk – failure to deliver One Barnet effectively, with declining service performance and citizen satisfaction. Leading to sub-optimal commercial arrangements with third parties.	Major 4	Possible 3	Medium High 12	Communication and Engagement strategy to ensure project level communications and engagement plans are in place. <i>Implemented (100% complete)</i> Transition Strategy to ensure business as usual is maintained during the delivery of the programme. <i>In progress (70% complete)</i> Benefits Realisation Framework <i>In progress (45% complete)</i> Programme plan produced and signed off <i>In progress (90% complete)</i> Project communications plans for live projects produced and signed off. <i>Implemented (100% complete)</i> Risk management framework included risk and issue standards. <i>Implemented (100% complete)</i> Risk management framework communicated to all live and pending projects and stakeholders. <i>Implemented (100% complete)</i> Implementation partnership has been put in place to fill the knowledge and experience gap. <i>Implemented (100% complete)</i> Ensure effective governance arrangements with both Cabinet Members and senior management engaged. <i>In progress (90% complete)</i>	Treat	- 30/09/2011 (normal) 30/09/2011 (normal) 30/09/2011 (high) - - - - 30/09/2011 (normal)	Moderate 3	Possible 3	Medium High 9

AGENDA ITEM: 10

Page nos. 82 - 116

Meeting	Audit Committee
Date	6 September 2011
Subject	Exception Recommendations Report
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the progress against internal audit recommendations.

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

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

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Report and the actions being taken to address some cases of non implementation of recommendations.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the meeting of the Committee on the 17th February 2011 it was decided that a report would be prepared quarterly regarding those internal audit recommendations not implemented.
- 2.2 The Committee also requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

- 6.1 When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.

7. LEGAL ISSUES

- 7.1 Section 151 Local Government Act 1972- ‘...every local authority shall make arrangements for the proper administration of their financial affairs...’

Regulation 6 of the Accounts and Audit (England) Regulations 2011 - 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

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 The Appendix is broken down into those recommendations that have been carried forward from previous Committees and those that were due in quarter 1. Of those carried forward from the previous period 87.5% have now been implemented, with 2 recommendations partly implemented due for revised implementation date of December 2011.
- 9.2 Of those due in quarter 2 all had action taken against delivering the recommendations however 42% had been implemented in full. Of those that are progressing towards completion with none of those that have slipped should be of particular concern to the Committee.
- 9.3 Overall the number of recommendations implemented on time is 60%; this has improved since the last quarter which was reported as 42%. When a recommendation is rated as priority 1 we expect it to be implemented within three months of issue, this is a fast turnaround given the importance of the issue noted. In some instances delivery against this has not been possible due to the work involved or in some cases revisions to policy requiring decisions from Committees. We will work with services to agree deadlines that will satisfy the Audit Committee and be realistic to the service.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM

Finance: JH

Systems Audits & Projects 2010/11

Appendix

Summary of Recommendations Followed up	
Due by September 2011	40
Recommendations fully implemented Implementation %	24 (60%)
Recommendations partly implemented	16 (40%)
Not implemented	0

Follow up update report of previous audit recommendations

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
Remote Access Recommendation 1 Review of risks to remote access to be completed. Implementation date: End of March 2011	Information Services (Commercial Directorate)	<p>Formal risk identification and assessment process developed and documented. Review of risks to remote access completed.</p> <p>The network health check penetration testing which included an expert review of the Council's network, the external infrastructure and wireless network had been undertaken and findings and recommendations had been reported.</p>	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.	Recommendation implemented Related recommendations to address findings had been allocated and were being monitored by the responsible officer. There was a reference in the

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
					Council's JCAD risk management system to the penetration testing findings at a sufficiently high risk score to ensure ongoing focus and monitoring of progress at a senior management level.
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.	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 15 th 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.	Implemented Arrangements with Verrus and Finance have been formalised to ensure that cashless parking income is correctly accounted on the Council's financial system.

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
Cashless Parking 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.		As above	Actions partly implemented.	Partly implemented – position unchanged. Further follow up in June 2011.	Implemented Verrus have provided monthly statement breaking down the monthly transactions between on and off street, service charges and VAT. The Service Finance Office on receipt of the invoice is able to validate the number of transactions for which payment is claimed. A procedure is in place for Finance to undertake a reconciliation of income collected and VAT charged by Verrus.

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
Cashless Parking 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.		As above	Actions partly implemented.	Partly implemented – position unchanged. Further follow up in June 2011.	Implemented Monthly monitoring meeting took place in August and future meetings have been set up to review performance under the contract and address any operational issues that arise.
Cashless Parking 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.		As above	Actions partly implemented.	Partly implemented – position unchanged. Further follow up in June 2011.	Implemented On receipt of the invoice and accompanying statement, by the Service Finance Officer, query reports are run on the system to validate the number of transactions claimed hence the value of the payment.

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
Cashless Parking Recommendation 6 Routine independent checks on the accuracy of the transactions reported (parking spaces sold, and charges levied) by Verrus should be instituted.		As above	Actions partly implemented.	Partly implemented – position unchanged. Further follow up in June 2011.	Implemented A system has been set up whereby a check is undertaken each day to ensure that a sample vehicle registered on the system is actually parked on the street at the location claimed. This check is then logged on a spreadsheet on the shared drive for review by the manager at the monthly meeting.
Leisure Management - Risk: Strategic Service Delivery Recommendation 7 There is a risk that the partnership may not be in line with or meeting Council strategic objectives which may lead to value for money not being achieved and a lack of clarity on the financial approach adopted by the service provide.	Environment	Agreed. The Leisure & Arts Programme Board will continue to oversee and set an overall direction for the service. A Partnership Board (consisting of Council and Greenwich Leisure Limited officers) will be set up to provide a high level forum to discuss strategic issues on a quarterly basis. The partnership	Partly Implemented Confirm receipt of financial report once GLL accounts have been audited. Revised	Partly Implemented Reporting for the open book accounting agreed. Further Action required	Implemented

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
		review will provide further opportunity to clarify strategic issues such as Closed Book approach etc.	implementation date June 2011	Confirm receipt of financial report once GLL accounts have been audited. Revised Implementation date June 2011.	
Leisure Management – Risk: Operational Service Delivery Recommendation 8 There is a risk of inappropriate or untrained staff being employed; poor equipment, facilities, support services (e.g. food/cafes) being provided which may compromise health and safety of customers leading to potential legal challenge and reputational damage.	Environment	Agreed. A risk log will be drawn up alongside the Action Plan to enable activities to be prioritised and monitored accordingly.	Partly implemented Confirm receipt of catering services audited reports for review and monitor. Revised implementation date: June 2011.	Partly Implemented Monthly audit's now include Staff Training Records and High Risk Equipment checks. Risks have been recorded in the JCAD Risk system. Further Action required Confirm receipt of catering services audited reports for	Implemented Catering Services audited reports have been received from GLL for service review and monitor.

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
				review and monitor. Revised Implementation date June 2011.	
Recommendation 9: Leisure Management - Risk: Performance Management There is a risk of poor decision making and financial loss if poor performance of the contractor (and therefore service delivery) is not identified or rectified.	Environment	Agreed. Key Performance Indicators will be established, monitored, validated where necessary and reported regularly. Poor performance will therefore be identified and rectified.	Partly implemented Review of risk to be completed following receipt of financial report and audited accounts for catering services. Revised implementation date: June 2011.	Partly Implemented Risk will be mitigated following receipt of financial report and audited reports for catering services. Further Action required Review of risk to be completed following receipt of financial report and audited accounts for catering services. Revised	Implemented

Systems Audits & Projects 2010/11

Audit recommendation	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment at June 2011	Audit Assessment at September 2011
				Implementation date June 2011.	

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
<p>Recommendation 10: Blue Badge - Risk: Data Recording –</p> <p>Without identifying necessary management information and statutory data requirements effectively and in the absence of robust systems for capturing information, including accurate data processing, there is a risk that necessary information may not be available to monitor service delivery effectively and that fraud or error may not be prevented or detected.</p>	Adult Social Care and Health	<p>Agreed.</p> <p>a) Management information requirement on statutory areas and other operational areas will be identified in order to establish an effective framework of management information and reporting.</p> <p>b) Data requirements will be specified to ensure effective capturing of management information on the database system. The data base will be amended to ensure the effective capturing of data and report generation.</p> <p>c) Routine data quality checks will be implemented to ensure the accuracy and completeness of records on the database system.</p>	<p>April 2010</p> <p>Partly implemented:</p>	<p>Recommendation no longer applicable.</p> <p>The Blue Badge administration was transferred to the Customer Service Department on 01/04/11 from Adult Social Care and Health. Since then the Blue Badge Improvement Scheme (BBIS) has been launched, which will centralise the administration and production of Blue Badges using a new nationwide database run by Northgate. This new system will go live in January 2012 but will be available for use from November 2011. In light of this imminent change, management will continue to use the old system and undertake data quality checks until the centralised BBIS systems takes over fully in January 2011. This will prevent the problems and resource waste associated with</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
				<p>migrating the data three times from the old system to the new system very briefly and then to the Northgate centralised system from November 2011.</p> <p>As a result in the change of the risks Management will:</p> <ul style="list-style-type: none"> - identify potential risks and mitigating actions in relation to the Council's responsibility for administrating any process of the new system; - record risks in the JCAD risk management system; - review and monitor risks. <p>Internal Audit, as part of the audit planning process for 2012/13 will consider a full review of the new Blue Badge Scheme.</p>
<p>Recommendation 11: Environmental Health – compliance with the Provision of Services Regulation 2009</p> <p>Ensure compliance with the Provision of Services Regulation 2009 regarding facility to apply for licences electronically, using the prescribed web portal.</p>	Environment Health	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.	<p>Not implemented in full</p> <p>Deadline: June 2011</p>	<p>September Audit Committee</p> <p>Partly Implemented</p> <p>The payment engine has now been activated, but the web pages need to be deployed on Barnet Online to enable visitors to make an application and the</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
				<p>relevant links made on the ELMS site. This has been escalated to the Assistant Director for IT Services.</p> <p>Further action: Establish clear timeline for the completion of the outstanding tasks through the Web Transformation Project to ensure that the Council achieves legal compliance.</p> <p>Revised implementation Date: November 2011.</p>
<p>Recommendation 12: Equalities – Review of Equality Scheme Recommendation</p> <p>The Council should review the Equality Scheme on a regular basis in light of changing needs and priorities.</p> <p>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.</p>	<p>Strategy - Assistant Chief Executive</p>	<p>The council LBB has published an Equality Scheme on its website covering the period 07-08 to 10-11. The scheme has not been refreshed since 07-08 however an annual report was presented to Cabinet covering the period of 08-09.</p> <p>Following the implementation of the Equality Act 2010 and the new public sector equality duty the Equalities and Human Rights Commission has confirmed that public bodies will no longer be required to publish an Equality Scheme.</p>	<p>Partly implemented</p>	<p>September Audit Committee Recommendation - no longer applicable following the implementation of the Equality Act 2010.</p> <p>Equality objectives will be integrated as part of the finance and business planning round for 2012/13. This would ensure that equalities would be placed at the heart of the council's streamlined approach to business planning, but more importantly that progress of meeting equalities objectives would be monitored and scrutinised through the</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
		<p>Instead, they will be required to publish objectives that they reasonably think are achievable and are able to meet one or more aims of the general equality duty. Equality objectives will be integrated as part of the finance and business planning round for 2012/13.</p> <p>Services have been asked by Cabinet to review their 2011/12 budget proposals to check whether they had made the correct equality assessments as part of the continuing nature of the public sector equality duty using an equality analysis tool and a legal briefing on the new public sector equality duty. Services will then need to use that learning to inform the identification of proposals for 2012/13.</p>		council's accountability framework and performance cycle.
<p>Recommendation 13: Independent Provider Performance (SEN) – Contract Procedure Rule (CPR) compliance Recommendation</p> <p>All contracts/agreements should comply with the Council's Contract Procedure Rules.</p>	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.	<p>Not implemented in full.</p> <p>Deadline: June 2011</p>	<p>Management agreed the following recommendations:</p> <ol style="list-style-type: none"> 1. Review all placements to see which have contracts or not (complete) 2. If not able to immediately get a contract in place,

Systems Audits & Projects 2010/11

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
		<p>We are reviewing the National Contract for Placement of Children & Young People to be used across all of the current and future placements.</p> <p>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.</p> <p>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.</p>		<p>write to all providers without a contract seeking assurance that they are delivering to the statement (complete)</p> <p>3. Produce a written process for making placements and getting a contract in place for all new placements (complete)</p> <p>4. Produce a written contract monitoring protocol to include process for spot checks (complete)</p> <p>5. Get contracts in place for all placements (by December)</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
<p>Recommendation 14: Budgetary Control - Budget approval and revisions (including virements) Recommendation</p> <p>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.</p>	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.	<p>Partly Implemented</p> <p>Further action required: to publish the scheme of delegation and ensure staff have access to and an awareness of the Scheme of Delegation.</p> <p>Implementation Date: June 2011</p>	<p>September Audit Committee Implemented</p> <p>Scheme of delegation has been published on the Children's Service intranet.</p>
<p>Recommendation 15: CT, NNDR, HB - Pericles Replacement Data conversion</p> <p>Concerns and issues with the overall quality of conversion outputs should be resolved (e.g. through confirming Civica's contractual responsibility for this activity and improved matching of OpenRevenues data requirements to Pericles data).</p> <p>The data and the level of detail of data that needs to be reconciled between Pericles</p>	Revenues	There are still ongoing issues being addressed by the team to ensure the proper conversion of data.	<p>Partly implemented</p> <p>Implementation date: August 2011</p>	<p>September Audit Committee Recommendation implemented.</p> <p>The new Revenues and Benefits system, OpenRevenues, went live in February 2011.</p> <p>Concerns and issues with the overall quality of conversion outputs remained an ongoing issue through-out the project.</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation / Risk	Responsible Area	Response from Management	Audit Assessment at March 2011	Audit Assessment September 2011
<p>and OpenRevenues and the required percentage matching that needs to be achieved as part of conversion acceptance testing needs to be agreed.</p> <p>Conversion reconciliation exercises between agreed key OpenRevenues and Pericles data should be formally undertaken and signed off in line with above agreed criteria.</p>				<p>There was evidence that Council Tax and Benefits reconciliation exercises were undertaken before and at go-live which provided satisfactory assurances as to the quality of some converted data.</p> <p>Officers had completed sufficient work prior to go-live to meet the recommendation.</p>
<p>Recommendation 16: Safer Recruitment - CRB and ISA Checks -</p> <p>Further guidance and monitoring should be implemented to ensure that:</p> <ul style="list-style-type: none"> • All Job Descriptions explicitly highlight the level of check that is required for that role. 	Human Resources	<p>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.</p> <p>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.</p> <p>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</p>	<p>Partly Implemented</p> <p>To review and confirm whether any individual in a CRB specified post has a valid CRB in place, and the SAP record updated accordingly.</p> <p>Implementation date: June 2011</p>	<p>September Audit Committee Implemented</p> <p>The process for the identification of posts where a CRB is required has been completed and action taken to ensure that the postholder in identified positions are in possession of a current CRB.</p>

Systems Audits & Projects 2010/11

Recommendations due for quarter 1 2011-12:

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 1: Learning Disabilities (LD) Reviews Recommendation - Timely Review of care packages</p> <p>Management should:</p> <ul style="list-style-type: none"> - ensure that annual reviews are undertaken and completed in a timely manner. - identify and prioritise the backlog of reviews. <p>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.</p>	<p>Learning Disabilities Social Care (Adults Social Care and Health)</p>	<ol style="list-style-type: none"> 1. Requested different format for the "Review Due" information, from Information team as it was felt that the format was not user friendly and did not support the business 2. Reviews prioritised by need regarding Safeguarding, Complaints and Duty referrals; not always by time 3. Managers confirm performance through supervisions 4. Objectives set for staff in Performance reviews re: Reviewing and also recording 	<p>September Audit Committee</p> <p>Partially implemented A process has recently been developed to identify and prioritise the backlog of reviews for LD Residential clients only.</p> <p>Further action: Identify backlog of reviews for all LD clients and ensure that these are undertaken and completed in a timely manner.</p> <p>Revised implementation date: November 2011</p>
<p>Recommendation 2: Data Quality - Recommendation – Systems and Processes</p> <p>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</p>	<p>Transformation and Resources (Adults Social Care and Health)</p>	<p>Since the issue of the Internal Audit Report on Data Quality, Heads of Service (CSD) have been collaborating and working closely with colleagues in CSD and other Divisions to ensure implementation of the "Management Response" i.e. a proper audit trail (for clients receiving Self Directed Support) including:</p> <ol style="list-style-type: none"> 1. Responsibility for ensuring correct recording of PBs is one of objectives in Team Managers' Performance Review 2. Staff in CSD are undergoing mandatory training on use of SWIFT & WISDOM to record 	<p>September Audit Committee</p> <p>Partially Implemented Management have taken action to inform Managers of their responsibilities concerning data quality requirements. The Information Team is undertaking sample check of case records and following up data quality issues with relevant Service Teams.</p> <p>Audit sample check of ten July personal</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
have been taken place to meet the requirements for both indicators.		<p>PBs</p> <p>3. Staff in CSD are undergoing further mandatory training on personalisation process</p> <p>4. Managers in CSD are attending workshop on 29 June to agree client journey in relation to Support Planning</p> <p>5. New more user friendly support plan has been designed and launched to support service users and staff</p> <p>6. Personalisation process and practice benchmarking visits to other councils are being organised for key staff</p> <p>7. Spot checks on standard of recording are underway</p>	<p>budgets cases revealed documentary management trail for only half of the records examined.</p> <p>Further Action As per the recommendation, management to continue monitoring recording of information and saving documentation in key systems to ensure that there is 90% compliant at the next follow-up for the recommendation to be assessed as implemented.</p> <p>Revised implementation date: November 2011.</p>
Recommendation 3 as above	Transformation and Resources (Adults Social Care and Health)	<p>Since the issue of the Internal Audit Report on Data Quality, the Safeguarding Adults Manager has been working closely with colleagues in CSD and other Divisions to ensure implementation of the "Management Response" i.e. a proper audit trail and compliance with relevant actions from the pan-London agreement on Adults Safeguarding, including:</p> <p>1. The Safeguarding Adults Officer is conducting an internal audit of safeguarding work and reporting to Heads of Service (Care Services Delivery) for any necessary management action.</p> <p>2. Summary Reports outlining themes arising from audit findings are presented to Head of Service Management Meetings when action is needed across the whole service.</p> <p>3. An improvement in record keeping is a target within Team Managers Performance Review.</p>	<p>Implemented</p> <p>Management have taken action to inform Managers and staff of their responsibilities concerning data quality requirements.</p> <p>The service is undertaking audit of sample case files to confirm compliance with service standards and procedures.</p> <p>Audit sample check of five case records confirmed:</p> <ul style="list-style-type: none"> - that the Safeguarding Adults Team Managers are completing the checklists accurately; - correct recording of information and saving documentation in key systems to

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
		<p>4. Social Workers are required to ensure that safeguarding decisions taken in supervision meetings and via other discussions with managers are recorded in profile notes (SWIFT) to evidence management involvement in the process.</p> <p>5. All staff were instructed to cease practice of saving documents to their areas of the shared drive and to upload information to Wisdom/ Swift as appropriate.</p> <p>6. Heads of Service are doing spot checks on Wisdom recording.</p> <p>7. A staff briefing on recording information on SWIFT and Wisdom will be held at a staff development session on the 13th July.</p> <p>8. The Safeguarding Adults Team are monitoring checklists and auditing a sample to ensure accuracy of managers' entries.</p> <p>9. The Recording Procedures are being reviewed.</p> <p>10. Staff have attended training regarding the development and recording of Personal Budgets and members of the Information Team have attended Learning Disability SW Team meetings to answer questions and help problem-solve.</p>	<p>provide an audit trail showing actions taken for each case record.</p>
<p>Recommendation 4: Freedom of Information – FOI Information Requests</p> <p>.The S&IR Team should take steps to remind Link Officers that they:</p> <ul style="list-style-type: none"> - comply with statutory timescales under 	<p>Standards & Information Rights Team</p>	<p>FOI training was provided to Link Officers on 21 and 23 June 2011 which covered the statutory timescales.</p> <p>An email was sent on 24 June 2011 to Link Officers which covered point (iii).</p>	<p>September Audit Committee</p> <p>Partly Implemented</p> <p>FOI Link Officers informed of audit findings through e-mail communication and reminded to comply with statutory timescales.</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>the FOI and EIRs when responding to a request;</p> <p>The procurement of a new FOI database should allow for more effective tracking and monitoring requests.</p>		<p>Emails were sent on 7 July 2011 to Link Officers covering (i) to (iv).</p> <p>All four matters will be followed up with Link Officers at the Link Officer Forum on 23 July 2011.</p>	<p>FOI response times are a Corporate Plan indicator. For the last quarter, there were 52 requests responded outside the statutory timescales, resulting in 74% achieved against the indicator target of 90%. It is noted that the service has received an increase in more complex FOI requests.</p> <p>Further Action: Continue to monitor statutory timescales and follow-up reasons for non-compliance with Link Officers, with Assistant Directors support.</p> <p>Revised implementation date: November 2011.</p>
<p>Recommendation 5: The S&IR Team should take steps to remind Link Officers that they:</p> <ul style="list-style-type: none"> - record the date the request is received by the Council and not the date the request is passed to them for processing. - record the actual number of days taken to deal with the request; this will assist to monitor time scales met. 	Standards & Information Rights Team	As above	<p>Implemented Sample check of FOI requests confirmed that Link Officers were recording:</p> <ul style="list-style-type: none"> - the request date received by the Council; - the actual number of days taken to deal with the request when closing a request on the system, - acknowledgments of requests onto the FOI system
<p>Recommendation 6: Business Continuity – Corporate Support business continuity Plans IT Provision</p>	Corporate Governance	<p>Corporate Business Continuity templates obtained from both IT and Commercial Services.</p> <p>Reviewed but plans do not immediately provide</p>	<p>September Audit Committee</p> <p>Partly Implemented</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>and accommodation Recommendation</p> <p>The Head of Insurance should co-ordinate the preparation and finalisation of Corporate Support IT and Accommodation business continuity Plans.</p>		<p>solution.</p> <p>Meeting with Zurich Municipal Regional Manager 27 June 2011 to discuss external support option for corporate Business Continuity.</p> <p>Proposals due by 8 July 2011.</p> <p>Options received and discussed with Commercial Director 18 July 2011.</p> <p>Meeting with Interim IS Transformation Manager and Information Security Manager 18 August 2011. Agilisys report considered. Business Value Matrix and Disaster Recovery will direct corporate recovery actions however the solution will not be implemented for a further 3 months – December 2011. This risk is known and accepted by the business and a corporate plan will not assist until the solution is in place. Corporate BC IT plan to be incorporated into DR solution.</p> <p>Meeting with the Interim AD - Estates scheduled for 7 September to follow up discussion re documenting accommodation strategy in response to BC.</p> <p>This recommendation is dependant on recommendation 9 being implemented.</p>	<p>The Head of Insurance has commenced co-ordination of the development of the relevant business continuity plans through engagement with the relevant officers in IS and in the Commercial Services Directorate.</p> <p>Dates for the finalisation of the IT and Accommodation business continuity plans have not been provided and there is no evidence of arrangements to monitor delivery to finalisation.</p> <p>Further Action</p> <p>Agree dates for finalisation of the IT and Accommodation business plans and establish a governance process to monitor progress and co-ordinate delivery to finalisation.</p> <p>Revised implementation date: 31 January 2011</p>
<p>Recommendation 7: Business Continuity - Corporate critical activity business continuity Plan testing Recommendation</p> <p>The Head of Insurance should co-ordinate and undertake testing of business continuity Plans for critical activities and report testing outcomes (for lessons</p>	Corporate Governance	<p>Meeting with Zurich Municipal 27 June 2011 to discuss external support option for corporate BC and implementing suitable risk led testing regime. ZM offered to review current arrangements and advise.</p> <p>Documents emailed to ZM 30 June 2011.</p> <p>Reference to testing made to BC leads at Risk and Fraud Forum Meeting 30 June 2011 and</p>	<p>September Audit Committee</p> <p>Partly implemented</p> <p>The Head of Insurance has started co-ordinating the testing of business continuity plans for the Council's critical activities with plans to undertake testing for Services on a phased and risk basis.</p>

Systems Audits & Projects 2010/11

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<p>learned purposes) to the relevant Service business continuity Leads</p>		<p>followed up in email to all leads 5 July 2011. Further support to be investigated eg neighbouring borough/peer review. Options received and discussed with Commercial Director 18 July 2011. Safeguarding (Children and Adults), Accommodation, IT/Comms and some E&O identified for first phase testing. Peer partnership identified with London Borough of Islington. Meeting held with Islington's Emergency Planning Manager and BC Manager on 18 August 2011. BC Manager is BS25999 accredited and has delivered tests at previous London Boroughs. Testing plan discussed, outcomes, format and venue etc. Test date set for 3 October 2011. Schedule of meetings to finalise arrangements with Islington over coming weeks.</p>	<p>The development of test plans and actual testing still has to start.</p> <p>Further action Develop testing plans and undertake testing of business continuity plans for the Council's critical activities in line with the recommendation and agreed action.</p> <p>Revised implementation date: 31 October 2011</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 8: IS Strategy / Business Continuity / Disaster Recovery – System Resilience Recommendation</p> <p>Management should consider improving network availability through identifying any single points of failure within the Council's network and implementing appropriate resilience features to reduce the impact of the loss of the primary IT equipment.</p>	Information Systems	<p>The Transformation Manager has completed an assessment and identified the loss of the data centre as the single point of failure. This risk is recorded on the council's risk management system. In addition to this, IS will explore with the business if further investment from each service is required to improve resilience with individual services.</p> <p>The Library system (VUBIS) is now fully backed up and a cost/risk analysis on further resilience has been carried out. A full design and specification for disaster recovery to utilise the Council's Hendon Library Data Centre has been prepared by the Infrastructure Service provider and has yet to be approved in detail. IS has an approved £1m budget, under which to procure a solution that fits existing support capacity and fits any future service delivery model under the New Support Customer Service Organisation (NSCSO) programme.</p> <p>A resolution is still being sought on future infrastructure requirements.</p>	<p>September Audit Committee</p> <p>Partly Implemented The single point of failure has been identified, and implementation is planned for resilience features to reduce the impact of the loss of the primary IT equipment.</p> <p>Further Action: IS to discuss further resilience requirements with customers by November 2011, to enable customers to choose if additional investment is required to improve resilience for their service.</p> <p>IS to secure guidance on the procurement of the disaster recovery solution and to obtain approval for the procurement process from the Director of Commercial Services by September 2011. IS to implement the solution by April 2012.</p> <p>Revised implementation date: April 2012</p>
<p>Recommendation 9: IS Strategy / Business Continuity / Disaster Recovery – IT BCP Development - Recommendation</p>	Information Systems (Commercial Services)	Interviews have been carried out with the business and compiled customer feedback on day-one-scenario recovery, and this has been fed into the IS Transformation Plan as an action to implement appropriate disaster recovery to	<p>Partly Implemented Critical systems and their dependencies have been formally identified, prioritised, documented and agreed in consultation with representatives from the critical</p>

Systems Audits & Projects 2010/11

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<p>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.</p> <p>Furthermore, management should ensure that the Recovery Time Objective (RTO) and Recovery Point Objective (RPO) are defined and agreed for each IT system.</p> <p>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.</p>		<p>support the council Business Continuity plan for bringing up key processes. The design of the IS disaster recovery plan is based on Recovery Time Objectives (RTO) work for critical systems.</p> <p>IS has undertaken an RTO analysis, and have produced a list of IT services requiring restoration to deliver the 51 critical business services: these are being designed into the IS disaster recovery solution. The deadline is September 2011 for delivery of the design and specification for the disaster recovery solution.</p> <p>With regards to Recovery Point Objectives (RPO), there is currently some debate within the business as to where responsibility for RPO lies. The Transformation Manager will consult with the Transformation Programme Board and the Programme Sponsor to obtain agreement on this point.</p>	<p>business activities.</p> <p>Recovery Time Objectives have been identified.</p> <p>Further Action: The Recovery Time Objectives will be included in the IS Disaster Recovery solution.</p> <p>The Recovery Point Objectives (RPO) issue will be raised and resolved, with a clear decision on where responsibility lies and an action plan for either commencing or handing over the work will be prepared by October 2011. Revised implementation date: October 2011</p>
<p>Recommendation 10: Special Needs Placements - Compliance with Data Protection Requirements</p> <p>Management should:</p> <ul style="list-style-type: none"> - take immediate action to review current documents held within the office and storage area to ensure that these are kept 'secure'. - remind all staff to protect personal data in their possession in line with the: 	<p>Advocacy & Monitoring team (Children's Service)</p>	<p>Lockable cupboards have been provided, all files are now securely stored. Recent spot checks confirmed compliance.</p> <p>Specific Data Protection briefing completed for the SEN performance team.</p> <p>SEN staff also part of wider Children's Service data protection briefing.</p>	<p>September Audit Committee Implemented</p> <p>Spot check confirmed all files are now securely stored in lockable cupboards and the Corporate 'Clear Desk Policy' is being followed by SEN Staff.</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Council's Data Protection Staff Guide <i>(secure all personally identifiable information when not in use (e.g. lock away client files at the end of the day) and</i></p> <p>Information Security Policy – Appx A – Item 2 <u>Documents and files - Information</u> <i>Staff should secure files, papers and data media (disks, CD's, memory sticks etc.) as these may contain confidential, sensitive and/or personal information. Staff should adopt a 'clear desk policy' out of office hours and during the day when they are not at their desk for long periods.</i></p>			

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 11: Risk Management - Risk Analysis – Risk identification (Children’s Service)</p> <p>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.</p>	<p>Policy, Planning and Performance in Children’s Service</p>	<p>Risk management briefings took place for managers on Monday 9 May, Tuesday 10 May, Wednesday 11 May and Thursday 14 May. A total of 31 managers attended.</p> <p>All team plans are to include risks. These plans are sent to the Performance and Data Management team who review the risk registers.</p> <p>All service risks are being reviewed quarterly by SMT. Monitoring.</p> <p>A monthly review of the service risk register is carried out by the Performance and Data Management Team to ensure that it captures all the service risks.</p>	<p>September Audit Committee</p> <p>Partly implemented</p> <p>A quality review process for monitoring the quality of risk identification in operational team plans had started but had not been completed.</p> <p>The quality review process will:</p> <ul style="list-style-type: none"> - ensure that team plan risks were identified for the relevant Barnet Children and Young People’s Plan (2011 update) priorities, for inclusion in/escalation to JCAD, where appropriate. - identify the need for further briefing sessions, with a particular focus on instances where quality review issues around risk identification were identified and the respective manager(s) had not attended briefing sessions. <p>Further action:</p> <p>Complete the quality review of team plans to assess how effectively managers identify risks and to assess (and deliver where appropriate) where further risk briefing / training is necessary.</p> <p>Revised Implementation Date</p> <p>Completion date: 30 September 2011</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 12: Debit / Credit Cards – Security of Cardholder Information</p> <p>Management should ensure that the guidance 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.</p>	Revenue (Deputy Chief Executives)	<p>A procedure note on handling payments made by credit and debit card from Barnet's customers was issued by the Head of Finance to relevant section managers by email on 30 June 2011.</p> <p>The section managers demonstrated to the Head of Finance that they had then cascaded this guidance to staff operating the debit/credit card systems.</p> <p>The policy and the emails cascading it have been shown to Internal Audit.</p>	<p>September Audit Committee</p> <p>Fully Implemented Management have clearly defined the control environment and circulated guidance to relevant staff operating the debit / credit systems.</p>
<p>Recommendation 13: Debit / Credit Cards – Contractual Agreements</p> <p>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.</p>	Revenue(Deputy Chief Executive)	<p>It has not been possible to obtain contact copies as not all machines have contracts in place. Therefore a tendering exercise is in process, led by the Head of Finance, in order to standardise the contract arrangements for all machines.</p> <p>A timeline for this process has been produced, with tenders received in August, an evaluation of tenders in September and the new contract expected to be in place by November.</p>	<p>Partly Implemented A tendering exercise is underway to have a written contract in place by November 2011.</p> <p>Further Action: Complete the tendering exercise and have new contract by November 2011.</p> <p>Revised implementation date: November 2011.</p>
<p>Recommendation 14: Capital Programme – Investment Appraisal Board (IAB)</p> <p>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.</p>	Strategic Finance (Deputy Chief Executive)	A series of Investment Appraisal Boards have been set up and are meeting over the next 3 weeks to review the capital programme. The last meeting is scheduled for 21st July at which point the recommendation will have been actioned.	<p>September Audit Committee Recommendation: Implemented The Invest Appraisal Board (IAB) now operates to review and challenge progress, delivery and viability of schemes in and introduced to the Council's capital programme.</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 15: Recruitment HR / Payroll – SAP Access and Exception Reporting</p> <p>SAP access should be reviewed to ensure that officers only have access to the tasks required for their role.</p> <p>Where this is not possible, exception reporting should be introduced, on a risk basis, to detect and challenge related processing actions or inappropriate access.</p>	<p>Human Resources (Deputy Chief Executive)</p>	<p>Head of HR Service Delivery in conjunction with SAP Support & Business Systems Manager have instigated a full review of the current HR & Payroll Roles within SAP including reviewing SAP Profile access and those who have access.</p> <p>An initial 'HR Roles & Responsibilities Review' Paper (attached) has outlined the principles to adhere to the Management Action.</p> <p>Work remains on-going with the SAP Support Team, Head of HR Service Delivery and Pay & Data Manager working on the detailed implementation of the Review Paper. Meetings take place every Friday to assess progress with implementation.</p>	<p>September Audit Committee Recommendation implemented.</p> <p>A detailed review of HR SAP access has commenced through the development of the HR Roles and Responsibilities Review document which refers to the principles behind the setting of HR access in SAP.</p> <p>A review of the document and discussion with the responsible officers confirmed plans:</p> <ul style="list-style-type: none"> - to prevent access, where appropriate and - restrict access to separate processing and ensure processing in line with role requirements, in particular for roles involving HR (updating employee data) and Payroll (updating pay type data) <p>The document and discussion also confirmed plans for exception reporting for independent review which will include non-standard changes to pay and extend current arrangements for checking non-ESS (Employee Self-Service) changes to bank details.</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 16: Treasury Management – Data security and backup arrangements</p> <p>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.</p> <p>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.</p>	<p>Strategic Finance (Deputy Chief Executive)</p>	<p>The recommendations have been implemented in full, IT have encrypted the laptops in use in Treasury management. IT was consulted during this process.</p> <p>All data is backed up on a regular basis.</p>	<p>September Audit Committee</p> <p>Recommendation implemented.</p>
<p>Recommendation 17: Street Lighting – Performance (Customer satisfaction surveys)</p> <p>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.</p> <p>Part 2 - Resident feedback should be analysed and issues addressed as necessary.</p>	<p>Highways - Environment Planning and Regeneration (EPR)</p>	<p>The Authority had already requested BLS to implement the Annual Survey for Year 5 and this was completed as planned during April 2011.</p> <p>In order to avoid adjustments the Authority also requested x4 separate blocks of Annual Survey forms be distributed to provide some data for Years 1 to 4, albeit carried out in Year 5 – these have also been completed resulting in a total of 2,500 Annual Survey forms having been delivered since the beginning of the year.</p> <p>To date only x19 forms in total have been returned by residents, less than 1%. For Year 5 we have received just x2 forms returned, less than</p>	<p>September Audit Committee</p> <p>Partly implemented</p> <p>There was evidence that the annual surveys required in terms of the PFI contract had been undertaken.</p> <p>A process for undertaking the monthly CIP and post CIP (Annual Investment Programme) surveys was confirmed. Evidence that the process was undertaken had been requested from the PFI contractor and still had to be provided.</p> <p>Further Action</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
		<p>0.5%.</p> <p>Returns have been logged on the attached Survey Schedule but we have not yet concluded how these will be analysed, or by whom.</p>	<ol style="list-style-type: none"> 1. Obtain evidence that monthly surveys for March April May 2011 (CIP) and May June 2011 (Post CIP) were delivered by contractor. 2. Approach the relevant officer to agree a way forward for analysis of returned customer satisfaction surveys. 3. Confirm decision, as applicable, on the future application of the contract requirement process for sending out surveys and the analysis of survey responses owing to poor resident response rate and need to focus on higher priority tasks. <p>Revised Implementation Date Completion date: 30 September 2011</p>
<p>Recommendation 18: Parking – Strategy - implementation</p> <p>A robust performance management and monitoring framework should be identified and incorporated within the strategy to ensure effective implementation of the strategy. Team plans for relevant services should be aligned to achieving the objectives of the strategy.</p>	<p>Parking - Environment</p>	<p>There is, however, a clear drive from leading Members to optimise the business efficiency of the service and to maximise income. This is used as a proxy objective and service plans aimed at delivering this are already showing success. Risk Registers and corresponding issue logs have been implemented for the various areas of the service to improve performance and monitoring.</p> <p>Action Agreed: We will identify and implement an updated Income Recovery Plan which will include robust monitoring targets.</p>	<p>September Audit Committee Implemented</p> <p>The overall Strategy for the Parking service is set out in the Parking and Enforcement Plan section of the Local Implementation Plan that the Council agrees with Transport for London.</p> <p>The Parking Service Team Plan 2011-12 (STP) specifically links the activities of the service with Corporate Priorities and Strategic Objectives.</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
		<p>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.</p> <p>Team plans for 2011-12 will be aligned to achieving the targets identified.</p>	<p>The STP also provides a framework for monitoring progress with weekly reports being provided to Directors and to the Cabinet Member.</p>
<p>Recommendation 19: Parking – Financial Planning and performance –</p> <p>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.</p>	<p>Parking - Environment</p>	<p>The key driver for income is the activity levels relating to street enforcement and the main focus of the management team appointed in 2010 is increasing the input resource and improving its effectiveness. Weekly income reports are showing the value of this approach. The Parking Service is currently undertaking an Income Recovery Plan which leads into the Parking Options work stream. Works being undertaken as a part of this process will mitigate and manage this.</p> <p>Action Agreed: As per Recommendation 1.</p>	<p>Implemented</p> <p>Financial planning for 2011-12 involved having in place target income broken down into four main streams, profiled across the year, and the model validated by Finance. Weekly monitoring and reporting takes place to ensure activity levels are maintained and income opportunities maximised.</p> <p>Progress is reported weekly to Directors and to the Cabinet Member to ensure the Parking Service continues to provide good value for money and achieves its objectives.</p>
<p>Recommendation 20: Parking – Financial recovery</p> <p>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</p>	<p>Parking - Environment</p>	<p>An action plan is in place and the leading elements are already delivering value with a positive return of over five times on investment in overtime and the use of agency staff. Risk registers relating to BAU (individual areas of the service) have been established to mitigate local risk and minimise impact onto the IRP. Risk Registers associated with each work stream within the IRP have also been initiated.</p>	<p>Implemented</p> <p>An Income Recovery Plan is in place and this is monitored at service level. Weekly monitoring and reporting takes place to ensure activity levels are maintained and income opportunities maximised.</p> <p>Updates on SPA Income for 2011/12</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
documentation on how the income targets can be achieved and risks mitigated.		Action Agreed: 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.	and the Parking Recovery Plan provided to the Cabinet Member and Council's Directors Group. Some risks have been identified and recorded in the JCAD risk management system.
Recommendation 21: Parking – Internal control and Risk Management 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.	Parking - Environment	New risk registers have been created to feed the JCAD system and their consideration is a monthly agenda item at meetings of the management team. Training in JCAD will be provided and all managers will load directly onto it by 2011/12. Since the meeting on 28/01/11, the RAG rating has been completed. If copies of previous Internal Audit reviews are provided the manager will ensure that the recommendations contained therein are addressed. Action Agreed: The risk register will be updated on the Council's JCAD system, and consideration of risks will be undertaken routinely at regular management meetings.	Partly Implemented Risks around the key elements of the recovery plan have been allocated to service managers and logged on the JCAD system. These risks are reviewed in accordance with the timetable set, using the reminders within the system, and are up to date. However, risks associated with each income work stream are not recorded on the JCAD system. Further Action: Ensure all potential risks associated with each income work stream have been identified and recorded on the JCAD system and monitored Revised implementation date: November 2011

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 22: Sustainability – Risk Management – Recommendation</p> <p>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.</p>	<p>PER (Cross Cutting)</p>	<p>The Assistant Director - Strategic Planning and Regeneration has been allocated responsibility for coordinating the development of the strategy.</p> <p>Development has not been completed owing to:</p> <ul style="list-style-type: none"> a) uncertainty around the management structure for the proposed combined Environment and Operations and Planning Housing and Regeneration directorates. b) future development depending on the outcome of the Council Leadership elections and appointment of Cabinet Members which will only be known in June 2011. <p>Sustainability is being reviewed as a topic by a Member Task and Finish Group.</p>	<p>September Audit Committee</p> <p>Partly implemented</p> <p>Full implementation of the recommendation depends on the development of an agreed strategy/co-ordinated approach for delivery of the sustainability (carbon emission reduction) agenda. The strategy will focus operational delivery for the agenda and will incorporate risk management, as standard.</p> <p>Sustainability is being reviewed as a topic by a Member Task and Finish Group, with a remit for examining specific issues and making recommendations in the area, which should assist in setting the Council's way forward for Sustainability.</p> <p>The risk register referred to some identified risks relating to the sustainability agenda.</p> <p>Further Action</p> <p>Completion of the strategy for operational delivery through effective risk management.</p> <p>Revised Implementation Date</p> <p>Completion date: 30 November 2011</p>

Systems Audits & Projects 2010/11

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment
<p>Recommendation 23: Waste Prevention – Waste Prevention Strategy – Recommendation</p> <p>Management should put a process into place to ensure there is a periodic review of the Waste Prevention Strategy and that the Strategy is fit for purpose and remains current. The Waste Prevention Strategy should reflect the latest legislative requirements and directives/trends in population behaviour/attitude towards waste prevention.</p>	<p>Environment</p>	<p>A scope for a new waste strategy was produced in March 2011 and has been agreed by the Assistant Director of PER.</p> <p>A first draft of the strategy is currently being developed. The draft strategy will take into account legislative requirements and trends in the population's behaviour and attitudes, which will be assessed through work to be carried out with Impower.</p>	<p>September Audit Committee</p> <p>Partly implemented</p> <p>The scoping for the new strategy has been completed. The first draft of the Strategy is being developed.</p> <p>Further Action</p> <p>Complete first draft of the strategy in line with the recommendation and agreed action.</p> <p>Revised Implementation Date</p> <p>Completion date: 30 September 2011.</p>
<p>Recommendation 24: Waste Prevention – Governance Arrangements</p> <p>Terms of Reference should be developed for the Waste Project Board, to ensure that the purpose, structure and remit of the Board are clearly defined.</p> <p>Adequate governance arrangements should be put in place to scrutinise, oversee and challenge the Waste Prevention Strategy.</p>	<p>Environment</p>	<p>Draft Terms of Reference for the Waste Project Board were produced in March 2011. These will be considered at the next Waste Project Board meeting, with the aim of agreeing them.</p> <p>Governance arrangements for scrutinising and challenging the Waste Strategy are to be defined following the drafting of the strategy.</p>	<p>September Audit Committee</p> <p>Partly implemented</p> <p>A draft terms of reference for the Waste Project Board has been developed. This needs to be formally approved. Formal governance arrangements for overseeing the Waste Prevention Strategy need to be developed.</p> <p>Further Action</p> <p>Approve the Terms of Reference for the Waste Project Board</p> <p>Develop governance arrangements for overseeing the Waste Prevention Strategy.</p> <p>Revised Implementation Date</p> <p>Completion date: 30 September 2011</p>