

MEETING

AUDIT COMMITTEE

DATE AND TIME

MONDAY 10 DECEMBER 2012

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Lord Palmer
Vice Chairman: Councillor Mark Shooter

Councillors:

Alex Brodtkin	Sury Khatri	Hugh Rayner
Geof Cooke	Graham Old	

Substitutes for Councillor Members:

Jack Cohen	Susette Palmer	Stephen Sowerby
Arjun Mittra	Alan Schneiderman	Andreas Tambourides

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

Governance Services contact: Chidilim Agada 020 8359 2037 chidilim.agada@barnet.gov.uk

Media Relations contact: Sue Cocker 020 8359 7039

CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

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1.	Minutes of last meeting	
2.	Absence of Members	
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Meeting	Audit Committee
Date	10 December 2012
Subject	Annual Audit Letter 2011/12
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of the Annual Audit Letter for 2011/12

Officer Contributors	Maria G. Christofi – Assistant Director, Financial Services Catherine Peters – Head of Finance, SAP Systems, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not applicable
For Decision By	Audit Committee
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A - Annual Audit Letter 2011/12
Contact for Further Information:	Catherine Peters , Head of Finance, SAP Systems, Closing & Monitoring 020 8359 7142

1. RECOMMENDATIONS

1.1 That the External Auditor's Annual Audit letter for 2011/12 be accepted as a reasonable statement on the Council's position in respect to the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Annual Audit Letter summarises the key performance issues and achievements of the Council. Those areas of weakness must be addressed over the coming year, failure to do so carries the risk of adverse financial and/or reputational consequences. This supports the Council's corporate priorities as expressed through the Corporate Plan.

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Annual Audit letter covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community on an equal basis within enhanced characteristics.

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

6.1 This report deals with the council's audit of the accounts, financial performance, value for money and financial resilience. The External Auditor provided an unqualified audit opinion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

7. LEGAL ISSUES

7.1 The Accounts and Audit (England) Regulations 2011 require that, as soon as reasonably possible after receipt of the annual letter from the auditor, the members of the Committee must meet to consider it and following that consideration must—

(a) publish the annual audit letter received from the auditor; and

(b) make copies available for purchase by any person on payment of such sum as the Council may reasonably require.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

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

9. BACKGROUND INFORMATION

- 9.1 The purpose of the Annual Audit letter is to summarise the key issues identified by the council’s External Auditor, Grant Thornton UK LLP, during their audit and inspection activity. The letter is designed to communicate messages to the Council and external stakeholders, including members of the public.
- 9.2 The External Auditor will attend the Committee meeting to introduce their report and respond to questions. This covering report extracts the key messages from within the Annual Audit Letter 2011/12, which is attached to this report in Appendix A.
- 9.3 The following is drawn to the attention of this Committee:
- 9.3.1 An unqualified opinion on the Statement of Accounts for 2011/12 was issued on 13 September 2012, ahead of the statutory certificate deadline. The External Auditor’s opinion confirmed that the accounts give a true and fair view of the Council’s financial affairs as at 31 March 2012 and of its income and expenditure for the year.
- 9.3.2 The annual value for money (VfM) conclusion was issued on 13 September 2012 and concluded that for 2011/12 the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.
- 9.3.3 Grant Thornton’s VfM work concluded that the current arrangements for achieving financial resilience are robust. It also highlighted arrangements for scrutiny, performance management and governance for transformation projects which were all found to be of an adequate standard.
- 9.3.4 Grant Thornton found no specific areas of concern with the existing VfM work and recommended only a few areas where improvements could be made to the processes in place to prepare the accounts.
- 9.3.5 Certification programme for grant claims and returns for 2011/12 is still in progress. Once this work is completed Grant Thornton will report in full on the findings of their work.

9.3.6 The audit fees for 2011/12 are as follows:

Audit area	Budget 2011/12	Actual 2011/12
Total Code of Practice fee	£373,500	£373,500
Certification of grant claims and returns*	£85,000	To be confirmed on completion of work and reported in Grants Certification Report 2011/12
Questions and objections from the public**	nil	£30,400

The fee for questions and objections from the public was not planned and relates to the additional work required to be carried out by the Auditors in relation to objections to the accounts raised by members of the public. The fee for grant certification will be confirmed once this work has been completed and will be reported in the Auditor's Grant Certification Report.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH / MC
Cleared by Legal (Officer's initials)	SS

London Borough of Barnet Annual Audit Letter 2011/12

16 October 2012

Introduction

Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at the London Borough of Barnet (the Council) during our 2011/12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2011/12 audit, including key messages and conclusions from our work in:

- auditing the 2011/12 year end accounts
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved
- certification of grant claims and returns to various government departments and other agencies.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Key messages

Our main audit conclusions for the year

The 2011/12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Accounts audit

We were presented with draft financial statements on 31 May 2012 and accompanying working papers on 11 June 2012. This is a month earlier than most Councils and we recognise the significant effort by the Council's finance team in achieving this.

The financial statements and working papers were of a high quality and co-operation in dealing with audit issues was strong, such that we are in a position to issue our report to those charged with governance in draft, based on a substantially complete accounts audit, on 18 July 2012.

We issued an unqualified audit opinion on 13 September 2012, ahead of the statutory deadline.

We recommended a number of adjustments to the draft accounts. Management agreed to make these adjustments which did not result in any change in the Council's General Fund balance.

We identified a small number of areas where improvements could be made to the processes in place to prepare the accounts. The actions agreed with the Council to minimise the chance of errors occurring in the 2012/13 accounts were included in our report and we will follow up on progress as part of our 2012/13 audit.

We concluded that the Annual Governance Statement (AGS) was consistent with our knowledge of the Council and were pleased to note the approach that the Council is taking to fundamentally review the AGS to move beyond compliance and make it as understandable and useful as possible to readers.

The Explanatory Foreword was also consistent with our knowledge of the Council, subject to a small number of proposed adjustments, which management incorporated into the final version of the document.

The Council submitted its draft Whole of Government Accounts (WGA) pack for audit by the Department for Communities & Local Government (CLG) deadline of 30 July. We were able to submit the audited WGA to the CLG by the deadline of 30 September based on there being no significant issues with the quality of the information contained in the pack.

We received questions from local government electors on the accounts and considered the points raised, as required under the Audit Commission Act 1998, and included our response and conclusions in our report. We also received one objection to the accounts which has now been resolved, allowing us to certify the audit as complete on 4 October 2012.

In 2012/13 we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements, for example, around accounting treatment of schools and of leased assets.

Key messages (continued)

Value for Money audit

An unqualified Value for Money (VFM) conclusion was also issued on 13 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term. Our overall conclusion was that whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience are robust.

We also conducted targeted work to ensure that the Council prioritised its resources to take into account budget constraints and whether it delivers value for money in its priority service areas. This work included:

- updating our assessment of key risk indicators
- following up our prior year work on scrutiny arrangements
- review of the new performance management arrangements
- review of governance arrangements for transformation projects.

For each of these areas, we concluded that the Council's arrangements were adequate and, through our reporting, provided feedback and recommendations for the Council to further develop arrangements.

We will continue to review arrangements for securing VFM, focusing on key risk areas, as part of our 2012/13 audit.

Certification of claims and returns

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010/11 certification work we reported early in 2012 that performance had generally improved against key measures but identified that the Council should work to reduce the number of claims requiring amendment.

We are currently in the process of certifying the 2011/12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Audit Committee.

Outputs and fees

Our audit outputs and fees are shown in Appendices A and B.

Acknowledgements

This Letter has been agreed with Council management and will be presented to Audit Committee on 10 December 2012.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council.

Grant Thornton UK LLP

16 October 2012

Appendices

A. 2011/12 reports issued

Report	Date Issued
Audit Plan	December 2011
Grants Certification Plan 2011/12	June 2012
Audit Approach Memorandum (Accounts)	June 2012
Annual Report to Those Charged With Governance (ISA 260)	September 2012
Annual Audit Letter	October 2012
Grants Certification Report 2011/12	December 2012 (planned)

B. Audit and other fees 2011/12

Audit area	Budget 2011/12	Actual 2011/12
Total Code of Practice fee	£373,500	£373,500
Certification of grant claims and returns*	£85,000	To be confirmed on completion of work and reported in Grants Certification Report 2011/12
Questions and objections from the public**	£nil	£30,400

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

** Work on dealing with questions and objections from the public is not budgeted for and is charged at hourly rates based on Audit Commission guidance



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Meeting	Audit Committee
Date	10 December 2012
Subject	Planned External Audit Fees 2012/13
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of Grant Thornton’s planned audit fees for 2012/13

Officer Contributors	Maria Christofi, Assistant Director Financial Services Catherine Peters, Head of Finance, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A – Copy of Planned Audit Fee Letter 2012/13
Contact for Further Information:	

1. RECOMMENDATIONS

1.1 That Grant Thornton's planned external audit fee for 2012/13 be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The indicative audit fee letter 2012/13 describes the audit work proposed to be undertaken for the 2012/13 financial year and supports fundamental aspects of financial standing and performance management in Barnet, which relates to the council's "Better Services with Less Money" corporate priority.

4. RISK MANAGEMENT ISSUES

4.1 None.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

6.1 The planned level of fee has been incorporated by the council when setting the annual budget and council tax for 2012/13.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

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

9. BACKGROUND INFORMATION

9.1 The planned audit fee 2012/13 letter dated 16 October 2012 is attached as appendix A.

9.2 The fee schedule for the planned work for 2012/13 is set out in the letter. The planned fee is £224,100. This is in accordance with the published scale fees published by the Audit Commission. The 2012/13 fee represents a decrease of 40% on the 2011/12 audit fee.

- 9.3 The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated by Grant Thornton as necessary as the work progresses.
- 9.4 The fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:
- The audit of the financial statements
 - The work to reach a conclusion on the economy, efficiency and effectiveness in the council's use of resources (the value for money conclusion)
 - The work on the Whole of Government Accounts return
- 9.5 The Audit Commission sets a composite fee for the certification of grant claims and returns. The composite indicative fee for grant certification for 2012/13 is £40,800.
- 9.6 The Audit Commission has established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund for 2012/13 is £20,226.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH / MC
Cleared by Legal (Officer's initials)	SS

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Andrew Travers
 Deputy Chief Executive & Chief Finance Officer
 London Borough of Barnet
 North London Business Park
 Oakleigh Road South
 London
 N11 1NP

Grant Thornton UK LLP
 Grant Thornton House
 Melton Street
 London NW1 2EP
 T +44 (0)20 7383 5100
 www.grant-thornton.co.uk

16 October 2012

Dear Andrew

Planned audit fee for 2012/13

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £224,100, which compares to the audit fee of £373,500 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and report our findings to the Audit Committee.

Our planning has identified that the following work is required in order for us to reach our conclusions:

- Ongoing review of the Council's risk assessment processes during the year;
- Review of the contractual arrangements between the Council and its chosen provider for Regeneration services; and
- Assessment of the Council's policies and procedures for conflicts of interest.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £40,800.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £20,226. Our work on the pension fund will be undertaken in July 2013 by our specialist pension fund audit team, led by Mitesh Tanna.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
December 2012	56,025
March 2013	56,025
June 2013	56,025
September 2013	56,025
Grant Certification	
September 2013	40,800
Total	264,900
Pension Fund audit	
September 2013	20,226

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in July 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to July 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	November 2012 to September 2013	Report to those charged with governance	As above
Financial resilience	January to September 2013	Report to those charged with governance	As above
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13:

	Name	Phone Number	E-mail
Engagement Lead	Paul Hughes	0207 728 2256	paul.hughes@uk.gt.com
Engagement Manager	Melanie Fox	0207 728 2419	melanie.fox@uk.gt.com
VFM/Advisory Lead	Bob Stubbs	0207 728 2629	bob.stubbs@uk.gt.com
Pensions Audit Manager	Mitesh Tanna	01908 359585	mitesh.tanna@uk.gt.com
Audit Executive	Chris Poole	0207 383 5100	chris.poole@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner paul.dossett@uk.gt.com.

Yours sincerely



Paul Hughes
For Grant Thornton UK LLP

Meeting	Audit Committee
Date	10 December 2012
Subject	Grants Certification Work Report 2011/12
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To consider the report from the External Auditors on the council's management arrangements in respect of the certification process for grants

Officer Contributors	Maria Christofi, Assistant Director Financial Services Catherine Peters, Head of Finance, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A 0 Certification Work Report 2011/12
Contact for Further Information:	Antony Russell, Finance Manager, Closing & Monitoring, 020 8359 7862

1. RECOMMENDATIONS

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

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 26 April 2012 (Grants Report 2010/11)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

- 6.1 The grants submission process is the final stage in the process for receiving external funds from third parties. As noted above, if there are weaknesses in the systems for monitoring and claiming monies, these funds could potentially be at risk.

7. LEGAL ISSUES

- 7.1 The Recommendations of this report do not give rise to any, specific, legal issue(s).

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

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

9. BACKGROUND INFORMATION

- 9.1 The Council submitted 6 grant claims and returns from government departments and other bodies requiring external audit certification in 2011/12, representing a claim value of £395 million.

- 9.2 Under Audit Commission guidance, to provide assurance to the grant paying bodies, the Council’s External Auditor reviews and certifies all claims in excess of £500,000 after verifying that all the expenditure incurred by the Council qualifies under the terms and conditions of the grant. Grants under £125,000 do not have to be certified and only limited checks are required for grants between £125,000 and £500,000.

- 9.3 Key messages from the External Auditors are as follows:

- All claims were submitted **on time** to audit and all claims were **certified within the required deadline**
- Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns
- Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

- 9.4 The following performance is drawn to the attention of this Committee. It summarises the Council’s performance against key certification performance targets and prior year’s performance:

Performance measure	Target	Performance 2011/12	Performance 2010/11
Number of claims	N/A	6	10
Claims submitted on time	100%	100%	100%
Claims certified on time	100%	100%	100%
Claims amended by Auditor	0%	67%	60%
Claims qualified by Auditor	0%	17%	10%

- 9.4.1 Overall the Council’s performance in preparing claims and returns is broadly consistent with 2010/11.

- 9.4.2 In 2011/12 the number of claims requiring amendment fell but the proportion increased slightly due to the lower number of claims certified.

- 9.3.2 In 2011/12 one claim was qualified: the Housing and Council Tax Benefit Scheme return. The Housing and Council Tax Benefit Scheme return received a technical qualification based on an underpayment of £618. Grants can be qualified for £1 and there is no materiality threshold. The nature of the

qualification has not impacted on the value of the claim and the Council's performance in compiling the claim was stronger than last year.

9.4 The grant fee for 2011/12 was £78,434 compared to the 2010/11 fee of £93,653.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH / MC
Cleared by Legal (Officer's initials)	SS



London Borough of Barnet

Certification work report 2011/12

November 2012

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified 6 claims and returns for the financial year 2011/12 relating to expenditure of £395 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made some recommendations to address observations arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate claims for certification. This will reduce the risk of claims being amended and additional audit fees being incurred.

Acknowledgements

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

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November 2012

2 Results of our certification work

Key messages

- 2.1 We have certified 6 claims and returns for the financial year 2011/12 relating to expenditure of £395 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Best practice	Achievement in 2011-12		Achievement in 2010-11	
		No.	%	No.	%
Total claims/returns		6		10	
Number of claims submitted on time	100%	6	100	10	100
Number of claims certified on time	100%	6	100	10	100
Number of claims certified with amendment	0%	4	67	5	50
Number of claims certified with qualification	0%	1	17	1	10

- 2.3 This analysis of performance shows that:
- The number of claims requiring certification has decreased.
 - All claims were prepared by the Council on certified in advance of the deadlines.
 - The number of claims requiring amendment has fallen but the proportion has increased due to the lower number of claims certified.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 We charged a total fee of £78,434 for the certification of claims and returns in 2011/12. Details of fees charged for specific claims and returns are included at Appendix B.

Findings

- 2.7 The following findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Certification of Housing benefits

- 2.8 Our sample testing identified one case where benefit had been underpaid to the claimant due to duplication of a deduction. The certification instructions issued by the Audit Commission state that where an underpayment of benefit is identified, the claim should be qualified as the Council cannot claim subsidy for benefit that has not been awarded. It is on this basis that the Council's claim has been qualified in 2011/12.
- 2.9 In addition to the underpayment identified above we identified some cases which had been misclassified on the claim form. We worked with officers to quantify the value of the misclassification and agree an amendment prior to certification.
- 2.10 The claim has received a technical qualification based on an underpayment of £618, however, for this type of error our auditor instructions specify that no further testing is required. The nature of the qualification has not impacted on the value of the claim or the level of subsidy received by the Council and the Council's performance in compiling the claim was stronger than last year.

Certification of other claims

- 2.11 Where we have identified areas for improvement at the Council these have been detailed in Appendix C.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

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

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)
Housing and council tax benefit scheme	269,356,908	Y	7,698	Y	49,160	53,050
National non-domestic rates return	105,974,064	N	-	N	5,992	5,598
Teachers' pensions return	18,181,563	Y	no impact on claim value	N	8,393	4,653
HRA subsidy	11,871,423	Y	101,256	N	3,348	3,918
Pooling of capital receipts	1,333,075	N	-	N	4,600	4,495
Single programme LDA grant	101,875	Y	82,375	N	n/a	4,600
Other claims not subject to certification in 2011/12	-	-	-	-	20,040	-
Reporting to those charged with Governance	-	-	-	-	2,120	2,120
Total	394,947,485		191,329		93,653	78,434

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
HRA subsidy	The HOU01 claim required amendment in 2011/12, 2010/11 and 2009/10. The claim requires inclusion of figures derived from multiple sources. It is recommend that the Council ensure that the claim compiler is able to gain assurance over the accuracy of the figures being submitted and ensure compliance with the claim requirements.	L	<p>The Council will ensure that the claim compiler gains assurance over the figures submitted and adequately reviews the work papers prior to submission of the claim to ensure compliance.</p> <p>Immediate implementation</p>
Teachers' pension	As in the previous year there was a time lag in receiving information from the schools who have their own payroll systems. This relates specifically to payslip information which is required for sample testing of the figures included in the claim. The Council should ensure that schools running their own payroll systems are fully briefed about the timing of the audit and ensure that requests for information from audit are obtained promptly.	L	<p>The Council will ensure that schools with their own payroll systems provide the required information in a timely manner. This will allow the teachers pension return and working papers to be available within the required timescales for the audit.</p> <p>Immediate implementation</p>

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Meeting	Audit Committee
Date	10 December 2012
Subject	Corporate Anti Fraud Team (CAFT) Interim Report 2012
Report of	Head of CAFT Director of Corporate Governance
Summary	The Committee is asked to consider and endorse the CAFT Interim report
Officer Contributors	Clair Green – Head of CAFT
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A: CAFT Interim report 2012
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 020 8359 7791

1. RECOMMENDATIONS

- 1.1 That the Audit Committee considers and endorses the CAFT interim report 2012**

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 26 April 2012 Decision No. 6 – The Committee endorsed the Bribery Policy Statement and Procedure–Counter Fraud Framework and the Corporate Anti Fraud Team (CAFT) Strategy 2012-2013.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Council's Corporate Plan 2012/13 sets out three 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, policies and procedures, 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 Internal Audit and Risk Management to support their ongoing work and to assist in either confirming effective anti fraud controls and or suggested areas for improvement.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 An effective system of anti fraud, audit, internal control and corporate governance provides assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. All investigations are individually assessed to ensure compliance with the Council's Equality Procedure.

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.

6.2 The structure and budget that CAFT now operate within has proven successful and provides sufficient resource and commitment that is required to carry out an effective anti fraud service and deliver the key objectives as set out within the strategy.

7. LEGAL ISSUES

7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

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 at Appendix A is CAFT Interim report 2012.

9.2 The report summarises progress and current status against each of the work streams identified in the CAFT strategy.

9.3 This strategy demonstrates how CAFT supports the Council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection and investigation of fraud, corruption and bribery.

9.4 The strategy details CAFT's objectives and work streams for 2012 -2013 and incorporates our response to the fraud risks and good practice detailed within the publications CIPFA's 'Managing the Risk of Fraud', the Audit Commission's 'Protecting the Public Purse', the Department for Communities and Local Government 'ten point plan for tackling fraud in the local authorities' and the National Fraud Authority 'Fighting Fraud Locally' document.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	MC
Cleared by Legal (Officer's initials)	JL

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The primary responsibility for the prevention, detection and deterrence of fraud, corruption or anti money laundering activity lies with the Managers / 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, corruption or money laundering activity found in a service area lies with the CAFT.

Policies and guidance	Counter Fraud Framework (CFF) new Bribery Policy Statement and Procedure agreed at Audit Committee in April 2012. CAFT will revise and update the CFF in coordination with the CIPFA published expected new good practice guidance in Q3/4 2012/13
Governance arrangements	Bi Annual Reporting to Audit Committee and Quarterly reporting to the Council's Statutory Officers
Action / Work plans	1. Joint Pro-Active Fraud Plan with Internal Audit (IA) and Risk Management (RM) 2012-13 2. CAFT Strategy 2012-13

Section 1: Joint Pro Active Fraud Plan with IA and RM

Proactive Anti-Fraud work - The level of proactive anti-fraud work will be dependent on how much reactive work is received by the CAFT. As a result not all areas may be reviewed in 2012-13. Any areas that are still relevant will be carried forward to 2013-14. The continuous anti fraud work / reviews element of this plan are incorporated within the work streams of the CAFT strategy.

Area of review	Description of Work	Status
Self Directed Support (Direct Payments)	Follow up previous anti-fraud recommendations in this area and work collaboratively to review anti fraud arrangements in relation to the new payment cards system. CAFT instructed PWC specialist anti-fraud / direct payment specialists to undertake this audit to ensure the arrangements for direct payments are fit for purpose, in relation to anti fraud measures. Report issued in 2011/12 and recommendations agreed.	In progress: Several meetings have taken place with the Service in order to ensure anti fraud arrangements are embedded with the implementation of pre-paid cards and new processes from previous recommendations. A full follow up review is planned for Q3/Q4
Purchase Cards	Pro-Active anti-fraud exercise to ensure that the Council's anti-fraud arrangements around purchase cards are fit for purpose.	In progress: Scoping has been agreed and initial background work has been conducted. Currently put on hold due to level of referrals and ongoing investigations.
Registration and Nationality Service	Pro-Active joint working with UK Border Agency (UKBA) embedded officer to prevent, deter and identify persons who are looking to exploit council's services illegally.	This is anticipated to begin in Q4 due to UKBA resources.
Council Tax and National Non Domestic Rates (NDR) and Electoral Registration	Pro-Active exercise and targeted anti fraud work in this area to ensure that the anti-fraud measures are fit for purpose and robustly complied with and that any exemptions and discounts given are valid and appropriate.	In progress: At the end Q2, we have investigated 177 Single Person Discounts (SPD): as a result of these investigations so far 46 SPD have been removed with savings / additional income identified as £31,861.93 and 71 investigations closed as discounts validated. 60 ongoing investigations

Section 2: CAFT Strategy 2012-13 demonstrates how the council is committed at the highest level to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity. This strategy also incorporates the CAFT's response to the fraud risks and good practice detailed within the publications CIPFA's 'Managing the Risk of Fraud', the Audit Commission's 'Protecting the Public Purse', the Department for Communities and Local Government 'ten point plan for tackling fraud in the local authorities' and the National Fraud Authority 'Fighting Fraud Locally' document.

Objective	Work stream	Status
<p>To provide an efficient value for money anti fraud activity, that is able to effectively investigate all referrals that are passed to us to a high professional standard with the appropriate investigation/prosecution outcome.</p>	<p>Ensure that all investigation staff are fully qualified and that internal investigation procedures are effective and compliant with legislation</p> <p>Review and devise an updated Counter Fraud Framework in accordance with good practice and change agenda within the Council.</p> <p>Review and ensure that the team has sufficient resources to respond to demand: investigating all suspected frauds</p> <p>Provide assurance reports to Statutory Officers and Annual and Interim reports to the Council Directors and the Audit Committee</p>	<p>All investigation staff are fully qualified and there is an ongoing professional development training plan.</p> <p>Review of internal procedures is continuous in response to changing practice and legislative changes.</p> <p>Plans to revise CFF once new guidance published by CIPFA – expected Q3/Q4 2012/13.</p> <p>Budget reviewed annually in accordance with Council business planning.</p> <p>Reporting schedules in place.</p>
<p>To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all Housing and Council Tax Benefit Fraud and Error, in partnership and in accordance with the Department of Work and Pensions (DWP) guidelines and Fraud and Error Strategy.</p>	<p>Ensure that the Benefit and compliance Investigation Teams staff are fully qualified and that internal investigation procedures are effective and compliant with legislation</p> <p>Set internal performance measures.</p>	<p>All investigation staff are fully qualified and there is an ongoing professional development training plan.</p> <p>Review of internal procedures is continuous in response to changing practice and legislative changes.</p> <p>Performance measures set and monitored internally.</p> <p>As at the end of September 2012, we have achieved 39 (2011/12 mid year: 39) sanctions.</p> <p>We also have a further 250 open cases of Housing and Council Tax Benefit Fraud and Error, of which 178 are ongoing investigations, 38 are joint investigations with the DWP, 17 investigations are with the shared Legal Service for prosecution action and a further 17 with DWP's legal team for prosecution action.</p> <p>Benchmarking figures for London place Barnet's CAFT within the top quartile for overall sanctions per Investigation Officer</p>

CAFT Interim Report: April – September 2012

Objective	Work stream	Status
		<p>and in top the quartile for overall number of sanctions, this is consistent with the team's performance over the past three years. This highlights that our working practices and procedures are effective and offering good value for money.</p> <p>All statistics provided on a timely basis to DWP.</p>
	<p>Provide statistics on a quarterly basis to the DWP as required</p>	<p>So far this year we have received 1703 housing benefit related data matches (2011/12 mid year: 1987).</p>
	<p>Effectively deal with all benefit related data matches that are received</p>	<p>So far these matches have resulted in the team identifying approximately £721,846 worth of fraud and error in the benefits system, (2011/12 mid year: £1,101,900).</p> <p>This year the DWP have run the data matches on a more frequent basis so this has reduced the length of overpayments and they have also introduced new credit check matches which in most cases have not resulted in change of benefit.</p> <p>It is worth noting that the overpayment figures fluctuate throughout the year and is quite dependent on the type of matches received from the DWP. It is therefore not an indication at this point that there has been less fraud and error identified in the system.</p>
	<p>Ensure that we keep updated and respond appropriately to the planned changes in respect of the DWP single fraud investigation service and implementation of universal credit.</p>	<p>The Benefit Fraud Manager is nominated lead officer. Changes due to universal credit have so far had minimal impact to current investigation process. Further changes expected in 2013.</p>
<p>To encourage all Council Services and the LATC to acknowledge fraud risks, and for CAFT to provide anti fraud control recommendations, as well as continuous anti fraud reviews, audits and compliance work in relation to identified high risk areas in order to prevent fraud.</p>	<p>Develop and deliver a Joint Risk Based Annual Plan between CAFT, Internal Audit and Risk Management</p>	<p>The Joint Plan is approved, in place and on target – detail on the CAFT pro-active exercises are included in section 1 of this report. There is continuous ongoing input and liaison with Internal Audit on fraud cases and vice versa on internal audits where necessary.</p>
	<p>Continue to build on the work of the Fraud and Risk Forums– provide guidance and challenge and ensure that fraud risks are considered and identified on service risk registers / JCAD.</p>	<p>Ongoing. These Forums take place quarterly and have been effective in increasing the awareness of fraud risks across the Council.</p>

CAFT Interim Report: April – September 2012

Objective	Work stream	Status
	<p>Collaborative working with partners and the LATC and partners to ensure that anti fraud controls are appropriate and fit for purpose on all aspects of fraud risk.</p>	<p>We have developed a good working relationship with the LATC - Barnet Group (BG). Liaison meetings and process in place for CAFT and Internal Audit to have sight of Barnet Group audit committee reports and papers for discussion with senior officers. CAFT have worked with BG on a number of fraud issues and have received a number of fraud referrals from them.</p>
	<p>Continue to provide Fraud Awareness training via the e-learning package</p>	<p>Ongoing. This has been a successful training package reflected in the increased amount of contact with the team and advice and assistance CAFT are providing to staff across all services. There are plans to redesign and re-launch in 2013 in accordance with new Council structure and Assurance Group.</p>
<p>Deter Fraudsters from committing fraud within or against the Council.</p>	<p>Have an aggressive publicity campaign in relation to all prosecutions</p> <p>Ensure that Fraud Awareness training via the e-learning package is kept updated and relevant with examples of CAFT investigations</p>	<p>Ongoing. We have had a "First Team" article on work of team published, had various press releases issued and investigations covered in the local press.</p> <p>Ongoing. This has been a successful training package reflected in the increased amount of contact with the team and advice and assistance CAFT are providing to staff across all services/organisations. There are plans to redesign and re-launch in 2013 in accordance with new Council structure and Assurance Group.</p>
	<p>Having a communications plan in relation to raising awareness of the work of the team and the Council's counter fraud framework</p> <p>Launching and publicising an online fraud reporting form and new web page</p> <p>Publicising the Council's Whistle blowing policy</p>	<p>Ongoing. We have had a "First Team" article on work of team published, had various press releases issued and investigations covered in the local press.</p> <p>Completed. New webpage on fraud investigation along with online reporting form launched with new website in April 2012.</p> <p>This will now be revised along with Counter Fraud Framework once CIPFA new guidance published which is expected Q3/Q4 2012/13. Once this is completed then will be publicised and communicated as part of the new Assurance Group.</p>

CAFT Interim Report: April – September 2012

Objective	Work stream	Status
Pursue fraudsters and seek redress.	<p>Seek appropriate penalties for fraudsters and recover any losses and obtain compensation by utilising our in house financial investigation Officers</p>	<p>So far this year we have received 75 new internal referrals (2011/12: mid year 46). Referrals into CAFT range from fraud referrals to requests for advice and assistance (such as disciplinary matters and control issues) hotline and whistle blowing referrals and joint working UKBA operational referrals. Initial investigation work takes place on all referrals before a decision is made whether to initiate a criminal investigation or pass to a relevant service / body where our advice, assistance and support is given to resolve matters.</p> <p>Of the 75 new referrals (plus 25 carried fwd from 2011/12) 41 are still open as ongoing investigations, 8 have been closed as fraud proven, 11 closed as insufficient evidence to continue with investigation, 19 closed as no fraud was found, 16 were advice, assistance and support given to other services, 5 referred to other services / organisations to investigate.</p> <p>Within the 41 ongoing investigations there are 17 financial investigations with a number of confiscation proceedings scheduled for hearing or payment in 2012/13 – if confiscation orders are awarded this would generate income for the Council and help recoup some of the costs incurred on investigation/prosecution.</p>
	Liaise with relevant Services to raise awareness in relation to Proceeds of Crime legislation / investigation	Ongoing. Good liaison in place with other departments which has resulted in a number of referrals.
	Ensure consideration is given to financial investigation in all CAFT investigations in order to maximise recovery of losses and income for the Council.	Complete. Process in place to ensure this happens.
	Ensure that financial investigation staff meet the requirements of their continuous professional development and their accreditation	All relevant staff are fully accredited and continue to meet the requirements of the NPIA. This is monitored internally by Head of CAFT in role as NPIA Senior Authorising Officer.
Apply appropriate sanctions– we will take action against any one who commits fraud whether they are members of staff or members of the	Ensure that the Council's approved Counter Fraud and Anti-Money Laundering Frameworks are reviewed and updated in response to the changing environment of the council and good practice	Planned for Q3/Q4 2012/13.

CAFT Interim Report: April – September 2012

Objective	Work stream	Status
<p>public.</p>	<p>Ensure that all investigations are carried out in compliance with our policies and appropriate legislation, consistently applying our "Zero Tolerance" approach</p>	<p>Procedure in place to ensure that this is reviewed by CAFT management on the conclusion of each investigation before case closure.</p> <p>There have been no requests or authorisations under the Regulation of Investigatory Powers Act during the period April 2012 – September 2012.</p>
	<p>Communicate updates / new policies to all staff</p>	<p>Completed as part of staff one to ones and team meetings and posted on the intranet for all staff to observe council-wide.</p>
	<p>Ensure that there is a system in place to review compliance checking against policies</p>	<p>The framework is in place and managers are responsible for ensuring compliance with all council policies. CAFT and Internal Audit review cases where appropriate where internal controls are lacking, providing recommendations for improvement.</p>
<p>Strengthen existing partnerships – develop new partnerships.</p>	<p>Build on existing UKBA Partnership where UKBA have an embedded officer within the CAFT office ensuring that only those eligible (i) to work and/or reside in the UK (ii) receive services and benefits from the Council, do so</p>	<p>UKBA partnership ongoing and effective.</p> <p>CAFT have pro-active joint operation with UKBA: Operation Sun: we are currently vetting over 3,019 employees to ensure they have the right to work in the UK. 10% check conducted so far. As a result of this 4 employees have now been dismissed as they had no right to work.</p> <p>CAFT also worked closely with HR in relation to a new recruitment and selection policy including enhanced vetting and revising the code of conduct to ensure implications of the Bribery Act are built into procedures.</p>
	<p>Further strengthen the existing partnerships and liaison with Police within Barnet alongside continued working with our local "crime payback unit" ensuring that criminals we are investigating within the borough do not profit from the proceeds of crime.</p>	<p>Ongoing. Excellent liaison, support and working relationships with local police and crime payback unit.</p>
	<p>Continue to work in partnership with the DWP in relation to Housing and Council Tax Benefit Fraud and Error.</p>	<p>Ongoing. Effective liaison and joint working process with DWP fraud team. This is demonstrated by the overall benefit sanction figures of which 38 are joint investigations. Of these, 17 are with DWP's legal team being considered for Joint Prosecution.</p>

CAFT Interim Report: April – September 2012

Objective	Work stream	Status
	<p>The London Fraud Hub – build on collaborative working with other local-authorities in West London to use data analytics to track cross boundary fraud.</p>	<p>All data sets have been submitted, awaiting outcome of legal process on data protection issues. West London fraud managers group has had several partnership meetings – awaiting first set of matches – due Q3/Q4.</p>
	<p>Develop arrangements with new partners in accordance with the Council's strategic objectives</p>	<p>In progress: We have developed a good working relationship with the LATC - Barnet Group (BG). Liaison meetings and process in place for CAFT and Internal Audit to have sight of audit committee reports and papers. CAFT have worked with BG on a number of fraud issues and have received a number of fraud referrals from them.</p>

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Meeting	Audit Committee
Date	10 December 2012
Subject	Exception Recommendations Report and Progress Report up to 30th November 2012
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	<p>Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2012-13 & high priority recommendations.</p> <p>In addition, Members are asked to note the progress made against the Procurement Controls and Monitoring action plan.</p>

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	<p>Appendix A: Internal Audit Progress Report (up to 30th November 2012)</p> <p>Appendix B: Work completed to date to November 2012</p> <p>Appendix C: Work in progress to November 2012</p> <p>Appendix D: Internal Audit Effectiveness Indicators</p> <p>Appendix E: Internal Audit Recommendations quarter 3 (end of November)</p> <p>Appendix F: Procurement Controls and Monitoring Action Plan Report</p>
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 progress against the Internal Audit Plan for 2012-13 to 30th November 2012 and the actions being taken to address some cases of non implementation of high priority recommendations.

1.2 It is further noted that the reporting of the Procurement Controls and Monitoring Action Plan to the Audit Committee is now complete.

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.

2.2 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.

2.3 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.

2.4 Audit Committee 8 December 2011 - recommended that the Assistant Director of Finance – Audit and Risk Management continue to report to the Audit Committee on the further implementation and embedding of these controls (in relation to the Procurement Controls and Monitoring Action Plan).

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 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to: have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The, relevant, 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination.
- 5.2 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

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 provides that '...every local authority shall make arrangements for the proper administration of their financial affairs...'

Pursuant to 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 (Relevant section from the Constitution, Key/Non-Key Decision)

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

9. BACKGROUND INFORMATION

- 9.1 The Internal Audit Service has continued to deliver work in accordance with its

plan issued to the Audit Committee in April 2012. Over the current period since the Committee last met in September 2012 the service has issued 25 reports, all but 5 were rated as satisfactory. Of those 5 was given a 'no' assurance report – Regeneration Programme. Information has been presented in Appendix A on those reports issued as limited or no assurance.

- 9.2 A number of recommendations that were due at the end of November are still in progress however our early assessments have been included for the Audit Committee to review (appendix E). This shows that 87.5% had been implemented at the time of reporting (30th November 2012), which is an improvement from last quarter where only 44% were implemented in full by the due date.
- 9.3 The Committee's role is to review the progress to date and challenge where appropriate the progress made. Directors and/or Assistant Directors were asked to attend the Committee where an amber rating had been received on the assessment of progress to discuss work to date and work planned to cover off any perceived risk.
- 9.4 In addition, it was agreed by the Audit Committee that the Procurement Controls and Monitoring Action Plan be included for discussion on progress. The recent review of the area by Internal Audit has considered that the assurance level given to this action plan is now satisfactory. There is still some embedding of these controls to ensure they remain business as usual however there are no high priority recommendations for reporting back to the Audit Committee.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Cleared by Finance (Officer's initials)	JH and MC
Cleared by Legal (Officer's initials)	SS

Appendix A

London Borough of Barnet

Internal Audit & Risk Management

Progress Report 2012-13 – Quarter 3 (up to reporting deadline of 30th November 2012)

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

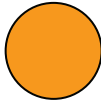
1. Introduction

The Internal Audit Plan was accepted by the Audit Committee on the 26th April 2012. This report follows the principles previously requested by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

2. Final Reports Issued

This report covers the period from 31st August to 30th November 2012 and represents an up to date picture of the work in progress to that date however it should be noted it is not formally the end of quarter 3. The Internal Audit service has over this period issued 25 reports in accordance with the 2012-13 Internal Audit Plan. The full list of completed audits during this period is included within Appendix B. The majority of reports issued in the current period were given satisfactory assurance with 4 reports given limited assurance and one report issued as no assurance. The summary detail of those reports issued as limited and no assurance are included within section 3.

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

Title	Housing Needs and Resources (Barnet Group)			
	No	Limited	Satisfactory	Substantial
<p>Assurances</p> <p>Audit Opinion & Direction of Travel</p> <p>First review of Barnet Group for this scope</p> <p>Date final report issued</p> <p>Background</p>				
				<p>Prior to the transfer of the Housing Needs and Resources Service to Barnet Group there were weaknesses in controls identified through an investigation carried out by the Corporate Anti-Fraud Team (CAFT). It was agreed that a joint review by CAFT and Internal Audit would be undertaken to review the controls after transfer once improvements had been made to give assurance to the Barnet Group that all potential gaps in control had been resolved.</p> <p>Barnet Group are responsible for the implementation of these recommendations and they have separately reported the findings to their audit committee.</p>

Summary of Findings

We confirmed effective processes in Finance (Barnet Group) for ensuring the accuracy and validity of Housing Needs and Resources requests for rental payments.

There was one significant issue identified as part of this review:

- Management indicated that budgets had not been developed for Housing Needs and Resources team transferred to Barnet Homes.

We identified the following issues:

- There were no comprehensive version controlled and dated documented procedures governing Housing Needs and Resources requests for rental payments to Landlords.
- The authorised HNR request for rental payment forms submitted to Finance to process landlord rent/advance deposit payments was not either submitted to Finance electronically or submitted as part of controlled stationery.
- The confirmation of the existence and validity of landlords was not undertaken independently by Finance for the creation of vendors in the system.
- Duplicate payment checks for payments from 1 April 2012 had not been run at the date of the draft report. Management confirmed that these were due to be run shortly for review and investigation.
- We were informed that there were no pro-active processes to ensure that authorised signatory lists in Finance are up to date. Such arrangements are necessary to prevent unauthorised payments by officers who no longer have the required authority or may have left the company.
- More robust processes for responding to vendor requests to change bank details had been introduced from early August 2012. While responsible officers indicated that the vendor would be contacted using contact details from reliable sources, for example, prior invoices to confirm/validate the change to the bank details, there was no evidence of such independent confirmation of vendor contact details prior to doing so.
- We established that officers in the Housing Supply Team had the user access to create clients in SAFFRON when such access was not required in terms of their role.

Best practice recommendation

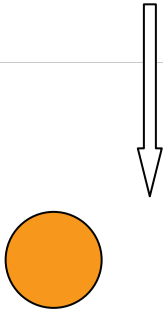
Many of the controls mentioned are generic and not unique to Housing Needs and Resources landlord payments. Related controls should be adopted for other payment processes in Barnet Homes, where necessary.

The development of budgets in Housing Needs and Resources should be expedited for the monitoring of payments made to landlords. Budget monitoring arrangements routinely comparing actual landlord rental payment expenditure to budget/expected outflows should be implemented.

Priority 1 recommendations

Management Responses and agreed action dates

Monthly budget monitoring to be carried out to monitor actual vs forecast spend. This will also be reconciled with rent in advance payments on a monthly basis (Complete).

Housing Benefits		No	Limited	Satisfactory	Substantial
<p>Title</p> <p>Assurances</p> <p>Audit Opinion & Direction of Travel</p> <p>An Assurance Level of “satisfactory” was provided in 2011-12 for Housing Benefit.</p>					
<p>Date</p> <p>final report issued</p> <p>Background</p>		November 2012			
					<p>The audit of Housing Benefits was agreed in the Internal Audit, CAFT and Risk Management Plan 2012-13 as:</p> <p>“Dissemination of key controls within the Council’s key financial systems. Ensure compliance with external audit requirements.</p> <p>“Liaison to occur between CAFT and IA throughout this process for their understanding of any specific fraud risks that are apparent in each system.”</p> <p>The main objective of the Benefits Service is to provide an effective, fast, accurate and secure Housing Benefit and Council Tax Benefit service that is customer focussed, modern and efficient. Housing Benefit and Council Tax Benefit are means tested Social Security benefits administered by Local Authorities on behalf of Central Government. The benefits administered are available to most residents who are liable for rent or council tax and have a low income regardless of whether or not they are working, receiving benefits, and pensions or are self employed.</p>

Summary of Findings

We noted the following areas of good practice:

- There is a good system of management checks in place, with any processing errors fed back to staff for correction and learning purposes;
- Where overpayments occur, these are promptly identified and recovered, once all available information has been considered. Irrecoverable debt is written off with the approval of Cabinet Resources Committee;
- There are generally satisfactory processing speeds in all areas;
- Changes of circumstances were generally actioned promptly and accurately;
- There is good awareness amongst officers and management of the role of the Corporate Anti Fraud Team.

We identified the following significant issues as part of the audit:

- Data security – view-only access to OpenRevenues has been granted to Barnet Homes. The access is not subject to an information sharing agreement and therefore may not be compatible with the Council’s responsibilities the under the Data Protection Act 1998, leaving the Council vulnerable to penalties from the Information Commissioner;
- Backdated housing benefit claims: our sample of backdated claims found one backdated claim which had been paid out with no evidence of appropriate authorisation; one claim where the amount authorised and the amount paid out differed considerably; one claim which had been paid out without the claimant demonstrating or evidencing the necessary good cause; and two claims which were processed with unwarranted delay.

In addition to the main findings, we also identified the following issues:

- Claims processing: although the Councils housing benefit application form specifies which proof of identity and address documents are acceptable, our testing found that a wider range of documents was being accepted. There is a need to review and clarify for staff and customers which documents the Council will accept to verify identity and address;
- Claims Assessments: there is no procedure for processing Housing Benefit applications received via the Department of Work and Pensions (DWP) on forms known as Local Authority Input Document, or LAIDs. Therefore there are inconsistencies in assessing these claims. In three of a sample of ten claims received from the DWP, the DWP Customer Information System stated clearly that no identity document had been seen or verified, nor was one requested by the Council.
- Policies and procedures: the training index shows that the most recent updates were undertaken in 2010, with some not being updated since 2007, and these need to be reviewed and updated

Priority 1 recommendations

Recommendation 1:

Access to OpenRevenues by any person or organisation outside of the Council's Revenues and Benefits Service should be reviewed in line with the Council's Information Sharing Policy and the Data Protection Act 1998 and formalised through an Information Sharing Agreement as appropriate. The Standards and Information Rights team within Corporate Governance should be consulted to advise on this review.

Recommendation 2

The backdating procedure should be reviewed to ensure that it is fit-for-purpose and minimises the potential for fraud and error. The procedure should be agreed by senior management, documented and readily available to all relevant members of staff, with training where necessary. The procedure should be version-controlled and reviewed at the appropriate level at least annually.

Clear evidence of authorisation should be attached to OpenRevenues; any changes to payment amounts which are not *de minimis* should be re-signed at the appropriate levels. Authorisation levels should be reviewed to take into account the abolition of the Senior Assessor posts in the recent restructure; evidence to support a backdating claim should be required wherever possible; and backdated claims should be processed promptly where possible.

Management Responses and agreed action dates

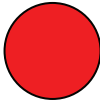

Response 1

Following the audit and feedback meeting, we have conducted a review of all the access to the OPENRevenues system. The data held for the administration of benefits and the use thereof by Barnet Group has been considered in conjunction with <http://www.dwp.gov.uk/docs/mou-2011-2012.pdf>, and <http://www.dwp.gov.uk/docs/mou-2011-2012.pdf>. Having discussed our findings with the Data Protection Governance Officer we concluded that their access was not compliant and revoked it with effect from 16/10/2012. Consideration is still being given to Barnet Group's access requirements in support of the homelessness function. **(Implemented)**

Response 2

Accepted. The backdating procedure has been reviewed and revised as appropriate. The revised procedure has been documented and circulated to all staff.

The monthly benefits whole team meeting held on 10 October 2012 contained a session specifically dedicated to the audit findings and actions arising from these. At the meeting the training officer went through the revised backdating process in detail. **(Implemented)**

Title	Regeneration Programme			
	No	Limited	Satisfactory	Substantial
Assurances Audit Opinion & Direction of Travel Last audit: 2008/09 (Limited)				
Date final report issued Background				
<p>November 2012</p> <p>The Council's regeneration strategy is ambitious. It seeks to transform parts of the Borough by developing homes and increasing job opportunities for residents, as well as working with developers and local businesses to encourage economic growth and sustainability, social prosperity and quality of life for residents.</p> <p>In May 2013, the regeneration team will move into DRS, and it is expected that the provider's project management control systems will be adopted.</p> <p>The Regeneration Strategy will ensure that regeneration develops cohesive communities meeting the needs of all that live within them. The regeneration schemes are working in partnership with key stakeholders and local residents.</p>				

Summary of Findings

The review found a number of limitations in the design and operation of project and programme management (PPM) controls. We noted the following points which have affected the robustness of the current control environment:

- The overall approach to managing and delivery regeneration projects is likely to change significantly when the management of projects is outsourced from May 2013. In the interim, some interviewees noted that making changes to PPM controls may be nugatory.
- The Hydra software which has been previously used for key project management tasks such as planning and risk/issue management was not optimised for the requirements of regeneration projects. Furthermore, interviewees noted that this software was no longer supported so no further changes could be made.

The fieldwork identified eight findings, five rated "Priority One" and three rated "Priority Two". In our view, given the number and severity of findings, we recommend that interim controls be developed to tackle these issues before outsourcing takes effect later in 2013. Our findings are summarised below:

Priority One findings

Governance – organisation, roles and responsibilities

- The review identified issues and inconsistencies in the programmes organisation structure, roles and responsibilities and the escalation process. At the time of fieldwork, we noted a number of areas where programme level controls were weak or nonexistent, for example; where was no overall programme plan in place, the programme board does not monitor the project performance as set out in its terms of reference and there were no tolerance levels in place or specific escalation points at which projects would be required to escalate information to the Programme. In addition, we were unable to identify where roles and responsibilities across the programme, project teams and third party interfaces were clearly documented or defined.

Governance – project management process

- The review identified areas of control weakness in relation to the project management process used in the sample projects we tested. Individuals were unaware of the guidance set out in the Corporate Project Management toolkit. We noted that the project management processes in use in the sample projects did not meet the minimum standards required, in relation to both the project management process being followed and the required associated documentation. In addition, the review noted particular weakness regarding the sample projects' business cases and project initiation documents.

Planning

The review identified areas where the Council side programme and project plans and dependency management could be improved, as follows:

- There was no overall programme plan in place, and it was unclear how the programme would monitor the delivery of tasks at this level or manage project interdependencies. This may mean conflicting requirements upon Council resources occur.
- The project planning information we reviewed appeared to be incomplete and out of date. For example the Grahame Park Hydra and MS Project plan's appeared not to have been updated since March 2012. The project appeared to have conflicting dates for key tasks, for example in relation to the start of work on site for the next building phase (1bi). It was unclear what the original baselined planned dates for key milestones or tasks were and the plan's did not show the project's critical path of activities, when the tasks were last revised, the percentage completion of tasks or details of project dependencies. It was also unclear where the Council side project plan's were reviewed or how changes would be approved.
- The review found that there were no formal dependency management processes in place, appropriate for the scale and complexity of the projects and programme. For example, processes were not undertaken to identify, assess and agree dependencies, followed by coordinated and focussed actions in order to manage and monitor them.

Risk management

We found a number of areas where risk management controls and documentation were insufficient for a programme of this size and complexity.

- The department does not have a documented risk management strategy in place for regeneration projects or a defined process to follow for risk management.
- The roles and responsibilities for those involved are not defined and there are no documented thresholds or escalation routes for projects.
- The Programme Board does not review Regeneration Programme level or project risks.
- The Grahame Project risks had not been reviewed since 11/11/11 and the risks did not have owners assigned; record the date the risks were identified or the date action was due. We were unable to identify where this information was reviewed.

Issue management

On review, we identified findings in relation to the design and operational effectiveness of issue management controls:

- The department does not have a documented issue management strategy in place for regeneration projects or a defined process to follow for risk management.
- The issues reviewed by the Programme board were different to those contained within project issue logs within Hydra. The programme issue log did not contain information around when the issues were raised or the owners of the required resolution actions.

- The Grahame Park project issue log taken from Hydra appeared not to have been updated since 11/11/2011 and did not have owners assigned to the resolution actions or target dates/deadlines for completion.

Priority Two findings

Governance – operation of project and programme management controls

- The review found that the programme and project boards were not operating as stated in their terms of reference, for example the programme board does not review project delivery information as stated and the Grahame Park monthly project board had not taken place since July 2012.

Financial management

- The review identified areas where Grahame Park's financial management, in relation to costs to the Council, for example the projects budget had not been formally agreed and was based on outdated information. The budget did not show detailed costs or forecast throughout the year. We were unable to identify where actual spend was reviewed by the project:

Monitoring and reporting

- The review identified areas in the Grahame Park project reporting that should be improved, for example the information provided was not complete, accurate or timely. The programme intends to introduce a new highlight reporting template which will require this information to be obtained or corrected for the template to be successful.

**Priority
recommendations**

Recommendation 1

We note that from April 2013 the management of Regeneration projects and programmes will be outsourced and new processes will be adopted. Prior to this transfer, management should confirm if the individual regeneration projects should be managed as a cross-cutting programme.

- If the work is to be managed as a programme, management should take steps to enhance programme-level controls. For example: The organisation structure in place provides sufficient management and oversight on project delivery.
- The project and programme roles and associated responsibilities are clearly documented and understood, and plans are in place for covering any significant vacancies before DRS goes live.
- There are clearly defined escalation points at which project information is required to be taken to the programme board
- A programme plan should be introduced

Recommendation 2

We note that from April 2013 the management of Regeneration projects and programmes will be outsourced and new processes will be adopted. In the meanwhile, management should consider introducing, throughout the regeneration programme and projects, a clearly defined interim project management process, that should ensure:

- Compliance with the corporate project management methodology and production of the required minimum standards of project documentation.
- Periodic review points for key project information.
- Clearly defined escalation procedures.
- This process should be supported with the appropriate training as required.

Recommendation 3

- a) Management should consider the introduction of Programme Plan to monitor competing priorities and project interdependencies (see recommendation 2.1).
- b) The interim management process introduced for the effective management of projects should include planning and dependency management controls. In particular, this should include:
- The introduction of appropriately detailed client side project plans, which ensure all tasks are identified, including the critical path.
 - Opportunity to ensure that progress is formally monitored and reviewed against an agreed baseline on a regular basis.
 - A process to ensure that all project and programme dependencies are identified assessed and agreed. Followed by coordinated and focussed action in order to ensure they are managed and monitored.

Recommendation 4

The interim management process introduced for the effective management of projects should include risk management process for the regeneration programme and projects. In particular, this should contain:

- Required minimum standards for project managers on the level of documentation they are required to keep to ensure that all project risks are consistently and accurately identified, assessed, monitored and managed.
- Clearly defined escalation points between individual projects, the programme and Council senior managers
- A standard format for client side risk registers that includes, risk owners, the date the risk was added, date of last review, action required and dates for when this will be completed.

The strategy and process, once agreed, should be implemented across the projects and supported with training and the involvement of the Council's risk manager as required.

Recommendation 5

The interim management process introduced for the effective management of projects should include an issue management process for the regeneration programme and projects which, should contain:

- Required minimum standards for project managers to ensure that issues which occur are consistently and effectively recorded, monitored and resolved in a timely manner.
- The strategy document should contain guidance to project managers around the introduction of a single issue log for project issues and the amount of information they are expected to record.

This process should have clearly defined escalation points between individual projects, the programme and senior managers so that the roles and responsibilities for dealing are clearer.

Response 1

The regeneration projects will be managed as a cross cutting programme.

An enhanced interim programme and project management process will be introduced; including the introduction of a programme plan and clearly defined escalation procedures.

A review of the Governance structure, including the terms and reference of the Programme Board has already been discussed and agreed by the Programme Board and is underway. (End of January 2013)

Response 2

Prior to the Audit, the Regeneration Team had begun to review the existing project management process with a view to ensuring up to date and complete documentation (which follows the Corporate Project Management Toolkit) is in place before transition. House Consulting had already been engaged to help with this work.

The recommendations of the audit report, including the introduction of an interim project management process, will therefore be addressed as part of this work.

Meetings will be held with Regeneration Managers and Officers on a project by project basis to review the current existing documentation, and how this will be updated so that it meets the requirements of the Corporate Project Management Toolkit.

The Regeneration team has also changed over the past year. Arrangements will be made to ensure all new members of the team undertake the Council's Project Management training. Existing members of the team will also be refreshed as to the project management processes that must be followed.

Management Responses and agreed action dates

Response 3

As set out above, a programme plan and interim project management process will be introduced.

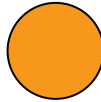
The interim project management process will incorporate all items under b) (January 2013)

Response 4

The existing risk management strategy will be reviewed and enhanced to include all the recommendations from the audit. (January 2013)

Response 5

The existing issue management strategy will be reviewed and enhanced to include all the points outlined. (January 2013)

Underhill Junior School		No	Limited	Satisfactory	Substantial
Title Assurances Audit Opinion					
Date final report issued	November 2012				
Background	<p>The aim of the audit is to provide assurance on key areas of financial management. 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 resources achieves value for money. 				

Summary of Findings

The audit found the following:

- Although the School has clear lines of delegated authority and responsibilities stemming from a defined management structure, a review of the current Financial Management and Procedures Policy document found instances of inconsistencies between policy and practice.
- A review of the School's purchasing and tendering arrangements found some controls to be in place to ensure that value for money was being achieved. However, audit tests carried out over the day-to-day purchasing system found some instances where controls were not observed.
- A lack of controls for receipting of after school clubs and uniform sales;
- A review of the letting system found adequate evidence to show that lettings income due to the school has been identified, collected, recorded and banked. However, up-to-date proof of insurance liability cover was not held for all relevant hirers.
- A review of the School's inventory records found these were not up to date. IT equipment purchased and paid for in July 2012 through their IT maintenance provider have not been included.
- Reconciliation of bank and cash balances were found to be carried out on a regular, at least monthly basis, however, a review of the School's Authorised Signatories mandate found a lack of separation of duties, as it allows four out of the five school staff listed to sign documentation in all areas of purchasing.
- A review of the temporary arrangements in respect of the School's IT maintenance provision, following termination of the previous contract held found
 - a) No visible evidence was provided to show that quotes had been obtained prior to the temporary engagement
 - b) A possible conflict of interests. Governing Body minutes for March 2012 indicate that the Director of the company was invited to join the governing body and is now a Governor;
 - c) An overhaul of the School's IT infrastructure is currently being carried out by the temporary arrangements, with the purchase of new equipment and plans to re-cable the whole School; expenditure which has not been budgeted for, or formally approved by governors;
 - d) Invoices provided by the company for this IT equipment:
 - Are all dated 2013;
 - Were paid in full in July 2012, however, the equipment was not received until mid-September

**Priority
recommendations
1**

Recommendation 1:

The School should ensure that:

- i) The officer(s) responsible for checking receipt of goods, sign and date the delivery note to indicate that the delivery was received complete etc;
- ii) Payments to individuals are made via the School's payroll provider or following receipt of formal documentation confirming that the individual may be paid gross of tax and National Insurance;
- iii) Only expenditure relating to purchases for the purpose of the School should be made from the School's budget share account. Gift and payments in kind are not allowed;
- iv) Reimbursement of VAT should only be claimed for the purpose of the school.

Recommendation 2:

The School should ensure that,

- i) A fair and transparent selection process is undertaken prior to the appointment/renewal of all contracts and there is adequate evidence recorded within minutes of meetings of the relevant committee to demonstrate this, in accordance with its own tendering and contracting requirements set out within the School's Financial Management and Procedures Policy document and section 4.1.1 of the LBB Financial Guide for Schools document, Appendix 1 (Contract Standing Orders for Schools);
- ii) The School seek formal approval from its Governing Body for the additional IT expenditure, which was not budgeted for;
- iii) The School should request evidence of 'best value' from its IT maintenance provider for all equipment provided by them, prior to purchase;
- iv) Payment of an invoice should only be made upon receipt of the goods and after ensuring that all relevant details, including the correct year are present.


Management Responses and agreed action dates

Response 1:

- Agreed - The School will ensure that controls over its purchasing system are reviewed and tightened to ensure:
- Proper checks over receipt of goods;
 - Payment to individuals are made either through payroll or following confirmation of self-employed status;
 - Only purchases for the purpose of the School are made from the Budget Share account. **(Implemented)**

Response 2:

Agreed **(Implemented)**

Title	Edgware Junior	No	Limited	Satisfactory	Substantial
Assurances					
Audit Opinion					
Date	November 2012				
final report issued					
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 resources achieves value for money. 				
					

<p>Summary of Findings</p>	<ul style="list-style-type: none"> • Although the School has clear lines of delegated authority and responsibilities stemming from a defined management structure, a review of the current Financial Management and Procedures Policy document found some inconsistencies and required updating for current procedures. • Our review of the School's current Development Plan held for 2011/2012 and Medium Term Plan 2011/2013, found that although these documents provide a clear statement of the School's educational aims it does not include clear and demonstrable links between the School's budget • A review of the School's purchasing and tendering arrangements found some controls to be in place to ensure that value for money was being achieved. However, audit tests carried out over the day-to-day purchasing system found some inconsistencies in application of controls. • A review of arrangements in respect of the School's curriculum IT maintenance provision there had been no evidence provided to confirm to the School that the equipment purchased was 'best value', i.e. no paperwork was provided to the school to confirm that comparisons had been made against various suppliers prior to purchase • A review of contractual arrangements in respect of the School's cleaning and grounds maintenance contracts found: <ul style="list-style-type: none"> • No evidence to show that a best value exercise has been carried out for either of the above since appointment. It has been noted that both contracts were only for a 12 month term; • There was no visible evidence of adequate insurance cover held for either contractor; • There was no written visible evidence of monitoring activities in respect of key contracts held by the School (for example: cleaning, grounds maintenance). • A review of the current income arrangements found there was a lack of independent checks to agree amounts banked to control sheets and classlists were not retained for audit trail of payments. • The arrangements for the audit of the Public Fund had not been made since 2008 • The schools inventory register was not up to date and a physical stocktake had not been undertaken.
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Priority 1 recommendations

Recommendation 1:

The School should ensure that its Development Plan includes relevant financial implications for each priority to demonstrate how the use of resources is linked to the budget and the achievement of the School's goals.

Recommendation 2:

The school should ensure that:

- a) Independent checks are carried out to confirm that amounts banked agree to control records and this is adequately evidenced;
- a) Source records showing the audit trail for all income collected are retained;
- b) A full reconciliation of income received against expenditure for educational visits should be carried out to confirm that all costs are met.

Management Responses and agreed action dates

Response 1:

Agreed - The Head Teacher and Deputy will ensure that the updated School Development Plans include relevant financial implications in order to provide clear and identifiable links with the School's current and medium term budgets.

Response 2:

Agreed - Procedures for all income received will be reviewed to ensure that independent checks are carried out to verify amounts banked agree to controls records, audit trails exist and no loss is made by the School from educational visits.

4. Work in progress and effectiveness review

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

As we are not at the end of the quarter for reporting purposes as such a number of the performance indicators have not been finalised, however of those reports issued 90% have been issued within 10 days of finalising fieldwork and the service has had a number of quality performance questionnaires returned, of which 100% have been returned with a rating over 3 (satisfactory) with the majority rated as Excellent. Quarter 1 & 2 information has been included for reference in Appendix D.

Implementation of internal audit recommendations – there has been an increase in council-wide performance for the implementation of recommendations within the quarter. Last quarter (quarter 2) the number of recommendations implemented was 4 out of the 9, representing 44%. As at the end of November the number of recommendations implemented within the quarter was 87.5%, representing 7 out of 8 recommendation implemented in the quarter that were due.

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 used by them as part of their financial accounts audit. Quarterly meetings, as a minimum, occur between external and internal audit.

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 there have been some changes within the quarter made to the original audit plan agreed in April 2012 in respect of timing and additional audits requested from Directorates.

Type	Audit Title	Reasons
Additional to plan	Waste and Street Scene Business case	Management requested that a review of the business case proposed for Waste and Street Scene was reviewed for compliance with their Project Management Methodology.
Additional to plan	Schools Funding Team	Management requested that internal audit carry out an analysis of the Schools Funding team's process for preparing the Schools Budgets.
Deferred from quarter 3 to 4	Budget Management	Timing change by internal audit for completion in quarter 4.
Deferred from quarter 3 to 4	Foster carer payments	Timing change due by internal audit for completion in quarter 4.

7. Reports for management purposes

There are a number of reports issued by internal audit that are not considered assurance reports but none the less aid management in assessing the effectiveness of their control environment. Within these reports if a significant issue has been identified as part of that review it has been included within this progress report:

- Commerciality of contracts** – The most significant point that came out of this review is that commerciality is a developing area for the Council. Whilst there was a clear recognition of the importance of performance management, risk management, contract governance and financial management in the two contracts that we reviewed, the extent to which each of these four elements is effectively managed is variable and is largely dependent upon the skills and experience of the Council officers which manage them.

In one of the contracts in particular, there was a degree of uncertainty as to the scope of the contract and the effect of the provisions within it. Legal advice should be sought to ensure clarity both of contract and of understanding and provide a firm basis for further contracting to prevent value leakage and additional spend.

- **Capital Programme** – a diagnostic report was run on four capital projects within the Council, for one particular project (Arts Depot Lift Replacement) there was very weak arrangements in place for governance and reporting, where mechanisms were not defined.

8. Risk Management

Risk Management continues to embed across the Council. An Assistant Director Challenge Group discusses risks contained within Directorate and the Corporate Risk Register on a quarterly basis. The corporate risk register is due for reporting to Cabinet Resources Committee on the 17th December 2012.

In addition, the overall programme level risk register for One Barnet has been published on the council's website here:

http://www.barnet.gov.uk/info/930372/one_barnet_programme_level_risk_register/1023/one_barnet_programme_level_risk_register

Appendix B: 2012-13 work completed during quarter 3 including assurance levels as at November 2012

Audit Opinions on Completed Audits during the period

Systems Audits		Assurance
1	Housing Needs and Resources*	Limited
2	Highways	Satisfactory
3	SAP Access	Diagnostic report**
4	Localism Act	Satisfactory
5	Commerciality of contracts	N/A**
6	Housing Benefits	Limited
7	NNDR	Satisfactory
8	Council Tax	Satisfactory
9	IM Strategy – data transfers	Satisfactory
10	Regeneration	No
11	Treasury Management	Satisfactory
12	Pensions	Satisfactory
13	One Barnet – working with suppliers	Satisfactory
14	Capital Programme	Diagnostic report**
15	One Barnet – Stakeholders	Satisfactory
16	One Barnet – Waste and Street Scene	N/A**
17	Schools Funding Team	N/A**
18	Procurement Controls and Monitoring Action Plan	Satisfactory

School Audits		Assurance
1	St Mary's	Satisfactory
2	Underhill Junior	Limited
3	Colindale	Satisfactory
4	Church Hill	Satisfactory
5	Garden Suburb Junior	Satisfactory
6	Queenswell Infant	Satisfactory
7	Edgware Junior	Limited

* Audit undertaken on Barnet Homes/Group post transfer from LBB

** These reports do not have assurances, any significant issues are included within the body of this report at section 7

Appendix C: Work in progress

The following work is in progress at the time of writing this report (November 2012):

Work in progress

Systems Audits	Status
1 Records and case management	Review stage
2 Income and Debt management	Draft report
3 Payroll	Testing
4 Customer Financial Affairs	Draft report
5 Public Health Integration	Planning
6 CPR compliance under £25k – Environment, Planning and Regeneration	Draft report
7 Equalities	Terms of Reference
8 Risk Management	Terms of Reference
9 Information Governance	Terms of Reference
10 Skills Agenda	Draft report

Appendix D: Internal Audit Effectiveness Indicators – quarters 1 & 2

Performance Indicator	Annual Target	End of Quarter 1	End of quarter 2
% of recommendations accepted	98%	100% (Met)	100 (Met)
% of recommendations implemented	90%	54% (Not Met)	44% (Not Met)
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment	Quarter 4 assessment
Average client satisfaction score (above 3)	90%	100% (Met)	100% (Met)
% of Plan delivered	16%*	17% (Met)	44% (Met)
% of draft reports completed within 10 days of finishing fieldwork	90%	100% (Met)	90% (Met)
Periodic reports on progress	Each Audit Committee	Achieved (Met)	Achieved (Met)
Preparation of Annual Plan	By April	Quarter 4 assessment	Quarter 4 assessment
Preparation of Annual Report (previous year)	Prior to A.G.S.	Complete (Met)	Complete (Met)
Staff with professional qualifications	70%	75% (Met)	75% (Met)
Staff development days	5 days	Quarter 4 assessment	Quarter 4 assessment

* Quarter 1 target equated as 95% of quarter 1 activity

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Quarter 3, 2012-13: Recommendations due

Code to ratings:

Shading	Rating	Explanation
	Implemented	The recommendation that had previously been raised as a priority one has been reviewed and was considered implemented.
	Partly Implemented	Aspects of the priority one recommendation had been implemented however not considered implemented in full.
	Not Implemented	There had been no progress made in implementing this priority one recommendation.

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
<p>Recommendation 1: Business Continuity – Corporate Support business continuity Plans IT Provision and accommodation</p> <p>The Head of Insurance should co-ordinate the preparation and finalisation of Corporate Support IT and Accommodation business continuity Plans.</p>	<p>Corporate Governance</p>	<p>The Head of Insurance has continued co-ordinating the finalisation of the IT and Accommodation Business Continuity Plans through engagement with the officers responsible for the development of those plans.</p> <p>Development of the IT Disaster Recovery plan and a viable Accommodation business continuity plan was <u>in progress</u> but had not been completed.</p> <p>For instance, the need was identified for further action involving</p>	<p>Implemented</p> <p>Corporate business continuity plans for IT and Accommodation have been prepared, and presented to senior management.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
		the collection and analysis of updated data on remote access availability and the numbers of officers required for critical services to ensure the development of a fit for purpose Accommodation Business Continuity Plan.	
<p>Recommendation 2: Business Continuity – resources The corporate Business Continuity lead needs to determine the level of resources required to deliver business continuity for minimum requirements.</p>	Corporate Governance	Agreed. The corporate Business Continuity lead and Director of Corporate Governance will progress this.	<p>Implemented The corporate Business Continuity lead has determined the level of resources required to deliver business continuity for minimum requirements, and the Corporate Management restructure has addressed this, ensuring that Business Continuity sits in the appropriate area.</p>
<p>Recommendation 3: Business Continuity – requirements for accommodation and IS The corporate Business Continuity lead should formulate and co-ordinate service-specific requirements and passing these to Facilities Management and IS as a matter of urgency. Business continuity responsibilities should be specified in output specifications for those areas with key Business Continuity responsibilities such as accommodation and IS.</p>	Corporate Governance	Agreed. Work has already begun on collating service-specific requirements, and regular meetings have been implemented with IS and facilities management.	<p>Implemented The corporate Business Continuity has formulated and co-ordinated service-specific requirements and passed these to Facilities Management and IS to inform their plans.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
<p>Recommendation 4: Strategic Procurement, Policies and Procedures Management should clarify if/where devolved procurement is needed. Where devolved procurement teams are established, roles and responsibilities should be formally allocated and assigned, and the role of Corporate Procurement team (CPT) clearly defined. In addition, there should be a process in place to measure, monitor and report progress of devolved teams towards meeting the Council's procurement objectives.</p>	<p>Corporate Procurement Team (Commercial Services)</p>	<p>Workshops and meetings have been held with Service Areas to establish the roles of the Procurement Business Partners and the roles of the Devolved teams. This was originally described in a paper dated April 2012 which has been used as the starting position. This paper also described the interaction between Tools, Processes and People. The Business Partner role has recently been up-skilled to enable a more strategic approach to this support role. The main tool for embedding the change is the Forward Plan and this has been built by the Service Areas and Corporate Procurement team. This plan is used to decide on procurement process and roles prior to the beginning of the year. This tool also has a resource planning scheduler which includes milestone planning in order that the central team has visibility of procurement activity for spend over £25k and can work with the Service area ensuring that the procurement starts in a timely</p>	<p>Implemented Whilst effectiveness of the devolved teams is still work in progress, Corporate Procurement Team (CPT) has met the requirements of the recommendation in that roles and responsibilities have been clarified, with the Forward Plan acting as a useful indicator of upcoming procurement activity. Monitoring of effectiveness is taking place regularly through weekly meetings with Directorates.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
		<p>manner and can be managed through the P4L eSourcing portal. The eSourcing tool ensures a consistent approach to procurement.</p> <p>Contract Management training has been rolled out, to the devolved teams, as an eLearning tool. A Contract Management workshop, which includes case studies, is being rolled out across all service areas. Both training modules include the use of templates that the devolved contract managers should use. The use of the templates is demonstrated in the training sessions and can be found on the Procurement intranet page. Reporting on each service area's progress takes place at the fortnightly Procurement Steering Group meetings and focuses on continuous improvement.</p>	
<p>Recommendation 5: Contract Management, Contract management arrangements (EPR) Processes should be implemented and responsibilities clarified across the Service for the ongoing scrutiny and challenge of contract management</p>	<p>Environment, Planning and Regeneration</p>	<p>Contract monitoring models will be decided based on best practice, current effective practice in EPR and contract term values. The models will be applied to contracts with values equal to and above CPR limits for term and</p>	<p>Implemented A contract monitoring model has been agreed with Corporate Procurement Team in line with the CPR thresholds. All contract managers within EPR have</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
<p>arrangements to ensure that they are undertaken for each contract in line with agreed and minimum contract management standards. Contract management minimum standards should be developed for contracts in line with the thresholds in the Contract Procedure Rules (CPRs), consultation should take place with Corporate Procurement to ensure practice is consistent.</p>		<p>annual contracts. Identified contract managers will receive the appropriate contract management training to enable them to manage contracts effectively. Contract managers will be monitored through standard management processes (e.g. one to one supervision and team meetings) to ensure that they are undertaking contract management in line with the agreed model.</p>	<p>been identified and have undertaken the training required by CPT by November.</p>
<p>Recommendation 6: Value for Money – Facilities Management, Leaseholder Relationship Management should liaise with the leaseholder to authorise and sign the lease for Building 2 Lower Ground Floor. Management should review all leases to identify any unbilled amounts, and liaise with the leaseholder to calculate a final amount payable. In addition, management should accrue for the full amount of payments not made since January 2008.</p>	<p>Commercial Services</p>	<p>All necessary authorities are now in place for Officers to complete the outstanding lease. Day to day meetings exist through LBB Operations Manager and Landlord's representative, also forward planned meetings are now in place addressing all lease and operational issues. Adequate provision is being set aside for the properties.</p>	<p>Partly implemented The lease for Building 2 Lower Ground Floor has not been signed, it did however have a delegated powers report and the paperwork is currently with legal to execute.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
<p>Recommendation 7 New Homes - Strategic Development for Maximisation of Outcomes</p> <p>The strategy should be completed and approved for integrating New Homes Bonus scheme operation with delivery of housing provision (for example, empty homes, new homes).</p> <p>The strategy should identify opportunities, approaches and requirements and benefits for maximising the new Homes Bonus grant allocations, where possible, in line with wider operational requirements and objectives.</p> <p>The strategy should be developed in consultation with and communicated to operational officers to ensure that underlying operation is co-ordinated towards maximising Scheme allocations, where appropriate. For example, with other aspects of Council's services for improving activities which ensure the prompt inclusion of properties on the Council Tax Base Valuation records.</p>	<p>Environment, Planning and Regeneration</p>	<p>A policy paper setting out the policy changes associated with and balancing new/empty homes delivery in line with maximising the economic and social benefits of New Homes Bonus will be drafted by EPR officers for review by the Lead Member and Corporate Directors Group (CDG).</p> <p>The policy requirements will be communicated for incorporation, as agreed, into the contract specifications for New Support and Customer Services Organisation (NSCSO) and Development and Regulatory Services (DRS) contracts to ensure continuity of approach/principal for maximising NHB outcomes following One Barnet transformation.</p>	<p>Implemented</p> <p>This has now been considered as part of the 2013/14-2015/16 Business Planning report, Cabinet on 9th November approved a new Growth Strategy for Barnet – “Supporting Residents through the ownturn/Creating the Environment for Growth”.</p>
<p>Recommendation 8 Domestic Violence</p> <p>The Council should map the</p>	<p>Domestic Violence Co-ordinator</p>	<p><u>Children's services</u> Developing a clear pathway / mapping for victims of domestic</p>	<p>Implemented</p> <p>The domestic violence assessment and</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment December 2012
<p>assessment and referral process and how departments and agencies link together. This will help to understand the different routes of referral and the process to follow, including identifying key contacts within the Council.</p> <p>The mapping and policies should clarify which assessment tool is to be used and should ensure that all directorates are performing assessments. We understand that Children's services have previously considered implementing a separate domestic violence form across all agencies. Where it is deemed appropriate there should be consistency across the directorates in the use of assessment tools.</p> <p>The Council should ensure that there are clear procedure notes for all directorates so staff are aware of the process they need to follow when a domestic violence case is identified and this is being applied consistently across the Council.</p>		<p>violence with guidance notes.</p> <p>As part of the mapping, confirm Council service criteria and detail process to be taken where a vulnerable adult does not meet service criteria.</p> <p><u>Housing</u></p> <p>Housing would be very happy to participate and adhere to the resulting mapping process.</p> <p><u>Adults Social Care</u></p> <p>Agreed.</p>	<p>referral pathway was mapped and made available on the internet for referral by practitioners. The pathway covered the support agencies and the directorates Children's Service, Adult Social Care and Health and Housing defining the relevant referral processes, the relevant risk assessment tools and contact information.</p>

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Appendix F

London Borough of Barnet

Final Internal Audit Report

Procurement Controls and Monitoring Action Plan

November 2012

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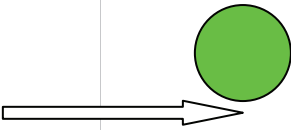
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Appendices:

- A: Statement of responsibilities
- B: Guide to assurances and priority
- C: Achievement against Procurement Controls and Monitoring Action Plan

1. Executive Summary

<p>Introduction</p>	<p>As part of the agreed 2012/13 Internal Audit Plan, endorsed by the Audit Committee, we have undertaken an internal audit of Contract Procedure Rules, specifically progress against the Procurement Controls and Monitoring Action Plan.</p> <p>The scope of our work was set out in our terms of reference agreed by management dated 5 November 2012.</p>
<p>Background</p>	<p>Contract management was identified as a key theme for controls rectification in 2012/13, following the presentation of the Annual Internal Audit Opinion to the Audit Committee in June 2012. Following this, actions were taken by management to address the deficiencies identified in this area. Actions included:</p> <ul style="list-style-type: none"> • The development of a ‘Procurement Controls and Monitoring Action Plan’ by the Commercial Directorate. • The formation of a working group including representatives from all directorates to consider practical solutions to issues identified. • The continuation of a Member Task and Finish group to discuss progress against strategic procurement. <p>A report made in April 2012 to the Audit Committee identified that progress had been made in improving controls related to procurement. However, there were still gaps in the effectiveness of these controls with the key concern being the embedding of these controls. These areas were identified by us as ‘amber’ in the Procurement Controls and Monitoring Action Plan in April 2012, and were followed up as part of this review.</p>
<p>Corporate objectives and risks</p>	<p>This area supports the corporate priority of “Sharing Opportunities and Responsibilities” and ‘Better Services with Less Money’.</p>

	None	Limited	Satisfactory	Substantial
<p>Audit Opinion & Direction of Travel April 2012-13 Corporate Procurement Rules Report (Limited)</p>				

Key Findings

Since the previous review, reported by Internal Audit in April 2012, there remains some progress to be made to complete all the actions in the Procurement Controls and Monitoring Action Plan however there has been considerable progress and embedding of controls. As in December 2011 and April 2012, we have confirmed action taken by management against the Procurement Controls and Monitoring Action Plan. Through the testing performed in this review, five medium priority and two low priority findings were noted:

- Corporate Repository: all of our sample of new contracts were compliant with the CPRs in that tenders, contracts and authorisations were available for inspection, however 56% of our sample of new contracts were not stored on the Corporate Repository. These missing contracts were however produced for inspection and added to the Corporate Repository during the course of the audit testing. Data on the Corporate Repository is not always consistent with Directorate information: 13% of contracts listed on the Contracts Register do not have a contract stored in the Corporate Repository, and 35% of contracts listed on the Contracts Register do not have contract authorisation recorded in the Corporate Repository.
- Sensitive data: we found that names of individual foster carers were listed on the Contracts Register.
- Existing non-compliant contracts stated as now compliant contracts: two (14%) of our sample of contracts tested remained non-compliant in that one did not have a final signed contract available for inspection and one could not demonstrate authorisation.
- Vendor limits: Whilst within our sample all new and existing contracts had vendor limits added to in line with the contract value to reduce risk of overspend, there is spend which is unmonitored by the Corporate Procurement Team (CPT) which is added to vendors on the system through the Works Order Management System (WOMS). Monthly spend reports need to incorporate this data.
- Corporate Oversight: the monthly vendor spend reports have been produced however have not been circulated on a timely basis.

The following low priority finding was also noted:

- New vendors: One (13%) of eight forms tested was not appropriately authorised and there were omissions on five (63%) other forms, including contract dates, VAT number, insurance number, financial viability testing and bank details, as such the control was in place but on occasions not optimised.
- Training Package: on-line contract management training has been rolled out, as well as CPR workshops with 90% of contract managers having been trained. However, there remain 17 out of 157 contract managers currently listed as managing contracts on the Contracts Register who have had not taken up the training.

We also note that in future where a waiver is sought, care should be taken to ensure that any such application includes specifying which rule in particular is being waived, rather than waiving all contract procedure rules, to bring the contract to compliance. We do note however that the use of a waiver was used for existing non-compliant contracts only.

For more detailed findings, see below and Appendix C: Achievement against Procurement Controls and Monitoring Action Plan.

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

P	Detailed finding	Risk	Recommendation
2	<p>A sample of nine new contracts entered into since April 2012 was tested to assess if these were processed in line with the CPRs. Of the sample, all were compliant with the CPRs in that tenders, contracts and authorisations were available for inspection. However, we noted the following with regards to the Corporate Repository:</p> <ul style="list-style-type: none"> Five contracts (56%) were not stored on the Corporate Repository, although these were produced for inspection and added to the Corporate Repository during the course of the audit testing <p>We reviewed the data on the Corporate Repository to assess if this was consistent with Directorate information and that all contracts have been uploaded as on the Contracts Register. We tested a sample of twenty-three contracts and found that:</p> <ul style="list-style-type: none"> Three (13%) of contracts were not contained on the Corporate Repository: we were unable to inspect the final contracts and verify compliance. <p>The authorisation for eight (35%) of the sample could not be located and inspected, and so could not be verified as compliant.</p>	<p>The Council may not be able to manage its contracts effectively if relevant documentation is unavailable.</p> <p>The Corporate Procurement Team may not be able to perform its oversight role as appropriate, in terms of reviewing compliance with contract management arrangements as included within the contract.</p>	<p>As per the guidance issued by the Corporate Procurement Team, contracts and a record of their authorisation must be stored on the Corporate Repository.</p> <p>The Corporate Procurement Team in their oversight role should, on a line-by-line basis, ensure that all contracts which are listed on the Corporate Repository have a complete contract and authorisation scanned in and stored in the Corporate Repository. Where these are not present, Directories should ensure that the information is uploaded once requested.</p> <p>Exceptions should be reported back to Directorate leads and Assistant Directors on a monthly basis.</p>

Cross Cutting – Procurement Controls and Monitoring Action Plan

Management Response	Responsible Officer	Deadline
<p>In line with the CPT procedures it is the Service Areas responsibility to ensure that documents are scanned and stored on the repository. In the oversight role, CPT will sample from the Contract Register and report back to Assistant Directors if documents are not available. However, for future contracts a process will be implemented to carry out a check before entering contracts onto SAP.</p>	<p>Relevant Assistant Director Service Area and Head of Procurement</p>	<p>January 2013</p>

2.2 Redaction of sensitive data from the Corporate Repository and Contracts Register

P	Detailed finding	Risk	Recommendation
2	<p>We found, during our review, that a contract between the Council and individual foster carers had not been placed on the Corporate Repository due to it containing sensitive information regarding young people. However, the names of the foster carers are on the Corporate Repository and also the Contracts Register, which is intended to be published quarterly.</p>	<p>There is a risk that the Council is publishing unnecessarily personal information regarding foster carers and others who have contracts with the Council.</p>	<p>The Corporate Procurement Team should review the information which is recorded and published, and draft guidance on redaction and omission of sensitive contract information. The guidance should be disseminated across the Council.</p> <p>The Corporate Procurement Team should ensure that the Contracts Register is published quarterly, as per their procedures.</p>
<p>Management Response</p>			
<p>Assistant Directors of Service Areas must remove unnecessary information from the Contract Register.</p> <p>CPT will review for sensitive information and then publish the Contracts register on a quarterly basis.</p>			
<p>Responsible Officer</p>		<p>Deadline</p>	<p>Assistant Directors of Service Areas Head Of Procurement</p> <p>December 2012 December 2012</p>

2.3 Existing Contracts – Movement from non-compliant to compliant

P	Detailed finding	Risk	Recommendation
2	<p>We obtained a listing of contracts which were non compliant in April 2012, and assessed if they were now compliant with the Contract Procedure Rules as listed as such on the contracts register. Within our sample of fourteen, two (14%) of these contracts remained non-compliant in that one did not have a final signed contract available for inspection and one could not demonstrate authorisation.</p>	<p>The Council may have non-compliant contracts remaining which go unmonitored if they are recorded as compliant but are actually non-compliant.</p>	<p>The Corporate Procurement Team should, when updating the contracts register to the 'compliant' column, ensure that Directorates upload their signed contract and relevant authorisation at the same time as evidence that the contract is indeed compliant.</p>
Management Response			<p>Responsible Officer Head of Procurement</p> <p>Deadline December 2012</p>
<p>CPT will implement a process to check that new contracts are signed and uploaded with authorisation documentation in the correct place in the repository by the Service Areas.</p>			

2.4 Vendor limits

P	Detailed finding	Risk	Recommendation
2	<p>We selected a sample of eighteen vendors from the Contracts Register, and reviewed their vendor limits on SAP, to assess if there was a limit in place and if it was compliant with the contract value/CPR thresholds. For three of our sample (17%), we found the following:</p> <ul style="list-style-type: none"> In one instance, there had been no request from service area to set up a vendor limit and the Corporate Procurement Team informed us that therefore there could be no spend under this contract as it would be impossible to raise a Purchase Order. However, when we checked, there is spend for 12/13 with the organisation in question which has come through the Works Order Management System (WOMS), which currently has not been included within monitoring reports from CPT. <p>Two issues reflected data quality issues with the current contracts register:</p> <ul style="list-style-type: none"> One has no contract and therefore a vendor ID could not be set up. However, the contract is listed on the contract register as compliant when it is in fact non-compliant. As such there is no vendor limit but also no vendor on the system as yet. One contract had expired by the time 	<p>If the information on the Contracts Register is not up-to-date, the Council cannot have clear oversight of all of its contractual relationships and obligations.</p> <p>If spend can be incurred without a vendor limit existing in SAP, there is a risk of overspend on contracts.</p> <p>If the CPT are not monitoring all systems which authorise spend, there is a risk of the CPRs being circumvented, or of aggregate spend breaching procurement thresholds.</p>	<p>The Corporate Procurement Team should:</p> <ul style="list-style-type: none"> Ensure the quality of the Contracts Register by regularly sampling contracts and referring any issues of non-compliance back to Directorates, escalating to Assistant Directors where non-compliance is ongoing. Review all routes of spending, and ensure that controls are in place to prevent unauthorised spend and overspend against contracts.

Cross Cutting – Procurement Controls and Monitoring Action Plan

	<p>the vendor limits were set up but was still on the Contracts Register.</p>	
<p>Management Response</p> <p>With the help of the Service Areas, CPT will carry out a cleansing of the contract register to remove expired contracts. Implementation of the process mentioned in the previous response will ensure quality of the Register going forward.</p> <p>A review of all systems including the Works Order Management System (which is an engineering planned maintenance system for small work orders) is being undertaken and appropriate reports and mechanisms will be put in place.</p>	<p>Responsible Officer</p> <p>Assistant Director Service Areas</p> <p>Head of Procurement</p>	<p>Deadline</p> <p>December 2012</p> <p>February 2013</p>

2.5 New Vendors – data quality issues

P	Detailed finding	Risk	Recommendation
3	<p>A sample of eight new vendors created since the last review in April 2012 was tested to assess if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP. The following was noted:</p> <ul style="list-style-type: none"> One form had been signed by a former member of the Corporate Procurement Team (CPT) acting-up as the “Responsible Assistant Director”: however the same officer had signed the same form as the “Approval signature from CPT”. The form was accepted and processed by CPT and the vendor added to SAP. Although the remainder of the forms were appropriately authorised, there were omissions on five (63%) of the forms which we reviewed, including contract dates, VAT number, insurance number, financial viability testing and bank details, as such the control was ineffective. Contract authorisation via DPR or CRC is requested by the New Vendor Form, but the wrong authorisation in support of the contract was provided to us in three (38%) instances within the sample. The authorisation did however exist. 	<p>The Council may incur costs to a vendor who has not been appropriately authorised before being added to SAP. If forms are processed without appropriate authorisation, or if separation of duties is inadequate, there is a risk that the CPRs will be circumvented, that the Council will incur unauthorised spend and that systems will become vulnerable to fraud. If information is omitted from or contract authorisations is not attached to the New Vendor Form, the Corporate Procurement Team cannot be satisfied with regards to compliance with the CPRs.</p>	<p>All New Vendor Forms should be fully completed, appropriately authorised and evidence of contract authorisation provided prior to their addition to SAP. Forms which are not submitted to the Corporate Procurement Team as such should be rejected and returned to Directorates.</p>

Cross Cutting – Procurement Controls and Monitoring Action Plan

Management Response	Responsible Officer	Deadline
<p>There was good system control and all values on the forms reconciled with the contract value on SAP; however the paper based process needs to be reviewed, optimised and unnecessary detail removed.</p>	<p>Head of Procurement</p>	<p>December 2012</p>

2.6 Corporate Oversight – Vendor Spend

P	Detailed finding	Risk	Recommendation
2	<p>The Corporate Procurement Team (CPT) procedure requires that in the first ten working days of every month CPT will send monthly spend analysis to Directorates. We asked to review vendor spend reports since June 2012 to assess whether these had been produced and distributed in accordance with procedures. We found that information was being produced on a quarterly basis and disseminated and presented to Directorates in meetings. However, quarter one (April, May, June) was sent in August and quarter two (July, August, September) was sent in November.</p>	<p>The Council may not be able to appropriately monitor spend if monthly spend analysis is not sent to Directorates in a timely manner.</p>	<p>The Corporate Procurement Team should send monthly spend analysis to Directorates in the first ten working days of every month, as per their procedure.</p>
Management Response			Responsible Officer
Data is available and shared with Directorates in meetings; however CPT will make sure that spend data is sent within the first ten working days in future.			Assistant Director Commercial Assurance Deadline December 2012

2.7 Contract Procedure Rules (CPRs) Training: Launch status and training contents

P	Detailed finding	Risk	Recommendation
3	<p>We reviewed the launch status and take up for the contract management training and found that 140 officers have passed the Council's on-line Contract Management Training, and a further 23 have attended workshops run by the Corporate Procurement Team, representing 90% of contract managers. However, there remain 17 contracts responsible officers on the contracts register who have not completed the Contract Management Training.</p>	<p>Training may not be delivered in a timely manner to all required staff members, to enable the appropriate procurement route to be followed.</p>	<p>Directorates should ensure that officers responsible for the management of contracts undertake and pass the related tests within the Contract Management e-learning training prior to assuming responsibility for contracts.</p> <p>The Corporate Procurement Team should monitor the contracts register to ensure that all contracts responsible officers undertake the Contract Management Training, reporting to Assistant Directors where there are any issues.</p>
Management Response			<p>Responsible Officer</p> <p>Assistant Directors – Service Areas Head of Procurement</p> <p>Deadline</p> <p>January 2013</p>
<p>Those who have not had the training at the time of the audit have now been trained.</p>			





Appendix A: Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

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

Priorities assigned to recommendations are based on the following criteria:

High (1) – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.

Medium (2) – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 – 6 months.

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

Appendix C: Achievement against Procurement Controls and Monitoring Action Plan

The Procurement Controls and Monitoring Action Plan is outlined below with the results of work performed in November 2012. This has been documented to confirm the Operating Effectiveness (are controls working) of controls and the Control Design (are controls mitigating the risk) and has been colour coded to illustrate the completion and risk still arising in these areas. This is reflective of the recommendations raised above in the body of this report and the assurance ratings provided in the key findings of this report.

The results of this audit are colour coded based on the testing performed, in line with previous measurement of achievement against the Action Plan. Previously the report issued in December 2011 rated the action plan only on Control Design as they had not been in place for a sufficient amount of time to test whether the control were operating effectively. We would expect operating effectiveness to embed over at least a 12 month period. Since the previous report we have reviewed the seven (7) outstanding areas from the last review. At the time of our last review there were three areas rated as amber, one now remains amber and the others have moved to green. For operating effectiveness, there were five areas rated as amber and one as red in April 2012. Four areas remain rated as amber, but one red area has now moved to amber, with another area which was amber moving to green.

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
Contract Procedure Rules (CPRs) should be followed by all services to procure works, supplies and services.	The Council could be exposed to unnecessary risk, financial loss and likelihood of challenge arising from non compliant tendering activity.	Training has been arranged however low attendance noted and a number of sessions were cancelled due to sickness absence. Mop up sessions have been arranged by CPT covering those staff not previously trained, non attendance to result in functionality in SAP being switched off.	Internal Audit will obtain a listing of new contracts entered into since September 2011 and on a sample basis ensure that Contract Procedure Rules have been adhered to.	Internal Audit will obtain a listing of new contracts entered into since April 2012 and on a sample basis ensure that Contract Procedure Rules have been adhered to.	No issues noted. GREEN	No Issues noted for new contracts. From AMBER to GREEN

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
A SAP solution should be explored by Corporate Procurement team to enter vendor limits in accordance with the contract procedure rules thresholds.	Non-approved or vetted contractors/suppliers could expose the Council to financial loss and reputation damage.	System improvements not requiring re-programming identified. Logica proposal received for Business Warehouse reporting enhancements. Solution will not be received for another 12 weeks; therefore interim solution needs to be determined. IS has developed reports for use in Services - 1) purchase order report, 2) Block vendor set-up and 3) aggregated spend, these can all be used by services now. How-to guides and training needs to be developed around these reports.	Internal audit will obtain a listing of contracts that were non compliant in August 2011, and assess if they are now compliant with Contract Procedure Rules. We will also select a sample of vendors from the contract register, and review their vendor limits on SAP, to assess if there is a limit in place and if it is compliant with the contract value / contract procedure rules thresholds.	Internal audit will obtain a listing of contracts that were non compliant in April 2012, and assess if they are now compliant with Contract Procedure Rules. We will also select a sample of vendors from the contract register, and review their vendor limits on SAP, to assess if there is a limit in place and if it is compliant with the contract value / contract procedure rules thresholds.	Spend against a contract can still occur regardless of a vendor limit being in place, due to spend made within the Works Order Management System (WOMS) feeding into SAP. See Finding 2.4 for detail. REMAINS AMBER	Two (14%) of our sample of contracts tested remained non-compliant in that one did not have a final signed contract available for inspection and one could not demonstrate authorisation. See Finding 2.2 for detail. REMAINS AMBER
Formal written contracts should be established for all services commissioned by the Council as	There is a risk that the Council may not receive the service required or will be unable to recover damages for works	Institute key control whereby new vendor records cannot be set up without confirmation of Contract Procedure	We will obtain a listing of new vendors created since the last review in August 2011. We will	We will obtain a listing of new vendors created since the last review in April 2012. We will	No issues noted. REMAINS GREEN	One (13%) of eight forms tested was not appropriately authorised and there were omissions on five (63%) other forms.

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>required by the Contract Procedure Rules.</p>	<p>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</p> <p>The absence of a written contract results in more resource intensive efforts to understand contract arrangements in place.</p>	<p>Rules (CPR) compliance.</p> <p>Procurement now authorise and set up all new vendor requests</p>	<p>select a sample to test if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP.</p>	<p>select a sample to test if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP.</p>		<p>See Finding 2.5 for detail. REMAINS AMBER</p>
<p>All directors should maintain a complete register of contracts as required by the current Contract Procedure Rules (CPR). This should assist with the completion of a Corporate contract register, which should be placed on the Council's internet to meet the transparency agenda.</p>	<p>There is a risk that failures to with comply Contract Procedure Rules 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.</p>	<p>All schemes of delegation received from all directorates. As per the financial regulations each Corporate Director is required to maintain a scheme of financial delegation in accordance with the minimum standards as determined by the Chief Finance Officer as Section 151 Officer or Nominated Deputy, and which accords to the</p>	<p>As this recommendation was fully implemented in December we will not cover this as part of our review.</p>	<p>N/A</p>	<p>Satisfactory Assurance was given in this area previously and has not been reviewed in this audit.</p>	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
		<p>financial limits included within the overall scheme of delegation and contract rules. Schemes of delegations were formally approved.</p> <p>Internal audit reviewed 20% of each Directorate's contract register and agreed to a valid contract and that there was an audit trail, i.e. for each contract the contract was either obtained in a central location either in hard copy or soft copy. This would have been collated as part of the quality assurance procedures of each Directorate. All Directories who were found not to have an audit trail were requested to re-submit quality assurance statements.</p>				

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>Corporate Procurement should undertake an oversight function to ensure that contracts are in place where expenditure in Services exceeds the stipulated Contract Procedure Rules (CPR) thresholds. Complete and accurate Directorate contract registers should enable this monitoring to take place.</p>	<p>There is a risk that failures to with comply Contract Procedure Rules (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.</p>	<p>Completeness checking is still ongoing by Corporate Procurement Team. A monitoring role has been established by Corporate Procurement that has been process mapped this is to be rolled out to services so that expectations are clear. Protocol for the repository has been determined and sent to Services as agreed process, some contracts have been sent for inclusion on repository however not entirely complete.</p>	<p>We will review vendor spend on SAP across Directorates to identify any vendors for whom the total spend is over the amount specified in the Contract Procedure Rules, and check to see if they are included on the contract register. We will review the data on the Corporate Repository held in Legal to assess if this is consistent with Directorate information and that all contracts have been uploaded in line with the Chief Executive's request.</p>	<p>We will review vendor spend reports since June 2012 and ensure these are distributed with the services in accordance with procedures. We will review the data on the Corporate Repository to assess if this is consistent with Directorate information and that all contracts have been uploaded as on the contracts register.</p>	<p>No issues noted. From AMBER to GREEN</p>	<p>The monthly vendor spend reports have not been produced and circulated on a timely basis. See Finding 2.6 for detail. REMAINS AMBER</p>
<p>A fit for purpose contract service specification</p>	<p>Complete tendering of corporate security contract in line with</p>	<p>Tender exercise for Security Services underway and</p>	<p>As this was confirmed at the last review we will</p>		<p>Satisfactory Assurance was given in this area previously.</p>	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
should be developed for tender evaluation purposes and monitoring service delivery.	Contract Procedure Rules (CPR).	progressing. Tenders received and are being evaluated.	not be reviewing this area.			
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.	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.	There has been guidance issued on how the Director of Commercial Services will carry out monitoring expenditure by category in the interim whilst reporting enhancements are pending. However these arrangements are not considered embedded.	We will review the protocol for monitoring spend in each Directorate to confirm whether it is consistently applied and in line with corporate procurements planned approach. We will discuss with management the process for monitoring Commercial Services expenditure, and review evidence of this occurring.		Satisfactory Assurance was given in this area previously.	
Independent checks of amendments to key Vendor Master Data records, such as bank data, should be	Without evidencing the checks necessary for setting up new Vendors, and without following the standard practices	Master file vendor approval form updated to include additional checks. VAT and company details checked for all new vendor requests	We gave satisfactory assurance during the accounts payable audit and therefore will not be reviewing this area		Satisfactory Assurance was given in this area previously.	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>undertaken routinely for an appropriate number of records. Checks should ensure that appropriate checks are made to confirm details and validity of the requested changes from related parties. Management should retain all supporting data for vendor set-up and amendment checks. In particular, necessary records to confirm the checks undertaken for amendments for key data fields, such as Bank details, should be retained.</p> <p>There should be a review carried out to calculate the exact figure the</p>	<p>for verifying change requests, there is a significant risk of inappropriate payments to an invalid vendor resulting in financial losses to the council.</p>	<p>prior to approval and set up. The Accounts Payable audit included within the scope to review all of these areas to give assurance that this control was implemented, PwC reviewed these processes and confirmed as implemented.</p>	<p>in this audit.</p>			
<p>There should be a review carried out to calculate the exact figure the</p>	<p>Non-compliance with the Financial Regulations requirement to pay</p>	<p>HMRC were sent all invoices pertaining to the Metropro companies for them</p>	<p>As satisfactory assurance was given in these areas following the</p>		<p>Satisfactory Assurance was given in this area previously.</p>	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>Council has overpaid VAT on this vendor, and immediately contact HMRC. Officers should, as standard, refer all name changes on supplier's invoices to the Central Procurement Team who should obtain the advice of the VAT officer for confirming compliance with the VAT regulations before a change can be processed. Training provided to officers should focus on the implications of name changes on supplier's invoices and how those should be addressed for the purpose of compliance with the HMRC's VAT requirements.</p>	<p>valid VAT invoices can result in the Council facing penalties for the over-recovery of output VAT.</p>	<p>to independently review VAT compliance. They confirmed that these were complaint for VAT purposes. Reviewed as part of accounts payable audit and achieved satisfactory assurance. Training was given to Finance staff specifically by the VAT officer. VAT was included within training however as mentioned above overall training needs completion by those in scope.</p>	<p>accounts payable audit we will not be reviewing these areas in this audit.</p>			

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>Contract extensions should be undertaken in line with Contract Procedure Rules (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>	<p>In the absence of formal extensions to contracts, value for money opportunities may be lost.</p> <p>The lack of formal records of variation to terms increases the risk that incorrect charging may not be identified and addressed.</p>	<p>All services now have a contracts register, with quality assurance on-going and actions plans now in place. All action plans have varying degrees of delivery for compliance; this is subject to weekly reporting.</p>	<p>We will review a sample of contract extensions made since August 2011 and assess if they comply with Contract Procedure Rules.</p>		<p>Satisfactory Assurance was given in this area previously.</p>	
<p>Standard practice should be re-enforced throughout the Council, specifically:</p> <p>Changes to contract terms should be formally approved and documented for referral by those involved in certifying delivery per invoice;</p> <p>Invoices should be</p>	<p>There is a risk that invoices may be paid which are not in line with authorised service conditions and that have not been confirmed as being a liability of the Council.</p>	<p>All services were advised of changes in processes for having approval of invoices, requiring a purchase order. We reviewed arrangements prior to, and after, August when the changes took place. Within the Internal Audit sample there was a 33% improvement in retrospective orders from pre to post</p>	<p>We will inquire as to the procedures in place to review retrospective order reports, the frequency of monitoring these reports, and the compliance of this control across Directorates. We will review current retrospective order reports to assess direction of travel at</p>	<p>We will inquire as to whether there was any update of procedures for retrospective orders. We will review current retrospective order reports to assess direction of travel at a Directorate level since April 2012.</p>	<p>No issues noted.</p> <p>REMAINS GREEN</p>	<p>The direction of travel is good in that Directorates are on the whole raising less retrospective Pos.</p> <p>AMBER TO GREEN</p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>initiated as evidence of confirmation of service delivery in line with current terms and calculation check;</p> <p>Supporting documentation should be provided to evidence service delivery;</p> <p>Delivery should be confirmed with officers who are able to comment on delivery as part of their respective role; and</p> <p>Purchase orders should be approved and before delivery of the service to ensure that expenditure is valid and in line with agreed terms.</p>		<p>August. Whilst this Direction of Travel is positive there will need to be focus by Services to reach the desired compliance with Financial Regulations. Reports are prepared for management to investigate non compliant with financial regulations. We will continue reporting back to the Audit Committee on this aspect.</p> <p>The goods receipt system is a three way match between order, invoice and goods receipt note. This process negates a need to physically note on invoices service delivery.</p> <p>Invoices cannot be paid on SAP unless there is a three way match between invoice, order and goods receipt note. This was tested</p>	<p>a Directorate level.</p>			

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts.</p> <p>Tasks:</p> <p>All contracts to be monitored, with arrangements documented in service schemes of delegation.</p> <p>Directors to report compliance with scheme of delegation through monthly performance monitoring process.</p> <p>Performance monitoring - Format and to whom this should be reported to be determined.</p>	<p>The lack of contract monitoring arrangements generally increases the risk that failures in service delivery may not be identified, that service delivery may not be optimised and failures in regulatory compliance which may expose the council to financial and reputation risk may not be identified.</p>	<p>satisfactorily in recent review of accounts payable.</p> <p>All Services have a Scheme of Delegation in place, however they have only recently received guidance on expectations on contract management and monitoring. Training discussion is taking place on what is expected of Directors and Assistant Directors. Directors and Assistant Directors, since July, are monitoring contracts through their monthly monitor. Reports on spend is currently being undertaken on a ad hoc basis, guidance has established what is the best practice will be going forward but this has not been in place for enough time for us to sufficiently assure</p>	<p>We will review the Contract Management e-learning package, which has been developed to assist in managing and monitoring contracts, to assess if it is meeting its objectives.</p> <p>We will also review the launch status for this package to assess if it is appropriately timed and there is sufficient take-up across the Council.</p>	<p>We will review the launch status and take up for the contract management training and on a sample basis consider information retained by services to demonstrate good contract management based on the risk related to that contract.</p>	<p>No issues noted.</p> <p>AMBER to GREEN</p>	<p>On-line contract management training has been rolled out, as well as CPR workshops. However, out of 157 contract managers there are 17 contract managers who have had no training.</p> <p>See Finding 2.7 for detail.</p> <p>RED TO AMBER</p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
Contract monitoring - Guidance and training required for contract monitoring to be put in place		ourselves it is embedded.				

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