

MEETING

AUDIT COMMITTEE

DATE AND TIME

TUESDAY 28 JANUARY 2014

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 Brodkin Sury Khatri Hugh Rayner
Geof Cooke Graham Old

Substitute Members:

Jack Cohen Arjun Mittra Stephen Sowerby
Andreas Ioannidis Susette Palmer Andreas Tambourides

Independent Members:

Richard Harbord Debra Lewis

You are requested to attend the above meeting for which an agenda is attached.

Andrew Nathan – Head of Governance

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

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Public Question Time (if any)	
5.	Members' Items (if any)	
6.	Internal Audit and Risk Management Quarter 3 2013-14 update and exceptions report	1 - 36
7.	Quarterly Progress Reports The External Auditors, Grant Thornton LLP, will give a verbal update at the meeting.	
8.	Annual Audit Letter 2012/2013	37 - 56
9.	Grants Certification Work Report 2012/2013	57 - 72
10.	Any item(s) the Chairman decides are urgent	

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Meeting	Audit Committee
Date	28 January 2014
Subject	Internal Audit and Risk Management Quarter 3 2013-14 update and exceptions report
Report of	Head of Internal Audit
Summary	Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2013-14 & high priority recommendations.

Officer Contributors	Caroline Glitre, Head of Internal Audit
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Internal Audit Progress Report (up to 31 st December 2013) Appendix B: Work completed to date to 31 st December 2013 Appendix C: Work in progress to 31 st December 2013 Appendix D: Internal Audit Effectiveness Indicators Appendix E: Internal Audit Recommendations quarter 3
Contact for Further Information:	Caroline Glitre, caroline.glitre@barnet.gov.uk , 020 8359 3721

1. RECOMMENDATIONS

- 1.1 That the Committee note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2013-14 and high priority recommendations.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 11 March 2010 (Decision Item 10) - the Committee 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.
- 2.2 Audit Committee 21 September 2010 (Decision Item 8) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.
- 2.3 Audit Committee 17 February 2011 (Decision Item 7) – the Committee (i) agreed that a report would be prepared quarterly regarding those internal audit recommendations not implemented (ii) requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit and risk management planned activity is aligned with the Council’s objectives set out in the Corporate Plan 2013-2016, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals 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 None in the context of this report.

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

- 8.1 The Council's Constitution under Responsibility for Functions – The Audit Committee's terms of reference includes "to consider the annual audit opinion".
- 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 This report covers the period from 1st October 2013 to 31st December 2013 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 18 reports and completed the in accordance with the 2013-14 Internal Audit Plan. The full list of completed audits during this period is included within Appendix B.
- 9.2 The majority of reports issued in the current period were given 'Satisfactory' assurance, with 3 reports given 'Limited' assurance and 1 report given 'No' assurance. The summary detail of those reports issued as 'No' or 'Limited' assurance is included within Appendix A, section 3.
- 9.3 The report also summaries the follow-up of previous priority one recommendations due this quarter. These relate to Asset Management (Rent Review), Records Management (Children's Service) and Planning. We are able to report that these are all now assessed as having been implemented. The summary detail is included within Appendix E.
- 9.4 Overall the number of audit recommendations implemented within the quarter has significantly improved from 85% in quarter 1 and 67% in quarter 2 to 100% in quarter 3.
- 9.5 The new Risk Management Framework (policy and procedure) was submitted to Audit Committee on 24 July 2013. The Council's Risk Management Policy is to proactively identify, understand and manage both positive and negative risks inherent in the delivery of its services and associated with its plans and strategies, so as to encourage responsible, informed risk taking.

9.6 The final performance report for Quarter 2 can be found via the link below and includes the Q2 corporate risk register:
<http://barnet.moderngov.co.uk/documents/g7461/Public%20reports%20pack%2016th-Dec-013%2019.00%20Cabinet%20Resources%20Committee.pdf?T=10>

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	N/A

Appendix A

London Borough of Barnet Internal Audit & Risk Management Progress Report 2013-14 – Quarter 3

Caroline Glitre, Head of Internal Audit and Anti-Fraud


1. Introduction

The Internal Audit Plan was accepted by the Audit Committee on the 8th April 2013. 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 1st October 2013 to 31st December 2013 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 18 reports in accordance with the 2013-14 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 3 reports given Limited assurance and 1 report given No assurance. The summary detail of those reports issued as limited assurance is included within section 3.

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

Title	Contract Management & Benefits Realisation Framework – Barnet Homes Management Agreement			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Last audit: No previous audit.				
Date final report issued:	13 th January 2014			
Background	<p>The Contract Management and Benefits Realisation Framework audit looked at the overarching commercial team contract management controls in place within the Commissioning Group and a sample of two key contracts managed by the Group: Customer and Support Group (CSG) and Barnet Homes.</p> <p>A lot of the findings we identified are of a historic nature. We note that the Commissioning Group is a newly constituted body and that our review found that the design of the new controls they are seeking to implement are satisfactory. As the Commissioning Group have not yet had time to fully enforce the new control environment, we have separated out our assurance opinion to demonstrate where the strengths and weaknesses we have identified lie.</p> <p><u>Commissioning Group – Satisfactory Assurance</u></p> <p><u>Customer and Support Group (CSG) Contract – Satisfactory Assurance</u></p> <p><u>Barnet Homes Management Agreement – No Assurance</u></p> <p>During the review several areas of good practice were identified, including:</p> <ul style="list-style-type: none"> • All areas reviewed are consistently applying the Council’s risk management strategy and processes; • We noted several areas of good practice in relation to the Customer and Support Group contract management, for example, the contract has comprehensive stakeholder management controls, and strong governance is in place for the weekly issues meetings with CSG and monthly Partnership Operations Boards to challenge performance; and • The change management controls ensure that changes consider on-going strategic alignment and the contract manager is in the process of producing comprehensive guidance on the contract’s clauses and services. 			

Summary of Findings

Barnet Homes Management Agreement

As part of the audit we were able to give 'No' Assurance to the service, noting three high and one medium priority issues as part of the audit. These are summarised below:

- **Documentation and Change Control**

We found that the documentation in place for Barnet Homes was not fit for purpose. The 2004/14 agreement provided was in draft, incomplete and had not been formally signed. We were unable to identify a change control process or log detailing changes to the agreement prior to 2013. We also found the additional 2013/14 management agreement did not contain information we would expect to see in order to effectively manage the relationship, for example, services to be provided, decision making arrangements or monitoring regimes. Without this documentation we were unable to establish how the relationship manager would be able to manage the contract effectively and provide challenge on performance and delivery.

- **Benefits Management**

The planned benefits of the 2004/14 Barnet Homes agreement have not been documented and approved. As a result it was unclear what benefits the Council had planned to achieve or how the Council intended to demonstrate the delivery of the benefits on which the investment decisions were made.

- **Financial Management**

We identified areas where the Barnet Homes financial management controls should be improved. The financial arrangements documented in the 2004/14 management agreement have been subject to variations throughout the lifecycle of the agreement, however the process for the agreement of these variations or the variations themselves have not been documented.

- **Issue Management**

We identified areas where the Barnet Homes agreement issue management controls should be improved, through the introduction of an issue management process and the recording, monitoring and reporting of issues.

**Priority 1
recommendations,
management
responses and
agreed action date**

Recommendation 1 - Documentation and Change Control:

The below recommendations should be instigated immediately to enable a much earlier completion date than the current proposed date of April 2015.

- a) Management should refresh the management agreement to include the points raised within this report by 31st March 2014;
- b) The refreshed management agreement should be agreed and signed by both parties; and
- c) Management should ensure that performance is monitored against the refreshed agreement.

Management Comment 1:

Although unable to provide a copy, it is believed that there is an agreed and signed version of this original 2003 management agreement. It is also suggested that variations to the agreement since 2004 would have been subject to CRC reports and agreement. It is acknowledged that some of the issues are historic and it is suggested that the creation of the ALMO in 2003 would not have been regarded as a "contractual" relationship as the Council would see it now.

A formal project group has been established including the Lead Commissioner and the Head of Commercial at Barnet Homes to oversee the development of a one year interim delivery plan to be signed by both parties. This will address the shortcomings identified above. The project will then go on to look at the formal arrangements for the delivery of services from April 2015, and will ensure that they provide robust processes in line with contractual arrangements in other areas.
(April 2014)

Recommendation 2 - Benefits Management:

- a) The planned benefits of the Barnet Homes contract should be clarified and agreed;
- b) A benefits management process should be introduced to ensure that the realisation of planned benefits is monitored regularly and threats to the achievement of planned benefits escalated appropriately; and
- c) Management should agree baseline figures, targets and methods of measurement for planned benefits.

Management Comment 2:

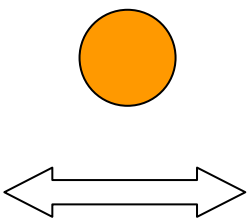
These will be clearly identified as part of the development of the formal arrangements from April 2015. **(April 2014)**

Recommendation 3 - Financial Management:

The financial management arrangements for the Barnet Homes contract should be clarified, documented and agreed as part of the refreshed management agreement (as per recommendation 4.1). In particular this should include documenting the process for agreeing variations to the cost of the contract.

Management Comment 3:

These will be incorporated within the interim delivery plan and for any future formal arrangement. **(April 2014)**

Title	PFI Street lighting Contract Management			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel An Assurance Level of "limited" was provided in 2010-11 Street Lighting audit (May 2011).				
Date final report issued	15/01/2014			
Background	<p>The commissioning of the street lighting contract was undertaken as a dual/joint procurement project between London Borough Barnet and Enfield in 2005 as part of a PFI (Private Financing Initiative).</p> <p>London Borough of Barnet now has a street lighting PFI contract for the maintenance and repair of its street lighting. The contract term is 25 years and it commenced in May 2006.</p> <p>A contract exists between the Operator, Barnet Lighting Services, and the London Borough of Barnet. There are two separate contracts for the Barnet and Enfield projects and as such the authorities pay their own individual unitary charges.</p> <p>At the beginning of the contract there were approximately 30,620 road lighting units with 25,243 columns and 5,377 illuminated signs and bollards. The responsibility for maintaining, repairing and replacing the street lighting and illuminated signs and bollards in the borough falls to the Operator, Barnet Lighting Service (BLS). BLS sub-contracts all works for the street lighting service to Bouyges E&S Limited.</p> <p>The Council pays the Operator an agreed unitary charge, which increases over the contract term as a function of the PFI Contract model and due to other factors including Retail Price Index ("RPI"), in return for the services. The Payment Mechanism generates deductions from each month's unitary charge for failures to meet defined performance requirements. Overall, the payments to the Operator will depend on the level of service the Operator provides. In addition, given the property's nature, there is a risk that financial adjustments for underperformance or non-availability will be high. The Operator therefore bears significant availability and performance risk.</p> <p>The value of the contract is approximately £7m per year.</p>			

	<p>Although a limited assurance position was also reported in 2010-11, it is recognised that overall the management of the contract has improved since that time.</p>
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Summary of Findings

As part of the audit we were able to 'Limited' assurance to the service, noting one high, three medium and two low issues as part of the audit. .

The following areas of good practice were noted:

- The timely provision and scrutiny of monthly monitoring reports, reporting contractor performance, in line with the contract.
- Contract Monitoring meetings, where performance was scrutinised, were attended by the appropriate officers to challenge performance effectively and were held monthly in line with the contract. There were clear audit trails of identified monitoring issues to the minutes of the contract monitoring meetings and their impact on the final invoice figure, where applicable.

We noted the following significant issue:

- Within the Contract, Performance Standards are the formal measure for ensuring that the contractor delivers the contract and is held to account for performance. There are also BVPI's and Local Performance Indicators (LP's) that sit below this in the contract to require the provider to submit additional reporting information. The Contract requires that, as part of Performance Standard 5, the contractor produce an Annual Service Report, reporting contractor performance, including performance indicators, for the year from 1 April to 31 March. On submission of the draft report in February 2013, the PFI Contract Manager agreed that the Annual Report would not be finalised as the contractor had more pressing priorities. This decision was not verified formally by Senior Management, nor has the Annual Report been reviewed as would have been expected. Additionally, the PFI Contract Manager in October 2012 suspended reporting on historic LP's to endeavour to rationalise the LP's and make reporting on the contract more meaningful. It is expected that the decision to manage the change to LP's would be formally approved by Senior Management.

We noted the following other issues:

- Citigestion is the system maintained by the contractor where street lighting assets/apparatus, maintenance activity and target, start and completion timeframes for jobs are recorded. The system informs the Monthly Monitoring Reports reporting contractor performance. It is a contractual requirement that the data within Citigestion be at least 99% accurate, and that the contractor confirm as much if requested to do so by the Council. Since March 2011, the contractor has not been asked to confirm this level of accuracy and there is evidence of the Council undertaking only ad hoc data quality checking of Citigestion, generally stemming from the performance monitoring process, where related data issues were noted. Due to the number of lines of data within Citigestion, management

assert that it is unlikely that the accuracy since March 2011 will have deteriorated enough to dip below 99%. However, this assertion is not supported by adequate records or any formal arrangements for evaluating data quality.

- Records for only some, not all, monitoring were maintained for inspection. The contract monitoring officer indicated that records of monitoring were only retained if an issue had been identified, for discussion at monthly monitoring meetings and inclusion in final actual monthly monitoring reports. It was therefore not possible to assess the full extent of monitoring, in particular operational visual inspections, undertaken each month, and specific monitoring to test and confirm the proof of a positive and honest working relationship between contractor and Council. This is essential for a successful PFI contract, especially where there is only one officer available to monitor their operational performance.
- While the monthly invoices we inspected were all certified by the PFI Contract Manager, there was no evidence of independent senior manager review, scrutiny and challenge of invoice prior to payment.

**Priority 1
recommendations,
management
responses and
agreed action date**

Recommendation 1 – Annual Service Report:

Any changes to performance metrics should be formally approved at Senior Management level and should include a consideration of whether more fit for purpose performance measures should be included.

The Annual Service Report should be provided and should contain all relevant information in terms of the contract to allow for an effective assessment of overall service delivery for the year. The Annual Service Report should be reviewed and challenged at Senior Management level in the Delivery Unit to assess and confirm overall performance by the contractor.

Management Comment 1:

No formal change has been made to the contract via the approved mechanism, the change control procedure.


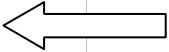
The service provider has not provided data relating to two of the LP's and has not provided the annual report at the appropriate time and as such the performance reports are not wholly complete. This has been allowed by the contract manager on following basis:

- The two PI's are not significant as the information can be viewed by accessing the data held in the Management Information system to which the Client monitoring team have access. In respect to LP2 this was only relevant within the Core Investment period (first 5 years) as at the end of this period all columns in excess of 25 years of age would have been replaced. Therefore at the end of the CIP this figure was 0%. In respect to LP8 requests for improved lighting are recorded as potential complaints and these are reported within the monthly performance reports.


The Annual Report includes a range of different data much of which is also included in the monthly reports. The purpose of the annual report is to show the trends in combining the monthly data, however the parties had agreed that this information would be useful and as such it was not desirable to wait 12 months to review trends and therefore the parties agreed that such information would be provided within the monthly report, thereby increasing visibility of performance trends and allowing performance issues to be identified and addressed more quickly. This is a positive improvement.

Management can confirm that arrangements are in place to ensure that where the Change Control process is instigated this will not be instigated without the formal approval of senior management. Therefore should the PFI Contract Manager consider in the future that a change is desirable this will be instigated through the Change Control process but only after this has been formally agreed by the Infrastructure and Parking Manager, who has overall responsibility for the Street Lighting PFI Contract.

It is accepted that these changes have not been formally reviewed and agreed by Senior Management. It is also accepted that the inherent risk is low.

Title	Livingstone Primary & Nursery School			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Previous audit June 2010 - Satisfactory				
Date final report issued	22 Oct 2013			
Background	<p>Livingstone Primary School is a community school with places for 236 pupils aged between 3 and 11 years of age. The School budget for 2013/14 is £2,040,317 with employee costs of £1,563,516 (77% of the delegated budget). The School was assessed as 'Satisfactory' by OFSTED in May 2012.</p>			
Summary of Findings	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting one high and seven medium priority issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> • <u>Banking & Petty Cash</u>: - Cheques are signed without reference to supporting documentation (invoice/purchase order); • <u>Income</u> – Checks are not carried out by an independent officer to verify that amounts banked agree to control records for all income collected; Uniform stock records are not maintained; High level of dinner money arrears; • <u>Purchasing</u>: - Two missing purchase order forms from a sample of 23; authorisation of purchase orders were not found to be in accordance with requirements as approved within the School's Financial Management and Procedures Policy document; direct payments to an individual, for which purchase orders have not been raised and self-employed status has not been confirmed; • <u>Insurance</u>: - Cash held overnight in the school safe exceeds the insurance limit of £1k on a regular basis; • <u>Contracts</u>: - A 'value for money' exercise has not been carried out prior to renewal the grounds maintenance contract; • <u>Lettings/After-school Clubs</u>: - Arrangements with independent after-school club organisers have not been formalised; • <u>Assets</u> – Dates of acquisition, supplier details, value and purchase order numbers are not recorded for each item; No clear audit trails exist for items of inventory which have been disposed of/written-off; • <u>Governance</u> – The Financial Management & Procedures Policy document is not comprehensive. It has not been 			

<p>Priority 1 recommendations, management responses and agreed action date</p>	<p>amended to reflect the following changes:</p> <ul style="list-style-type: none"> - The introduction of the 'Schools Financial Values Standard' (SFVS) requirement; - Best Value Statement is no longer a requirement; - The Contract Standing Orders for Schools document update in 2010. <p>Recommendation 1 - Banking:</p> <p>The School should ensure that cheques are not signed unless accompanied by all relevant documentation to confirm that payment has been approved.</p> <p>Management Comment 1:</p> <p>The finance officer now submits cheques and invoices together to the head teacher for signature.</p> <p>(Head Teacher - In place immediately after audit visit September 2013)</p>
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Title	Rosh Pinah School			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel Previous audit June 2010 - Satisfactory				
Date final report issued	25 November 2013			
Background	<p>Rosh Pinah Primary School is a voluntary aided school with places for 460 pupils aged between 4 and 11 years of age. The School budget for 2013/14 is £2,066,575 with employee costs of £1,704,550 (82% of the delegated budget).</p> <p>The School was assessed as 'Good' by OFSTED in December 2009.</p>			
Summary of Findings	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting two high and six medium priority issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> • <u>Purchasing</u> - Inconsistent checks over receipt of goods; purchase orders are raised without confirmation of available budget; lack of separation of duties; authorisation of purchase orders are not consistent with approved procedures; • <u>Income</u> – No separation of duties; checks are not carried out by an independent officer to verify that amounts banked agree to control records; • <u>Banking</u> - The Authorised Signatories mandate is not consistent with the School's bank mandate/Financial Management & Procedures Policy and no responsibilities have been assigned to officers listed; only three officers are listed on the mandate and therefore could lead to a lack of separation of duties in the event of absence of one or more of the officers; Four items remain unrepresented on the School's bank reconciliation, including one uninvestigated item of income for £255, which was sent for banking in May 2013 but has not yet been credited to the bank account; • <u>Contracts</u> - No visible evidence of a fair and transparent process for the selection of relevant goods and services procured by the School; • <u>Assets</u> – Supplier details and purchase order numbers are not recorded for each item; Disposal/write-off of items from the inventory have not been approved by governors; There is a lack of clarity with regards to ownership for the inventory software which has been devised and provided by the IT Technician currently employed; 			

**Priority 1
recommendations,
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- Voluntary Funds - The accounts have not been audited on an annual basis; no visible evidence to confirm that the accounting records are independently overseen;
- Governance - The Financial Management & Procedures Policy document is not comprehensive. It has not been updated to reflect the following:
 - Replacement of the FMSiS (submission of a Best Value and Controls Assurance Statement is also no longer a requirement);
 - The introduction of the 'Schools Financial Values Standard' (SFVS) requirement;
 - Current signing procedures for purchase orders and cheques
 - The Contract Standing Orders for Schools document update in 2010.

Recommendation 1 - Purchasing:

The School should ensure that:

- a) The officer(s) responsible for checking receipt of goods, sign and date all delivery notes to indicate that the delivery was received complete etc;
- b) Availability of budget is checked prior to approval of each purchase order form;
- c) An adequate separation of duties is introduced into the purchasing system and that one officer is not able to approve a purchase order, invoice and sign cheques;
- d) A review of the School's signatories is undertaken to ensure that purchase orders and cheques are signed in accordance with approved delegated limits.

Management Comment 1:

Agreed – A review of the Purchase Order system has been made and this shall be reflected in the new draft of the Finance Policy. There shall be a correct implementation of the separation of duties. The bank mandate signatories and authorisation of purchases shall be updated in line with these comments and ratified.

(Head Teacher, 20.12.13)

Recommendation 2 - Income:

Controls and procedures should be in place to ensure independent checks are carried out to confirm amounts banked agree to control records for all income collected and this is adequately evidenced.

Management Comment 2:

Agreed – The Financial Manager shall check the banking intermittently and sign off on the paying in slip

(Head Teacher, Immediately)

4. Work in progress and effectiveness review

Appendix C includes a list of all of those audits at the planning, fieldwork, or draft reporting stages. Appendix D includes performance against the Internal Audit effectiveness indicators. We have met all targets within the plan with the exception of two indicators being rated Amber:

- 1) 65% of the annual plan has been delivered, which is below the target for quarter 3 of 74%. Although performance is currently below target, there are several reviews at the last stage of fieldwork, and the fieldwork on several of the quarter 4 reviews has already commenced. Therefore we are confident that the plan will be finalised by the end of the financial year.
- 2) Implementation of internal audit recommendations – the progress of quarter 3 recommendations is included in Appendix D where 100% recommendations are implemented. Last quarter 67% of recommendations had been implemented within the required timeframe. As such there has been an improvement in the completion of audit recommendations in the timescales originally agreed.

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.

As part of the Internal Governance reviews of the four 'Resource Enabling Boards', Internal Audit officers have been working closely with Governance colleagues to ensure efficient and effective audits.

During the last quarter officers within the Assurance Group have been working closely with CAPITA in relation to developing a working protocol that both clarifies and puts in place practical arrangements around the relevant Audit, Fraud and Risk contract clauses. This working protocol will support the 'external assurance' quadrant of our annual plan.

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 2013 in respect of timing and additional audits requested from Directorates.

Type	Audit Title	Reasons
Additional	Barnet Autism Self-Assessment (BASA)	Request by the Director for People to undertake audit of the BASA in response to two members of the Autism sub-group stating that the draft BASA was not an accurate reflection of the representatives' views.
Combined	Contract Management and Benefits Realisation Frameworks	Combined due to crossover on scope and same auditor undertaking review of both frameworks.
Combined and Deferred	Children's Review (previously Remands) and Legislative Changes	Agreed with Children's service that Remands overspend largely outside of Council control therefore an audit of response to Children's legislative changes to be undertaken.
Deferred	Performance Management Framework	Deferred to Q4 due to number of reviews underway in Q3.
Deferred	Equalities	Deferred at the request of the service due to last audit being undertaken in Q4 of 2012/13 and priority 1 recommendations from that review having been implemented on time.
Deferred	Transformation	Deferred to Q4 in ensure best timing to review wave 2 projects.

7. Reports and assurance projects for management purposes

There was one assurance project undertaken by internal audit that is not considered an assurance report (i.e. it does not give an assurance rating) 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:

- **Troubled Families – Payment By Results review**

As reported verbally to the Audit Committee in October, we have completed the first stage of this Assurance project requested by the Children's service. When initially asked to substantiate the July 2013 PBR claim, we were unable to do so due to the lack of evidence to support the number of families being classed as 'Troubled'. We undertook further work in September which highlighted three exceptions which required the claim to be revised down from 33 to 30 Troubled Families. The service was then able to make its submission in line with the October 2013 deadline.

We are in discussions with the service on the assurance that is needed over future submissions as these are made to the Department of Communities and Local Government (DCLG) four times a year. This work will be part of the 2014/15 audit plan as it is required by DCLG that internal audit provide assurance over the claim.

8. Risk Management

In Quarter 2 a substantial amount of risks were transferred from the Council to our Capita partners in line with the commencement of the CSG and Re contracts. Relevant retained risks have been captured and joint risks will be managed through the contract and clienting function and reported quarterly in accordance with the council's risk management framework.

The final performance report for Quarter 2 can be found via the link below and includes the Quarter 2 corporate risk register:

<http://barnet.moderngov.co.uk/documents/g7461/Public%20reports%20pack%2016th-Dec-2013%2019.00%20Cabinet%20Resources%20Committee.pdf?T=10>

Appendix B: 2013-14 work completed during quarter 3 including assurance levels

Audit Opinions on Completed Audits during the period

Systems Audits		Assurance
1	Safeguarding Children Section 11	Satisfactory
2	Street lighting PFI Contract	Limited
3	Procurement Board – Internal Governance Q2	Satisfactory
4	Customer Services & Information Management – Internal Governance Q2	Satisfactory
5	Early Intervention and Prevention	Satisfactory
6	Partnerships	Satisfactory
7	Health & Social Care Integration	Satisfactory
8	Barnet Autism Self-Assessment	Satisfactory
9	Risk Management Framework	Satisfactory
10	Contract Management & Benefits Realisation Framework:	
	Commissioning Group	Satisfactory
	CSG	Satisfactory
	Barnet Homes	No
Assurance Projects		
11	Troubled Families PBR	N/A

School Audits		Assurance
1	Livingstone Primary & Nursery School	Limited
2	Rosh Pinah	Limited
3	St. Mary's & St. John's	Satisfactory
4	Oak Lodge	Satisfactory
5	Jewish Community Secondary	Satisfactory
6	Coppetts Wood	Satisfactory
7	Claremont	Satisfactory

Appendix C: Work in progress

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

Work in progress

	Systems Audits	Status
1	Information Management & Governance	Fieldwork
2	People Management	Fieldwork
3	IT controls - data integrity and security	Fieldwork
4	External Assurance quadrant	Fieldwork
5	Business Continuity	Fieldwork
6	Equalities	Fieldwork
7	Data Quality	Fieldwork
8	Financial Management	Planning
9	Performance Management Framework	Planning
10	Public Health	Planning
11	Health & Safety	Planning
12	Contract Review – Parking Contract	Planning
13	Waste – Project Assurance	Planning
14	Transformation Q4	Planning
15	SWIFT and WISDOM	Planning
16	Legislative Changes – Education & Skills	Planning




Appendix D: Internal Audit Effectiveness Indicators

Performance Indicator	Annual Target	End of Quarter 3
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	100%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment
Average client satisfaction score (above 3)	90%	93%
% of Plan delivered	74%*	65%
% of draft reports completed within 10 days of finishing fieldwork	90%	92%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By April	Quarter 4 assessment
Preparation of Annual Report (previous year)	Prior to A.G.S.	Achieved
Staff with professional qualifications	70%	75%
Staff development days	5 days	Quarter 4 assessment

* Quarter 3 target equated as 95% of quarter 1, 2 and 3 activity

Appendix E: Quarter 3, 2013-14: Priority 1 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, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>1. Asset Management (Rent Review), June 2013</p> <p>Data Quality</p> <p><u>System update</u></p> <p>The Property Support Officer indicated that valuers were required to independently check the input of rent review data to the Access system, including the next rent review date. There was however no evidence of such input and independent check.</p> <p>We tested 18 Delegated Power Reports (DPR's) outlining approved rents and agreed those rents, next review date and last review date to the system to ensure the correct input of rent review outcome details. Of the 18 tested, we noted 4 exceptions, 3 relating to incorrect last review and next rent review dates and one relating to the input of a new rent uplift figure which had not been applied in SAP owing to the invoice being disputed and cancelled. The system had not been corrected to reflect the previous rent.</p> <p><u>System limitation for ensuring data quality</u></p> <p>Further, the system was not tailored to fully support the automated rejection of inaccurate data input. For instance, we</p>	<p>A quality assurance framework to ensure data is processed accurately and timely should be implemented, for example a process:</p> <ul style="list-style-type: none"> - to evidence the input and independent check of rent review DPR detail to the system and - to evidence independent review of DPR back rent calculations and DPR rent and back rent upload to SAP. The process for comparing SAP and system generated reports for comparison of rents in SAP and the system and the investigation of discrepancies should be undertaken periodically. <p>The quality assurance framework should include the independent quality review of rent review delivery by officers to ensure that rent review outcomes are correct and completed within</p>	<p>Agreed. A process will be developed which positively validates that the data entry has taken place and that it is a proper record.</p>	<p>Head of Estates</p>	<p>End August 2013</p>	<p>Implemented</p> <p>Controls to ensure the accurate and timely processing of rent review data in the Property Database and SAP are now in place.</p>

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>noted that a date input as 31/6/2010 was accepted and converted to 10/6/1931 when it should have been rejected.</p> <p><u>SAP update</u></p> <p>The officer responsible for updating SAP with rent review outcomes confirmed that there were no independent review/reconciliation processes to ensure that rents and back rents associated with completed rent review cases had been correctly input to SAP on a timely basis.</p> <p>We tested 16 DPR's to SAP to ensure the accurate input of rent uplifts and back rent to SAP. Of the 16 tested, we noted 8 instances where the back rent differed from the approved DPR. There were 2 instances where the back rent and in one instance where the rent uplift in the completed DPR's had not been input to SAP.</p> <p><u>Progress monitoring data</u></p> <p>In addition, for rent review cases allocated for completion, we noted an allocated case which did not appear on the allocation schedule and noted that the date of allocation was not consistently recorded on the allocation schedule to optimise progress monitoring.</p>	<p>acceptable timeframes in line with case complexity.</p> <p>Note: The quality assurance framework need not review each case but should involve the review of a sample of cases in line with the risks.</p>				

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>We tested 10 cases due for review between 01/01/2012 to 31/03/2012 to ensure that they had been allocated. Of 10 cases tested as due for rent review, 3 had been allocated. Of the 3 allocated, 1 was not recorded on the "Case List" to facilitate monitoring. For the 2 cases allocated and recorded, the date of allocation was not recorded to optimise progress monitoring.</p> <p><u>Quality assurance of valuer delivery</u></p> <p>In addition, we established that there were no internal arrangements to specifically quality assure rent review cases completed by officers to ensure that rent review processes, and negotiations were undertaken correctly and promptly.</p>					

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>2. Records Management (Children's Service), March 2013</p> <p>Access to Shared folders with personal information</p> <p>We established that access to SEN Performance and Education Psychology electronic folders containing personal data was not restricted to the appropriate officers. Management confirmed that 52 of 98 officers who had access to the relevant electronic folders should not have had access. Management confirmed that there was no process to review access controls to ensure that access was appropriate.</p> <p>The practice was not in compliance with the Information Security Policy which referred to the use of access controls to protect information assets.</p> <p>In addition, it was not clear whether the functionality of the current system rendered these spreadsheets necessary.</p> <p>Teams maintain spreadsheets</p>	<p>Management should undertake periodic reviews of officers who have access to their electronic folders to ensure compliance with Information Governance policies.</p> <p>There should be a review of spreadsheets to ensure that those in use are necessary and compliment, rather than hinder, the current records management processes.</p> <p>A policy or procedure governing spreadsheet security should be developed and communicated to all teams. The policy should refer to following a risk based approach for decisions on how and whether to secure spreadsheets and should state the mechanisms for restricting access to or preventing the update of spreadsheets in line with identified risks.</p>	<p>Agreed. Access could be reviewed against records of staff with access which could be provided.</p> <p>Initiatives to increase the use of Tribal as a system for capturing information centrally are being considered. This should minimise duplication of information and the use of alternate local systems for recording information, facilitate the efficient retrieval of all relevant data and the efficient update of records. The Corporate Commissioning Council will need to be engaged in related decisions on initiatives.</p>	<p>Interim Assistant Director, Partnerships and Transformation</p>	<p>June 2013</p>	<p>Implemented</p> <p>Arrangements to ensure the careful and considered use of spread sheets was implemented and reported to the Audit Committee in October 2013.</p> <p>Management had completed the shared folder access reviews for the Special Education Team (SEN) and Education Psychology Team (EPT) for reporting to the January 2014 Audit Committee.</p> <p>Progress on the full implementation of Tribal will be reported to the July 2014 Audit Committee in line with the 30 June 2014 implementation deadline.</p>

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>with personal data to support the current IT systems in use. Spreadsheet owners adopted different approaches to securing spreadsheets, some relying only on restricted access to the electronic folders in which the spreadsheets were saved and some had password protected spreadsheets. There was no policy on securing spreadsheets, or understanding the need for them, to ensure that a consistent approach was adopted across the Service.</p>					
<p>3. Records Management (Children's Service), March 2013</p> <p>Duplicate data held across teams / inconsistent and inaccurate data for a child held across teams</p> <p>We identified 2 instances where communicated changes to SEN records had not been updated in Tribal demonstrating the need for the introduction of compliance reviews.</p> <p>Management in the Education Psychology Team and SEN Performance team indicated that identified changes to</p>	<p>A record change control process should be implemented which should involve capturing change to records centrally for communication across systems and teams.</p>	<p>Agreed. Initiatives to increase the use of Tribal as a system for capturing information centrally are being considered. This should minimise duplication of information and the use of alternate local systems for recording information, facilitate the efficient retrieval of all relevant data and the efficient update of records.</p>	<p>Interim Assistant Director, Partnerships and Transformation</p>	<p>September 2013</p>	<p>Implemented</p> <p>For reporting to the January 2014 Audit Committee, the initiative to implement read only access in Tribal to key officers had started as agreed.</p> <p>Officers in the Education Psychology Team and MASH team had been given read only access to child details in Tribal to facilitate the update, where necessary, of related data such as address and contact details.</p>

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>personal data would be updated across all systems in their team and in other systems where there was a known involvement with the child. However there were no arrangements for teams to capture changes centrally for monitoring whether changes had been updated in their systems and for the communication of such changes to other teams for update in their system, where applicable. For instance, we found inconsistent address and contact detail information for 10 of 17 records for Children held by SEN Performance Team in Tribal and held by Education Psychology Team.</p>		<p>The Corporate Commissioning Council will need to be engaged in related decisions on initiatives.</p>			<p>Progress on the full implementation of Tribal would be reported to the July 2014 Audit Committee in line with the 30 June 2014 implementation deadline.</p>
<p>4. Records Management (Children's Service), March 2013</p> <p>Records retention and destruction</p> <p>While arrangements existed and were followed to identify SEN paper records for destruction, responsible officers in the Education Psychology Team and SEN Performance Team indicated that there was no process for independently</p>	<p>Arrangements should be implemented for reconciling physical records for destruction in the archive to related theoretical records in the administration teams.</p> <p>Arrangements to communicate records destroyed across teams should be implemented to ensure that all relevant records for a client are destroyed simultaneously.</p>	<p>Agreed. This area would be addressed by the Children's Service Information Manager in a new role being agreed currently.</p>	<p>Children's Service Information Manager</p>	<p>September 2013</p>	<p>Implemented</p> <p>A Records Retention and Destruction procedure document was developed for implementation.</p> <p>Reconciliation and destruction of files will commence in April 2018 (35 years after the first statements were issued in 1983) in line with the Council's Records and</p>

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>reconciling individual records that were scheduled to be destroyed to schedules of records available in the team.</p> <p>There were also no arrangements to ensure that records for the same child across teams and across the forms available (paper, electronic records and spreadsheets) were destroyed at the same time, where applicable.</p>					<p>Retention Policy of 35 years from case closure.</p> <p>The procedure defined the process for ensuring that files due for destruction were reconciled to the theoretical record prior to their destruction.</p> <p>The procedure defined the process for ensuring that Education Psychology Team (EPT) and Special Education Needs (SEN) team records were combined into one file to ensure that all records were destroyed simultaneously.</p>
<p>5. Records Management (Children's Service), March 2013</p> <p>Records retention and disposal processes:</p> <ul style="list-style-type: none"> - had not been implemented to identify expired records in Tribal. - were not implemented in line with Council policy for SEN records. The 	<p>Management should determine and communicate the correct retention period for SEN records for inclusion in the Council's Records Retention and Disposal Policy.</p> <p>Records retention and destruction processes for electronic and paper records should be correctly and consistently followed in line</p>	<p>Agreed. This area would be addressed by the Children's Service Information Manager in a new role being agreed currently.</p> <p>Children's Service management had not been consulted on the retention</p>	<p>Children's Information Manager</p>	<p>September 2013</p>	<p>Implemented</p> <p>The retention period as stated in the Council's Records Retention and Disposal Policy of 35 years from case closure was accepted by Management and reported to the October 2013 Audit Committee.</p>

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>Council's Records Retention and Disposal policy referred to the destruction of records 35 years from closure not 35 years from date of birth applied by the Council.</p> <ul style="list-style-type: none"> - resulted in the archiving of records in the incorrect year resulting in destruction after expiry and inconsistent dates of destruction between teams. 	<p>with the Council's policy for retention and disposal.</p>	<p>period included in the Council's Records Retention and Disposal policy. The correct retention period would need to be confirmed and updated in the retention guidelines as necessary.</p>			<p>A Records Retention and Destruction procedure document was developed for implementation.</p> <p>Reconciliation and destruction of files will commence in April 2018 (35 years after the first statements were issued in 1983) in line with the Council's Records and Retention Policy of 35 years from case closure.</p> <p>The procedure defined:</p> <ul style="list-style-type: none"> - the requirements for Education Psychology Team (EPT) and Special Education Needs (SEN) file <u>closure</u>, informing archiving and ultimate destruction. - the requirement for engagement between the Education Psychology Team (EPT) and the Special Education Needs (SEN) team, where necessary, to ensure the combining of paper and electronic files into a single file for the consistent and

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
					simultaneous archiving and ultimately destruction of related SEN and EPT records.
<p>6. Planning Planning Service Performance (October 2013)</p> <p>Audit trails were not available from the Accolade system to support the outturn reported in the Planning Service Recovery Plan (regarding planning application backlog figures and the speed of decision making PI). Management confirmed that these were extracted from Accolade but that related reports were not retained. The Data Quality Policy states that clear and complete audit trails should be maintained to demonstrate accuracy of all data.</p> <p>Business support officers confirmed that sample checks of planning files to Accolade for accuracy of processing had been undertaken in the past. However evidence of such audits was not retained for</p>	<p>Audit trails supporting reported figures and controls to ensure the accuracy and completeness of related system data should be retained for inspection in line with the Data Quality Policy.</p>	<p>Data Quality training and development needs will be assessed for officers involved in the management/reporting of Planning performance data. Officers will undertake training /development initiatives, where applicable, to ensure that they are familiar with the Council's Data Quality principles and consider them on an on-going basis in their day to day work.</p> <p>Note: This may be achieved through formal training courses, confirmation that officers have</p>	<p>Systems Support Manager (DRS)</p>	<p>1 December 2013</p>	<p>Implemented</p> <p>The relevant Planning officers have undertaken the necessary data quality training and development.</p> <p>Audit trails supporting planning performance data were maintained for referral.</p>

Audit Title, Issue and Date	Recommendation	Management Response	Responsible Officer	Deadline	Audit Assessment January 2014
<p>inspection.</p> <p>Business support officers also indicated that exception reporting was undertaken to identify missing data, such as planning application class and decision dispatch dates, to ensure the completeness and accuracy of quarterly statutory reporting to the Department for Communities and Local Government. However evidence of such checks was not retained for inspection.</p>		<p>reviewed and understand the Data Quality Policy content or liaison with the Information Management team on how best to address identified developmental needs.</p> <p>Audit trails supporting key Planning data and information reported, for example, key performance indicator (KPI) or performance indicator (PI) outturn from Accolade, will be retained for referral.</p>	<p>Systems Support Manager (DRS)</p>	<p>Immediately</p>	

Meeting	Audit Committee
Date	28 January 2014
Subject	Annual Audit Letter 2012/2013
Report of	Deputy Chief Operating Officer
Summary	This report advises the Committee of the Annual Audit Letter for 2012/2013
Officer Contributors	Paul Thorogood – Head of Finance, Financial Services
Status (public or exempt)	Public
Wards affected	Not applicable
Key decision	No
Enclosures	Appendix A – Annual Audit Letter 2012/2013
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable
Contact for further information:	Paul Thorogood – Head of Finance, Financial Services 07725 652910

1. RECOMMENDATIONS

- 1.1 That the External Auditor's Annual Audit Letter for 2012/2013 be accepted as a reasonable statement on the Council's position in respect of 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.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 10 December 2012 (Annual Audit Letter 2011/2012)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Annual Audit Letter summarises the key performance issues and achievement 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 There are no matter of equalities and diversity arising from the content of this report.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, ICT, 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 opinion with regards 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 requires 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:
 - Publish the annual audit letter received from the Auditor; and
 - Make copies available for purchase by any person on payment of such sum the Council may reasonably required.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to consider the external auditor's annual letter" and "to 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 2012/2013, which is attached to this report in Appendix A.
- 9.3 The following points are drawn to the attention of the Committee:
- 9.3.1 An unqualified opinion on the Statement of Accounts for 2012/2013 was given by the External Auditors, confirming that the accounts give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the 2012/2013 financial year.
- 9.3.2 The closure of the accounts and subsequent audit process was concluded over a month ahead of 2011/2012. The unqualified audit opinion was provided on 14 August 2013 for 2012/2013 in comparison to 13 September 2012 for 2011/2012.
- 9.3.3 An unqualified conclusion was provided by the External Auditors in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 9.3.4 An unqualified opinion on the Whole of Government Accounts submission for 2012/2013 was given by the External Auditors.
- 9.3.5 The External Auditors have certified five claims and returns for the 2012/2013 financial years relating to expenditure of £400m. Further detail on these claims and returns are provided within the External Auditors grant certification report, considered elsewhere on the Committee agenda.
- 9.3.6 The matters raised by electors to the 2012/2013 accounts have been responded to both the electors and Council and the audit for 2012/2013 has now formally concluded.
- 9.4 The audit fees for 2012/2013 which can be confirmed at this time are as follows:

Audit Area	Planned 2012/2013 £'000	Actual 2012/2013 £'000	Variance £'000
Pension Fund Audit	20.226	29.726	9.500
Grant Certification	40.800	40.800	0
	61.026	70.526	9.500

Table 1 – Audit Fees for 2012/2013 confirmed as at 17/01/14

- 9.4.1 The variance of £9.5k in respect of the Pension Fund audit was agreed to provide additional audit hours and further testing.
- 9.4.2 The Audit Fee for 2012/2013 was planned to be £224.1k. The actual audit fee for 2012/2013 will be in excess of the planned value due to the cost of dealing with a number of elector objections. The actual 2012/2013 will be advised at a future Committee once determined and agreed with the External Auditors.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	PT
Cleared by Legal (Officer's initials)	CE

The Annual Audit Letter for London Borough of Barnet

Year ended 31 March 2013

January 2014

Paul Hughes

Engagement Lead

T 0207 728 2256

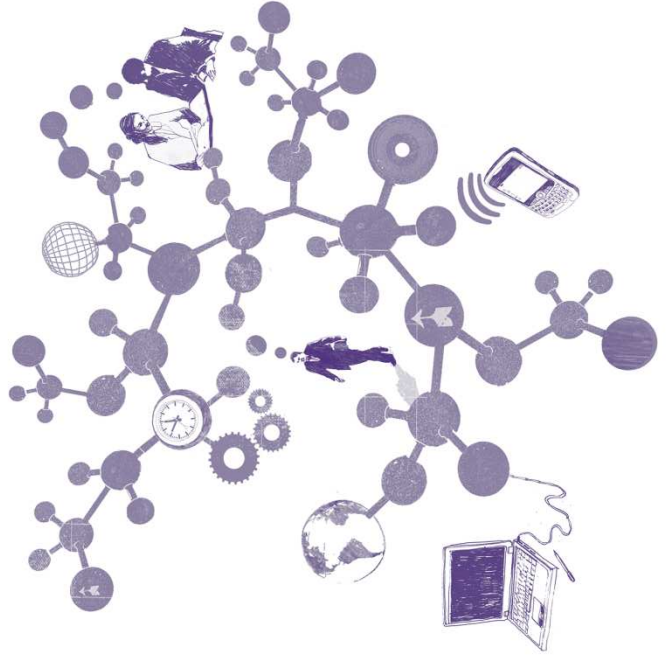
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Appendices

A Reports issued and fees

Section 1: Executive summary

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money
- 04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at London Borough of Barnet ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 July 2013.

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).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 8 April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified five claims and returns for the financial year 2012/13 relating to expenditure of £400 million. Of the certified claims, one required a minor amendment and one required amendment and qualification.

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider.

Accounts audit:

The accounts closedown and audit process was very successful this year, with the unqualified audit opinion issued on 14 August 2013, over a month ahead of last year.

We identified one adjustment that impacted on the Council's reported financial position, increasing net expenditure from £22.5m in the draft financial statements to £24.2m in the audited financial statements. This change related to an increased provision for council tax debtors and did not impact on the General Fund balance.

We also identified a number of minor adjustments relating to disclosures to improve the presentation of the financial statements.

Further details can be found in section 2 of this Letter.

Value for Money:

An unqualified VFM conclusion was issued on 14 August 2013, confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013. Further details can be found in section 3 of this Letter.

Grant certification:

We have completed the process of certifying the 2012/13 grant claims and returns, with all five claims having been certified within the required deadlines. Of the five claims certified, three were issue free, one required a minor amendment (Teachers' Pensions return) and one required amendment and qualification (Housing Benefits Subsidy claim).

Information on the claims certified is included in section 4 of this Letter and we have reported in full on our findings in a separate report to the Audit Committee.

Public challenge matters:

We have recently completed our work in considering matters raised in a number of elector objections to the 2012/13 accounts. We issued our letters responding to the objections to the elector and the Council and formally certified the 2012/13 audit closed on 17 January 2014.

Acknowledgements

This Letter has been agreed with the Council's Chief Operating Officer and will be presented to Audit Committee on 28 January 2014.

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

Grant Thornton UK LLP
January 2014

Section 2: Audit of the accounts

- 01. Executive summary
- 02. Audit of the accounts**
- 03. Value for Money
- 04. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 31 May 2013. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 10 June 2013. This is significantly in advance of the national deadline and we acknowledge the effort made by the Council's Finance Team in achieving this.

The financial statements and working papers were of a high quality and we received good support from the Finance Team at the Council when dealing with any queries. This enabled the Audit Findings Report to be presented to the Audit Committee at their meeting on 24 July 2013.

Issues arising from the audit of the accounts

In the conduct of our audit, we did not have to alter or change our audit plan, which was communicated to the Council in our Audit Plan presented to the Audit Committee on 8 April 2013.

We undertook work on the key financial systems to support our approach to the accounts audit. This work did not identify any control issues that presented a material risk to the accuracy of the financial statements. We noted that the Council's overall control environment, as measured by the results of Internal Audit's programme of work, has improved during 2012/13. This performance is positive, and management should now continue to focus on addressing areas for improvement as highlighted in the Council's Annual Governance Statement, to embed a robust control framework in the Council's new operating structure in place since April 2013.

We identified one adjustment that impacted on the Council's reported financial position, increasing net expenditure from £22.5m in the draft financial statements to £24.2m in the audited financial statements. This change related to an increased provision for council tax debtors and did not impact on the General Fund balance.

We also identified a number of minor adjustments relating to disclosures to improve the presentation of the financial statements.

The results of our work on the Pension Fund audit were reported separately, but did identify a need for improvement in the preparation of the financial statements and their supporting working papers. Improvements in these areas will greatly aid the timetable for an early sign off and match the level of information provided elsewhere at the Council.

Annual Governance Statement (AGS)

We reviewed the AGS to confirm that it complied with the requirements of 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. We also concluded that the disclosures made were consistent with our knowledge of the Council and its strategic risks and represented good practice.

Whole of Government Accounts (WGA)

The Council submitted its draft WGA pack for audit by the deadline of 30 July. We completed our review and were able to submit the audit pack, along with an unqualified assurance statement, in advance of the 4 October 2013 deadline. There were no significant issues noted with the quality of the information contained in the pack.

Audit of the accounts

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 24 July 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 14 August 2013, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Public challenge matters

We have recently completed our work in considering matters raised in a number of elector objections to the 2012/13 accounts. These were in relation to parking (four objections) and interim staffing arrangements (one objection).

In the course of our enquiries we considered:

- the written submissions of the elector and the Council
- discussions with the Council's Monitoring Officer, s151 officer and his team
- relevant documentation and guidance
- our own legal advice and consultation with the Audit Commission.

We issued our letters responding to the objections to the elector and the Council on 17 January 2014. Whilst our work identified some areas where the Council recognised the need to make improvements, there were no matters of sufficient significance to warrant the use of our statutory reporting powers.

Following completion of our work and issue of our letters, we formally certified the 2012/13 audit closed. We have included follow up of progress against the Council's parking improvement plan in our 2013/14 audit programme.

Section 3: Value for Money

01. Executive summary
02. Audit of the accounts
- 03. Value for Money**
04. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's performance against a series of key performance indicators and arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

Key indicators of performance	GREEN
Financial planning	GREEN
Financial governance	GREEN
Financial control	GREEN

Our work highlighted that, in common with local authorities nationally, the financial challenges facing the Council as it continues to deliver the savings reductions set out in the Governments 2010 Spending Review are significant. The Council is, however, meeting these challenges well and has good arrangements in place to ensure it remains resilient to deal with new financial risks as they emerge. Further details are provided in our Audit Findings Report issued in July 2013.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. This review included the following:

- Conflict of interest review (New Support and Customer Services Organisation)
- Review of Regeneration Service
- Cost and performance benchmarking
- New 'Commissioning Council' arrangements.

Our work highlighted no significant issues and further details were provided in our Audit Findings Report issued in July 2013.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary
02. Audit of the accounts
03. Value for Money
- 04. Certification of grant claims and returns**

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified five claims and returns for the financial year 2012/13 relating to expenditure of £400 million. Details of the claims certified are provided below:

- Single Programme (RG31) – no amendment / no qualification
- Pooling of Housing Capital Receipts (CFB06) – no amendment / no qualification
- National Non Domestic Rates return (LA01) – no amendment / no qualification
- Teachers' Pensions Return (PEN05) – amended / no qualification
- Housing Benefits Subsidy claim (BEN01) – amended / qualified

Key messages

The number of claims requiring amendment has fallen from 2011/12 and the Housing Benefit claim remains the only claim requiring qualification. It should be noted that this is a complex return and it is not unusual for this return to be subject to qualification.

Further details are provided in our certification report issued in January 2014.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	224,100	(i)
Pension Fund audit (ii)	20,226	29,726
Grant certification fee	40,800	40,800

Fees for other services

Service	Fees £
None	Nil

- (i) The actual audit fee will be in excess of budget due to the cost of dealing with a number of elector objections. Upon submission of costs incurred, the Audit Commission will determine the additional fee payable by the Council. We will write separately once this is determined.
- (ii) We agreed an additional fee of £9,500 for the pension fund audit for the additional audit time and testing that was required.

Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	July 2013
VfM – Financial Resilience Report (included within the Audit Findings Report)	July 2013
Certification report	January 2014
Annual Audit Letter	January 2014

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Meeting	Audit Committee
Date	28 January 2014
Subject	Grants Certification Work Report 2012/2013
Report of	Deputy Chief Operating 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	Paul Thorogood – Head of Finance, Financial Services
Status (public or exempt)	Public
Wards affected	Not applicable
Key decision	No
Enclosures	Appendix A – Certification Work Report 2012/2013
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable
Contact for further information:	Paul Thorogood – Head of Finance, Financial Services 07725 652910

1. RECOMMENDATIONS

1.1 That the content of the report are noted.

1.2 That the matters raised by the External Auditors relating to the grants submission and certification process be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 Audit Committee 10 December 2012 (Grants Report 2011/2012)

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 of grant claims, 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 and Value for Money, Staffing, ICT, Property, Sustainability)

6.1 The grants submission process is the final stage in the process for receiving external funds from third parties. As noted above, 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 issues.

8. CONSTITUTIONAL POWERS

8.1 Constitution Part 3, Section 2 details the functional 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 five grant claims and returns to government departments and other bodies requiring external audit certification in 2012/2013, representing a claim value of £400m.
- 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 £0.500m after verifying that all expenditure incurred by the Council qualifies under the terms and conditions of the grant. Grants under £0.125m do not have to be certified and only limited checks are required for grants between £0.125m and £0.500m.
- 9.3 Key messages from the External Auditors are as follows:
- All claims were submitted and certified within the required deadlines.
 - Of the five claims certified, three were issue free, one required a minor amendment and one required amendment and qualification
 - Supporting working papers were of a good quality, which helped to enable 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 2012/2013	Performance 2011/2012
Number of claims	N/A	5	6
Claims submitted on time	100%	100%	100%
Claims certified on time	100%	100%	100%
Claims amended by the Auditor	0%	40%	67%
Claims qualified by the Auditor	0%	20%	17%

Table 1 – Council's performance against key certification performance targets and prior year's performance

- 9.4.1 Overall the Council's performance in preparing claims and returns is broadly consistent with 2011/2012.
- 9.4.2 In 2012/2013 the number of claims requiring amendment fell from 67% to 40%.
- 9.4.3 In 2012/2013 one claim was qualified, the Housing and Council Tax Benefit claim. It should be noted that this is a complex return and it is not unusual for this return to be subject to qualification. The return received an amendment of £0.093m on the £273.301m claim.
- 9.5 The grant fee for 2012/2013 was £40.8k compared to the 2011/2012 fee of £78.4k, which is in line with the 40% reduction applicable from 2012/2013.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	PT
Cleared by Legal (Officer's initials)	CE



Certification report 2012/13 for London Borough of Barnet

Year ended 31 March 2013
January 2014



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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by the London Borough of Barnet ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified five claims and returns for the financial year 2012/13 relating to expenditure of £400 million.

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

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.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in July 2013.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims were submitted and certified within the required deadlines	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Of the five claims certified, three were issue free, one required a minor amendment and one required amendment and qualification	●
Supporting working papers	Supporting working papers were of a good quality, which helped to enable certification within the deadlines	●

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees (none of which materialised in 2012/13).

Acknowledgements

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

Grant Thornton UK LLP
January 2014

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We certified five claims and returns for the financial year 2012/13 relating to expenditure of £400 million. The Council's performance is summarised below:

Performance measure	Target	Performance in 2012/13		Performance in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	5	100	6	100	↕
Claims certified on time	100%	5	100	6	100	↕
Claims certified without amendment	100%	3	60	2	33	↑
Claims certified without qualification	100%	4	80	5	83	↕

This analysis of performance shows that:

- all claims were prepared and certified in advance of deadlines
- the number of claims requiring amendment has fallen and the Housing Benefit claim remains the only claim requiring qualification. It should be noted that this is a complex return and it is not unusual for this return to be subject to qualification

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- Initial testing of 80 benefit cases identified ten cases with errors. Based on these errors, additional testing, including four sets of 40+ testing, was required.
- From the additional 160 cases tested, a further 46 cases were identified where there had been one of either an incorrect classification, an overpayment or an underpayment. Given the nature of the population and the variation in the errors found, it was considered unlikely that even significant additional work would result in amendments to the claim that would have enabled us to conclude that it was fairly stated.
- It was agreed that this additional testing would be completed by the Benefits Team at the Council and that we would re-perform a sample of cases as prescribed by the Certification Instruction. Whilst this process worked reasonably well, it was not possible for us to complete our review of this additional testing until close to the statutory deadline for the certification of the claim. We would recommend that, in the event of similar testing being required again in the future, a detailed plan is put in place to enable an earlier review and finalisation process.

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £40,800. This is set out in more detail in Appendix C.

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing and Council Tax Benefits Scheme (BEN01)	£273,300,552	Yes	£92,705	Yes	Initial testing of 80 cases identified 10 cases with errors and required four sets of 40+ testing. Based on this additional testing and, given the nature of the population and the variation in the errors found, it was considered unlikely that even significant additional work would result in amendments to the claim form that would have enabled us to conclude that it was fairly stated.
Pooling of Housing Capital Receipts (CFB06)	£5,272,951	No	n/a	No	Claim certified without issue
National Non Domestic Rates Return (L_A01)	£104,769,683	No	n/a	No	Claim certified without issue
Teachers' Pensions Return (PEN05)	£16,413,476	Yes	£1,012	No	Claim certified with a minor amendment required
Single Programme (RG31)	£97,875	No	n/a	No	Claim certified without issue

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should put in place a detailed timetable to ensure there is sufficient time to allow for quality assurance of the data by the Benefits Team prior to submission for audit review, enabling any errors to be found and rectified.	Medium		

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim (BEN01)	31,830	30,770	30,770	(1,060)	-
Pooling of Housing Capital Receipts (CFB06)	2,697	2,760	2,760	63	-
National non-domestic rates return (LA01)	3,359	3,600	3,600	241	-
Teachers' Pensions Return (PEN05)	2,792	3,670	3,670	878	-
Single Programme (RG31)	2,760	0	0	(2,760)	Final small element of claim certified in 2011/12
FIRA Subsidy	2,351	n/a	n/a	(2,351)	No longer applicable
Total	45,789	40,800	40,800	(4,989)	

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.



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