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MEETING

AUDIT COMMITTEE

DATE AND TIME

THURSDAY 26TH APRIL, 2012

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Lord Palmer OBE (Chairman)
Vice Chairman: Councillor Brian Schama (Vice-Chairman)

Councillors

Alex Brodkin	Sury Khatri	Hugh Rayner
Geof Cooke	Graham Old	

Substitute for Councillor Members

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

Independent Members:

Richard Harbord	Debra Lewis
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You are requested to attend the above meeting for which an agenda is attached.

Aysen Giritli – Head of Governance

Governance Services contact: Chidilim Agada 020 8359 2037

Media Relations contact: Sue Cocker 020 8359 7039

CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

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Meeting	Audit Committee
Date	26 April 2012
Subject	Bribery Policy Statement and Procedure - Counter Fraud Framework and CAFT Strategy 2012 -2013
Report of	Head of Corporate Anti Fraud Team (CAFT) Director of Corporate Governance
Summary	The Committee is asked to consider and endorse the new Bribery Policy Statement and Procedure (part of the Counter Fraud Framework) and the CAFT strategy 2012-13.
Officer Contributors	Clair Green – Acting Head of CAFT Maryellen Salter – Assistant Director of Finance – Audit and Risk Management.
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A: Bribery Policy Statement and Procedure - Counter Fraud Framework. Appendix B: CAFT Strategy 2012 -2013.
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not Applicable

Contact for further information: Clair Green 020 8359 7791

1. RECOMMENDATIONS

1.1 That the Audit Committee endorses the Bribery Policy Statement and Procedure - Counter Fraud Framework.

1.2 That the Audit Committee endorses and comments on the CAFT Strategy 2012 – 2013.

2. RELEVANT PREVIOUS DECISIONS

2.1 Delegated Powers Report (ref: BT/2004-05 -2 March 2004) - The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004

2.2 Audit Committee 11th March 2010, Members were presented with, and endorsed the revised Counter Fraud Framework.

2.3 Audit Committee 24 March 2011 (Decision item 10) – the Audit Committee included in the work programme for 2011/12, that a work plan of the Corporate Anti- Fraud Team be produced to this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Council's Corporate Plan 2011/13 sets out three corporate priorities; Better Services with less money, A successful London Suburb and Sharing opportunities and Sharing responsibilities.

3.2 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti Fraud Team supports this by continuing to provide an efficient value for money anti fraud activity, that is able to investigate all referrals that are passed to us to an appropriate outcome, whilst continuing to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering, other criminal activity, and deterrent measures, policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the new corporate priorities and principles.

4. RISK MANAGEMENT ISSUES

4.1 The ongoing work of the CAFT supports the Council risk management strategy and processes. Where appropriate, outcomes from our investigations are reported to both Internal Audit and Risk Management to support their ongoing work and to assist in either confirming effective anti fraud controls and or suggested areas for improvement.

4.2 Failure to endorse the new Bribery Policy Statement and Procedure could result in a lack of awareness across the council and lead to poor decisions being made in relation to tackling bribery and corruption. This could have an adverse effect on the council's reputation and business.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 An effective system of anti fraud, 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. All investigations are individually assessed to ensure compliance with the councils Equality Procedure.

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

- 6.1 In April 2011, the CAFT underwent a successful process of restructuring the team, this restructure was necessary for the team to continue to meet the changing needs of the service whilst still achieving an excellent service that is robust, professional, value for money and fit for purpose.
- 6.2 The structure and budget that CAFT now operate within has proven successful and provides sufficient resource and commitment that is required to carry out an effective anti fraud service and deliver the key objectives as set out within the strategy.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

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

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

9 BACKGROUND INFORMATION

- 9.1 Attached to this report at Appendix A is the Bribery Policy Statement and Procedure.
- 9.2 The Bribery Act came into force from July 2011. Since then CAFT has redesigned the training approach to incorporate elements of the Bribery Act into the e-learning package. In addition, high risk areas such as Procurement, One Barnet Programme, Payments (Finance) and Planning were contacted to ensure e-learning was undertaken and processes and controls were enhanced.
- 9.3 Ahead of the Audit Committee, Senior Council Officers have received and agreed that the Anti Bribery Policy would be incorporated into the Counter Fraud Framework.
- 9.4 Bribery is a criminal offence, this policy confirms that Barnet has a zero

tolerance towards bribery and that the council is committed to the prevention, deterrence, detection and investigation of bribery and corruption.

- 9.5 In addition, the Committee is asked to approve the CAFT Strategy for 2012-13 (Appendix B).
- 9.6 This strategy demonstrates how CAFT supports the council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection and investigation of fraud, corruption and bribery.
- 9.7 The strategy details CAFT's objectives and work streams for 2012 -2013 and incorporates our response to the fraud risks and good practice detailed within the publications CIPFA's 'Managing the Risk of Fraud', the Audit Commission's 'Protecting the Public Purse', the Department for Communities and Local Government 'ten point plan for tackling fraud in the local authorities' and the National Fraud Authority 'Fighting Fraud Locally' document.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

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

Appendix 1

Counter Fraud Framework

Bribery Policy Statement and Procedure

Counter Fraud Framework – Bribery Policy Statement and Procedure

Document Control

Document Description	Counter Fraud Framework Manual – Bribery Policy Statement and Procedure		
Project Name	CAFT / CFF / 2012		
Client	The London Borough of Barnet		
Version	V1		
Date Created	January 2012		
Status	Draft		
Authorisation	Name	Signature	Date
Prepared By:	Clair Green Maryellen Salter		
Approved By:	Statutory Officers Group	N/A	
Approved By:	Council Directors Group	N/A	
Approved By:	Audit Committee	N/A	
Ratified By:	Jeff Lustig		
Ratified By:	Nick Walkley		
Distribution List	Name	Date Distributed	
	London Borough of Barnet		

Counter Fraud Framework – Bribery Policy Statement and Procedure

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1 Bribery Policy Statement

- 1.1 Bribery is a criminal offence. The London Borough Of Barnet does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or any improper inducements.
- 1.2 To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 We are committed to the prevention, deterrence, detection and investigation of bribery.
- 1.4 The London Borough Of Barnet has a zero-tolerance towards bribery. We aim to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.
- 1.5 The Corporate Anti Fraud Team (CAFT) are the only authorised department to investigate all instances of fraud, corruption or bribery committed against the London Borough of Barnet and will ensure cases are appropriately sanctioned where applicable.
- 1.6 All suspicions of bribery must be reported to the CAFT, failure to do so may result in disciplinary action. No employee will suffer demotion, penalty or other adverse consequences for raising concerns to CAFT, or for refusing to make or accept bribes.
- 1.7 This policy is part of a coherent and consistent counter fraud framework that will enable the Council employees, members, partners and providers to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.
- 1.8 We require that all personnel, including those employed permanently, temporary, agency staff and contractors:
 - act honestly and with integrity at all times and to safeguard the Council’s resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities

2 Scope

- 2.1 This policy applies to all of the London Borough of Barnet’s activities.
- 2.2 For partners, providers, suppliers and schools we recommend that they either adopt this policy or adhere to a policy consistent with the principles set out in this policy. In such instances, the council may request annual confirmation of the policy that they have in place.
- 2.3 Within the Council the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It is the responsibility of management to ensure that a sound system of internal control exists within their area of responsibility. Corporate Anti-Fraud Team (CAFT) and Internal Audit will review arrangements periodically to provide assurance to relevant stakeholders.
- 2.4 This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

3 London Borough of Barnet's commitment to action

3.1 This council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date;
- Ensuring all personnel are aware of their responsibilities to adhere strictly to this policy at all times;
- Conducting its contracting and procurement practices in a fair and transparent manner;
- Provide awareness training for all employees so that they can recognise and avoid the use of bribery by themselves and others;
- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately;
- Rigorously investigating instances of alleged bribery, ensuring that relevant cases are prosecuted, or by assisting police and other appropriate authorities in any resulting prosecutions;
- Taking firm and vigorous action against any individual(s) involved in bribery;
- Provide information to all employees on reporting breaches and suspected breaches of this policy; and
- Include appropriate clauses in contracts to prevent bribery.

4 The Bribery Act

4.1 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

4.2 The Bribery Act 2010

Makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of the Act for failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

4.3 Are we a "commercial organisation"?

Counter Fraud Framework – Bribery Policy Statement and Procedure

The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.”

For the purpose of applying the Act the London Borough of Barnet is treated as a “commercial organisation”.

4.4 The Council’s approach to the six principles within the Bribery Act is as follows:

1. Proportionate procedures

This policy represents our documented procedure to be applied across the Council. Procedures that are developed are in line with the Council’s bribery risks it faces and to the nature, scale and complexity of the activities.

2. Top level commitment

The council’s senior management, led by the Chief Executive Officer, are committed to preventing bribery by persons associated with it. The Council’s people values recognise the importance of being trustworthy. Being trustworthy is defined ‘By communicating clearly and honestly about what we can or can’t do we inspire trust’. Further reinforced by ‘ensuring that everything we do we do with integrity’. Recognition and rewards (non monetary) are carried out annually to reinforce importance of our people values.

3. Risk Assessment

The council assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputation damage. Managers are required to comply with the Risk Management Strategy and Policy Statement in recording, managing and reporting risks of Bribery.

4. Due diligence

The council applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the council, in order to mitigate identified bribery risks.

5. Communication (including awareness training)

The council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

6. Monitoring and review

CAFT monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary. The Audit Committee oversees risk management arrangements and seeks assurances on the application of this policy.

4.5 Penalties

An individual guilty of an offence under sections 1, 2 or 6 of the Act is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both

Counter Fraud Framework – Bribery Policy Statement and Procedure

- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

5 Bribery is not tolerated

5.1 It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

5.2 Facilitation payments

Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. Facilitation payments are not tolerated and are illegal.

5.3 Political contributions

A political contribution is a contribution, financial, or in-kind, to support a political cause. Political contributions can be vulnerable to abuse with companies using contributions to gain undue influence to win contracts or shape legislation to their business. The Council's policy is to not make or accept political contributions.

5.4 Charitable Contributions and Sponsorships

A Charitable contribution is a payment made to a Charitable Institution made without any demand or expectation of business return. Sponsorship is a transaction where the Council makes payment, in cash or in-kind, to associate its name with an activity or other organization and receives in consideration for the sponsorship fee.

The council will ensure that Charitable Contributions and Sponsorships are not being used as a subterfuge for Bribery. Approval for charitable donations and sponsorship must be in line with the Council/Directorate Scheme of Delegation. All charitable donations or sponsorship must be noted as such in the Council's accounts and open for review. When making sponsorship decisions a review must be carried out to assess any conflicts of interest, or whether this would influence any bidding situation.

In the interests of transparency, the Council will publish any receipt of or payments for Corporate Sponsorship and any Charitable Contributions on an annual basis.

Counter Fraud Framework – Bribery Policy Statement and Procedure

5.5 Gifts and hospitality

Gifts are money, goods, services or loans given ostensibly as a mark of friendship, or appreciation. They are professedly given without expectation of consideration or value in return. Gifts may be used to express a common purpose and the hope of future. Hospitality includes entertaining, meals, receptions, tickets to entertainment, social or sports events, participation in sporting events, such activities being given or received to initiate or develop a relationships between business people business success and prosperity.

This policy is not meant to change the requirements of the council's gifts and hospitality policy contained within the Code of Conduct. This makes it clear that:

- Under no circumstances should gifts or hospitality be accepted to give personal, commercial, regulatory or contractual advantage
- nominal unsolicited gifts and hospitality up to a financial value of £25 are acceptable
- reasonable, proportionate gifts and hospitality made in good faith and in the course of normal business and that are not lavish are acceptable.
- Employees should consider whether the acceptance of the gifts or hospitality affect or be perceived to affect the outcome of business transactions and are not reasonable and bona fide expenditure.

In the interests of transparency the Council will publish annually gifts and hospitality registers for those staff earning £58,200 and above.

5.6 Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. The Council will exclude organisations convicted of this offence.

Appropriate due diligence will take place during procurement phases to ensure that potential providers have not been convicted for Bribery. The Council will also seek to confirm that its major suppliers and partners have appropriate Anti-Bribery policies in place. When carrying out large procurement activity the Council will request relevant Anti-Bribery policies in place from the bidder at the Pre-Qualification Questionnaire (PQQ) stage.

6 Staff and management responsibilities

- 6.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the organisation or under its control. All staff are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy
- participate in any training offered to raise awareness of Bribery
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

Counter Fraud Framework – Bribery Policy Statement and Procedure

- 6.2 As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.
- 6.3 Management is responsible for a sound system of internal control. Managers should assess the risks of Bribery within their area of responsibility and put in place adequate mitigating controls where perceived or actual risks exist. Managers should record their risk assessments in line with the Council's Risk Management Strategy and Policy Statement.
- 6.4 Internal control systems, in particular the accounting and record keeping practices, will be subject to regular internal audits to provide assurance that they are effective in countering bribery.

7 Raising a concern

- 7.1 This council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.
- 7.2 We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.
- 7.3 There are multiple channels to help you raise concerns direct to the Corporate Anti Fraud Team – either via a phonecall , email, in writing, in person, or via the on line reporting form or the whistleblowing policy.
- 7.4 If you wish to raise a concern regarding a member of the CAFT then this should either be raised directly with the Monitoring Officer, or the Chief Executive.
- 7.5 Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.
- 7.6 Staff who are offered a bribe or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken. We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.
- 7.7 If you have any questions about these procedures, please contact the Head of The Corporate Anti Fraud Team on 0208 359 7791.
- 7.8 To act as a deterrent we will commit to publishing details of public legal cases of bribery involving the Council.

8 Role of the Audit Committee

- 8.1 The Council promotes a culture that encourages commitment to compliance with the law and ethical conduct by exercising due diligence in meeting the criteria in this policy. The Audit Committee provides oversight of internal controls, financial reporting processes and related functions including countering bribery. The Audit

Counter Fraud Framework – Bribery Policy Statement and Procedure

Committee will seek annual assurances from the Head of CAFT on application of this policy.

- 8.2 CAFT will conduct compliance checking with all services to ensure compliance with this policy.

9 Other relevant Barnet policies

9.1 Counter Fraud Framework

- Fraud Policy Statement and Procedure
- Whistleblowing Policy Statement and Procedure
- Prosecution Policy Statement
- Anti Money Laundering Policy Statement and Procedure

9.2 Risk Management Policy Statement and Strategy

9.3 Code of conduct - Gifts and hospitality policy

London Borough Of Barnet
Corporate Anti Fraud Team Strategy 2012 – 2013

1. Introduction

This document sets out the strategy for the Corporate Anti Fraud Team (CAFT) for the year starting April 2012 until March 2013. It demonstrates how CAFT supports the council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. This strategy demonstrates how the council is committed at the highest level to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

This strategy also incorporates the CAFT's response to the fraud risks and good practice detailed within the publications CIPFA's 'Managing the Risk of Fraud', the Audit Commission's 'Protecting the Public Purse', the Department for Communities and Local Government 'ten point plan for tackling fraud in the local authorities' and the National Fraud Authority 'Fighting Fraud Locally' document. With reducing government funding and the current economic downturn it is vital that we continue to maintain strong defences against fraud and make best use of our information and intelligence in order to ensure we have effective fraud barriers in place and make best use of our anti fraud service.

In addition it further incorporates the role of the CAFT and horizon scanning of any future risks within the changing context in the way that services are delivered to the ultimate transition for Barnet becoming a Commissioning Council. CAFT are committed to working with the council's partners, other public bodies and the Barnet Group Local Authority Trading Company (LATC) in order to achieve this strategy and develop further collaborative arrangements to combat cross boundary fraud.

London Borough Of Barnet
Corporate Anti Fraud Team Strategy 2012 – 2013

2. Role and Purpose of the Corporate Anti Fraud Team

The CAFT is a cost effective, independent, specialist team designed to protect the council's staff, finances, clients, reputation and those who legitimately live and work in the Borough through the adoption and implementation of a fair and balanced strategy that develops and maintains a strong anti fraud culture. It will deliver this through:

- Providing an efficient, value for money anti fraud service
- Acknowledging and understanding our fraud risks in order to prevent fraud
- Deter fraudsters from committing fraud against Barnet
- Pursue fraudsters and seek redress / compensation
- Applying the appropriate sanction
- Strengthen existing partnerships and develop new partnerships

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

CAFT operate under the Council's approved Counter Fraud and Anti Money Laundering Frameworks. These frameworks are reviewed and updated regularly. It is planned that they will be revised and updated in this current year in response to the

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Corporate Anti Fraud Team Strategy 2012 – 2013

anticipated publication of the new Audit Commission Counter Fraud and Corruption Manual and in response to the new Commissioning Council model. The purpose of these Frameworks is to ensure that we have an appropriate set of policies and guidelines in place in order to ensure fraud and money laundering activity is minimised through effective prevention, detection, investigation and deterrent measures and that we have a unified cohesive approach to reflect best practice. CAFT staff are clear about their role and receive regular professional updates and training to provide the best advice to the Council.

3. CAFT Strategic Objectives

No.	Objective	Work stream
1	To provide an efficient value for money anti fraud activity, that is able to effectively investigate all referrals that are passed to us to a high professional standard with the appropriate investigation/prosecution outcome.	<ul style="list-style-type: none"> • Ensure that all investigation staff are fully qualified and that internal investigation procedures are effective and compliant with legislation • Review and devise an updated Counter Fraud Framework in accordance with good practice and change agenda within the council • Review and ensure that the team has sufficient resources to respond to demand: investigating all suspected frauds • Provide assurance reports to Statutory Officer Group, and Annual and Interim reports to the Council Directors Group and the Audit Committee
2	To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all Housing and Council Tax Benefit Fraud and	<ul style="list-style-type: none"> • Ensure that the Benefit and compliance Investigation Teams staff are fully qualified and that internal investigation procedures are effective and compliant with legislation • Set internal performance targets • Provide statistics on a quarterly basis to the DWP as currently required

London Borough Of Barnet
Corporate Anti Fraud Team Strategy 2012 – 2013

	<p>Error, in partnership and in accordance with the Department of Work and Pensions (DWP) guidelines and Fraud and Error Strategy.</p>	<ul style="list-style-type: none"> • Effectively deal with all benefit related data matches that are received • Ensure that we keep updated and respond appropriately to the planned changes in respect of the DWP single investigation service and implementation of universal credit • Provide assurance reports and Annual and Interim reports to Statutory and Senior Officers and the Audit Committee
3	<p>To encourage all council services and the LATC to acknowledge fraud risks, and for CAFT to provide anti fraud control recommendations, as well as continuous anti fraud reviews, audits and compliance work in relation to identified high risk areas in order to prevent fraud.</p>	<ul style="list-style-type: none"> • Develop and deliver a Joint Risk Based Annual Plan between CAFT, Internal Audit and Risk Management • Continue to build on the work of the Fraud and Risk Forums– provide guidance and challenge and ensure that fraud risks are considered and identified on service risk registers / JCAD. • Collaborative working with partners and the LATC and partners to ensure that anti fraud controls are appropriate and fit for purpose on all aspects of fraud risk. • Continue to provide Fraud Awareness training via the e learning package
4	<p>Deter Fraudsters from committing fraud within or against the council.</p>	<ul style="list-style-type: none"> • Have an aggressive publicity campaign in relation to all prosecutions • Ensure that Fraud Awareness training via the e learning package is kept updated and relevant with examples of CAFT investigations • Having a communications plan in relation to raising awareness of the work of the team and the council's counter fraud framework • Launching and publicising a on line fraud reporting form and new web page

London Borough Of Barnet
Corporate Anti Fraud Team Strategy 2012 – 2013

		<ul style="list-style-type: none"> • Publicising the council's Whistleblowing policy
5	Pursue fraudsters and seek redress.	<ul style="list-style-type: none"> • Seek appropriate penalties for fraudsters and recover any losses and obtain compensation by utilising our in house financial investigation Officers • Liaise with relevant services to raise awareness in relation to Proceeds of Crime legislation / investigation • Ensure consideration is given to financial investigation in all CAFT investigations in order to maximise recovery of losses and income for the council. • Ensure that financial investigation staff meet the requirements of their continuous professional development and their accreditation
6	Apply appropriate sanctions- we will take action against any one who commits fraud whether they are members of staff or members of the public.	<ul style="list-style-type: none"> • Ensure that the Council's approved Counter Fraud and Anti Money Laundering Frameworks are reviewed and updated in response to the changing environment of the council and good practice • Ensure that all investigations are carried out in compliance with our policies and appropriate legislation, consistently applying our "Zero Tolerance" approach • Communicate updates / new policies to all staff • Ensure that there is a system in place to review compliance checking against policies

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7.	<p>Strengthen existing partnerships – develop new partnerships.</p>	<ul style="list-style-type: none"> • Build on existing UKBA Partnership where UKBA have an embedded officer within the CAFT office ensuring that only those eligible (i) to work and/or reside in the UK (ii) receive services and benefits from the Council, do so • Further strengthen the existing partnerships and liaison with Police within Barnet alongside continued working with our local “crime payback unit” ensuring that criminals we are investigating within the borough do not profit from the proceeds of crime. • Continue to work in partnership with the DWP in relation to Housing and Council Tax Benefit Fraud and Error. • The London Fraud Hub – build on collaborative working with other local authorities in West London to use data analytics to track cross boundary fraud. • Develop arrangements with new partners in accordance with the councils strategic objectives
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4. CAFT Authority

All CAFT work will be conducted within the appropriate legislation and the powers and responsibilities assigned to the Head of CAFT as set out within the financial regulations-section of the council’s constitution. CAFT has unrestricted access to all council information, data, premises, papers and all people in the organisation, as well as the appropriate access in the LATC and some provider organisations.

Meeting	Audit Committee
Date	26 April 2012
Subject	Internal Audit, Risk Management and Corporate Anti Fraud Team (CAFT) Annual Plan 2012-13; and Internal Audit Strategy 2012-13
Report of	Assistant Director of Finance – Audit and Risk Management
Summary	The Committee is asked to consider and endorse the Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) Annual Plan for 2012-13

Officer Contributors	Maryellen Salter - Assistant Director of Finance – Audit and Risk Management Clair Green – (Acting) Head of CAFT
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, Risk Management and CAFT Annual Plan 2012-13 Appendix B: Internal Audit Strategy 2012-13
Contact for Further Information:	Maryellen Salter 020 8359 3167

1. RECOMMENDATIONS

1.1 That the Audit Committee endorses and comments on the Internal Audit, Risk Management and Corporate Anti Fraud (CAFT) Annual Plan for 2012-13.

1.2 The Audit Committee approves the Internal Audit Strategy for 2012-13.

2. RELEVANT PREVIOUS DECISIONS

2.1 At the meeting of this Committee on 17th February 2011, Members were presented with the Internal Audit Strategy for 2011-12.

2.2 The Annual Plan for 2011-12 was approved at the meeting of the 24th March 2011 which had been prepared in accordance with the approved Strategy.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.

3.2 Each internal audit has been mapped to the corporate priority that it supports, in addition the Annual Plan is based on the risks identified by the organisation.

4. RISK MANAGEMENT ISSUES

4.1 The Plan supports the Council's risk management system and processes as each internal audit will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are. Outcomes from the internal audits will either confirm effective management of risk or suggest areas for improvement. In addition, this will provide Directors with assurances that managers are being effective in managing the risks within the service.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

6.1 This Plan, by being based on the risks of the organisation, will ensure the appropriate allocation of resources to those areas that require audit review and assurance. In addition, the follow up of priority one audit recommendations will ensure that a positive culture of internal control improvement is achieved.

7. LEGAL ISSUES

7.1 None in the context of this report.

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

8.1.1 The Constitution Part 3, Responsibility for Functions, details the terms of reference of the Audit Committee including:

“To consider the head of internal audit’s annual report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.”

9 BACKGROUND INFORMATION

9.1 Attached to this report at Appendix A is the proposed Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) Annual Plan for the year 2012-13 prepared after discussions with directors; workshops with internal audit, risk management and CAFT colleagues; a review of the Council’s risk management system both at a corporate and directorate level; and a consideration of local and national emerging issues.

9.2 This is the second year in which the Annual plan has been presented jointly between Internal Audit and Risk Management team and the CAFT team, which highlights the ways in which we now work in practice: a joined up approach in ensuring the Council has robust processes to improve its internal control environment and anti fraud arrangements.

9.3 Members should be satisfied that the Plan will provide assurance on the adequacy of the internal control environment and risk management arrangements, however are asked to feed in any comments they may have.

9.4 In addition, the Committee is asked to approve the Internal Audit Strategy for 2012-13 describing the way in which Internal Audit Service operates.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer’s initials)	JH and MGC
Cleared by Legal (Officer’s initials)	SCS

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Appendix A

London Borough of Barnet
Internal Audit, CAFT and Risk Management
Annual Plan 2012-13 - final

Maryellen Salter, Assistant Director of Finance, Audit and Risk Management
Clair Green, (Acting) Head of Corporate Anti Fraud Team (CAFT)

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1. Introduction and Overview

This document presents the Council's operational internal audit, risk management and anti-fraud plan for the period 2012-13. The plan covers the work of both the in-house teams for both Internal Audit and CAFT and the Council's supplier – Price Waterhouse Coopers (PwC).

Over the past year the Internal Audit practice has continued to evolve, awarding a new contract to PwC in October 2011 and also completing a restructure. Going forward the service is responding to the major challenges the Council is facing, in particular around:

- Continued reduced government funding and budget pressures; and
- The change agenda

The Corporate Anti Fraud Team (CAFT) has been established within Barnet for 7 years. During that time it has successfully developed and promoted a strong anti fraud culture across the council. As well as investigating all referrals that are passed to it to an appropriate outcome, the service continues to provide support, advice and assistance on all matters of fraud risk including prevention, detection and deterrent measures whilst delivering a cohesive approach to reflect best practice which also supports the council's corporate priorities and principles.

The joint plan between the Internal Audit and Risk Management and the CAFT teams highlights a targeted approach to reviewing the Council's control environment; 2012-13 is the second year following this approach. Throughout 2012-13 the teams will continue to strengthen that arrangement and combine resources where necessary.

Risk Based Internal Audit Plan

The plan is set out in the following pages and shows the proposed reviews/audits to be covered for each Directorate, with separate sections describing the corporate audits, IT audits and work undertaken on behalf of schools. In line with CIPFA Best Practice, the 2012-13, fully risk based plan, has been formulated by:

- Reviewing the updated corporate and directorate risk registers and selecting a number of the high to medium risk areas for audit review;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;

- Meeting with officers in each Directorate in order to understand strategic and operational plans for 2011-12 that are likely to have a significant impact on the control environment; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support the S.151 Officer; and the production of the Annual Governance statement.

In order to provide good coverage of high risk areas, it has been agreed with the Chief Executive that for the operational plan for 2012-13, the in-house teams and the contractors will jointly deliver 1,520 days. The plan is to be split according to the respective skills, resources and specialisms of the in-house teams and contractor.

Managed Audit Approach

Internal Audit and CAFT is committed to the managed audit approach, which ensures joining up with External Audit to make the best use of resources and to avoid duplication of effort. We liaised with External Audit during the planning of this Annual Plan thereby ensuring coverage of the corporate risks.

Emerging Issues

There are a number of areas that we continue to monitor and keep a watching brief around, diverting resources where considered necessary:

- Community budgets – we will continue to monitor the Council's progress in rolling out the Community Budget pilot.

Proactive Anti-Fraud work

The level of proactive anti-fraud work will be dependent on how much reactive work is received by the CAFT. As a result not all areas may be reviewed in 2012-13. Any areas that are still relevant will be carried forward to 2013-14.

Liaison will occur between CAFT and IA throughout the entire plan of all audits to understand and identify and specific or emerging fraud risks that are apparent in each audited service / area.

2. Overall Summary

Our work for 2012-13

As summarised in the tables below Internal Audit, Risk Management and CAFT, will deliver 1,520 audit and corporate anti-fraud days in 2012-13. The total days per Service Area along with the key risk areas being addressed is summarised in the tables below:

Directorate/Service Area	Total Annual Indicative days	Example risk areas covered
Corporate Cross Cutting	108	Non-compliance with the requirements of the Localism Act; risk of lack of opportunities for young people in the borough, lack of adequate budget management resulting in overspends and possible erosion of reserves, lack of forward planning to provide services over periods such as the Olympics, non-compliance with the new public sector equality duty, failure to comply with the legislative requirements of the Data Protection Act and Freedom of Information Act and information security policies.
Integrated specialist audits	46.5	Insufficient risk management processes to assist managers in decision making; Failure to have commercial contracts that deliver value for money, inappropriate records management which may ultimately affect a service user.
Fundamental and Financial Systems	174	Absence of robust internal control increases the risk of fraud or error; risk of non compliance with financial regulations and a lack of assurance provided to the Deputy Chief Executive in discharging his s.151 responsibilities.
Adults Social Care and Health	46.5	Failure to administer and recover invoices to customers in a timely basis, Insufficient information to assess performance of Mental Health Trust Partnership, insufficient integrating between NHS and the Council for the provision of public health in 2013/14.
Children's Services	183	Failure to uphold financial management of schools; failure to adequately plan for school places; insufficient procedures in place to review child protection plans on a timely basis, Inadequate procedures in place to provide data that meets quality standards resulting in poor decision making, risks that payments to foster carers may not be made for bona fide purposes.

Directorate/Service Area	Total Annual Indicative days	Example risk areas covered
Environment, Planning and Regeneration	95	Inadequate procedures in place to administer the Rent Deposit Scheme, risk of non-compliance against the Council's contract procedure rules, clienting arrangements are inappropriate to ensure service delivery from major suppliers, risk of inappropriate arrangements for design and planning of highways works, controls may not be designed appropriately within the regeneration programme.
Corporate Governance	20.5	Risk of that the Annual Governance Statement may not be reflective of the Council's governance framework, clienting arrangements may be inappropriate to fulfil statutory and service delivery aspects of legal services.
Chief Executives Service	15.5	Outcomes from voluntary sector funding may not be achieved, and risks of fraud may not be mitigated.
Deputy Chief Executive Service	86	Failure to implement the transformation agenda with desired outcomes achieved; Scope of work within the capital programme may be underestimated or plans over optimistic resulting in slippage and delivery delays; individual performance objectives may not be in line with the Council's overall vision and values set.
Commercial Services	67.5	Inappropriate user access controls resulting in systems being susceptible to fraud and error, arrangements may not be sufficiently embedded to ensure the best use of the Council's assets, non-compliance with the contract procedure rules, risk that policies for information management may not be consistently applied and monitored.
Management and follow-up	282.5	N/A
Continuous Anti fraud & proactive fraud reviews	395	Absence of robust internal control increases the risk of fraud or non-compliance.
Total days	1,520	

3. Detailed Internal Audit, Risk Management and CAFT plan

Corporate Cross Cutting

108 days of the audit programme are allocated to this area of work, covering areas which cross Council departmental boundaries. These audits will cover the following priorities: Better Services with Less Money; Sharing Opportunities and Sharing Responsibilities; and A successful London Suburb.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Localism Act	Ensure the Council has arrangements in place to comply with the requirements of the Localism Act.	1	25.5	2
Equalities	Ensuring that the Council has robust arrangements in place to meet the new public sector equality duty, covering areas specifically in other services.	1	15.5	3
Skills Agenda	Reviewing arrangements for youth in the borough, in particular those that are not in education, employment or training.	1	15.5	3
Budget Management	Consider arrangements at a service level for managing the budget robustly ensuring good financial management and planning.	1	15.5	3
Business Continuity	Ensure arrangements for Business Continuity are fit for purpose across the Council.	1	15.5	1
Information Governance	Ensure the Council has appropriate arrangements in place to comply with the requirements of the Data Protection Act, Freedom of Information Act, Information Security policy and the Records Retention Policy.	1	20.5	3
Total		6	108	-

Integrated Specialist Audits

46.5 days to be used for strategic support and projects with a high degree of specialist input. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Records and Case Management	Ensuring all of our systems in use are in line with the Council's records management policies, in particular a focus on Adults and Children's systems.	1	15.5	2
Risk Management	Assessment of the effectiveness of risk management arrangements throughout the Council. This will include a review of the implementation of enhancements to the risk management processes.	1	15.5	3
Commerciality of contracts (deferred from 2011-12)	Focused internal audit reviews on the Council's major contracts, covering both compliance with the Council's procurement process as well as targeted reviews of specific contracts to ascertain the benefits realised from these commercial agreements.	1	15.5	2
Total		2	46.5	-

Fundamental and Financial System reviews

174 days of the audit programme are allocated to this area of work, covering projects which provide assurance on the operation of the Council's Key Financial Systems. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarters
Review of key controls across fundamental and financial systems	<p>Dissemination of key controls within the Council's key financial systems. Ensure compliance with external audit requirements. System processes include:</p> <ul style="list-style-type: none"> • Housing Benefits • Council Tax • NNDR • Payroll • Pensions • Cashbook • Accounts payable • Income and debt management • Treasury Management <p>Liaison to occur between CAFT and IA throughout this process for their understanding of any specific fraud risks that are apparent in each system.</p>	9	174	2 & 3
Total		9	174	-

Adults Social Care and Health

46.5 days of the audit programme are allocated to this area of work, covering projects within the Adults Social Care and Health Directorate only. This will cover the following priorities: Sharing opportunities and sharing responsibilities; and Better services with less money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Customer Financial Affairs	Review arrangements in place to ensure effective financial assessment and invoicing procedures.	1	15.5	3
Mental Health Agency review	Reviewing the arrangements for the quality of data when considering the performance of the Mental Health Trust Partnership.	1	15.5	4
Public Health Integration	Due Diligence around the use of shadow budgets and plans to integrate with NHS Barnet.	1	15.5	3
Total		3	46.5	

Children's Services

183 days of the audit programme are allocated to this area of work, covering projects within the Children's Services Directorate only. This will cover the following priorities: Better services with less money, Sharing opportunities and responsibilities, and a successful London suburb.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Schools	Continuous auditing of schools over a three year period to ensure compliance with financial regulations, focus on primary schools.	31*	121*	All
Children in Care	Review adequacy of arrangements to review children subject to protection plans – methods of referral, thresholds and timeliness of reassessments.	1	15.5	1
Pupil Place Planning	Review adequacy of forward planning, demand, timing of capital funding, and the integration of the Capital Investment Strategy in relation to pupil place planning.	1	15.5	2
Data Quality review	Narrowing the gap – review of the data that feeds into the quarterly performance reports against the elements of good data quality standards.	1	15.5	1
Foster Carers	Review of the payments made to foster carers against the policies and procedures of the service.	1	15.5	3
Total		35	183	-

* Will be dependent on the level of demand for schools audits given movement to academy status

Environment, Planning and Regeneration

95 days of the audit programme are allocated to this area of work, covering projects within the Planning, Environment and Regeneration Directorate only. This will cover the following priorities: A successful London Suburb, and Better services with less money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Housing Needs and Resources	Ensuring that the system administering the Rent Deposit Scheme is operating effectively, in conjunction with Barnet Homes.	1	20.5	1
Contract Procedure Rules Compliance	Reviewing arrangements for spend under £25k and ensuring appropriate controls are in place to monitor and ensure compliance with contract procedure rules.	1	15.5	2
Parking, DRS (including Regeneration) and Housing	Reviewing arrangements for clienting relationships post implementation of major projects.	1	20.5	4
Highways	Review arrangements surrounding design and planning for highway works, including feasibility, income streams (s.106 agreements) and risks.	1	15.5	1
Regeneration programme management	Reviewing arrangements for programme and project management controls in place within the Council's regeneration schemes.	1	23	3
Total		5	95	-

Corporate Governance

The following, that form part of the overall corporate governance responsibilities, are being reviewed as part of a cross-cutting audit:

- Data protection and FOI; and
- Business Continuity

In addition external audit are undertaking a detailed review of corporate anti-fraud measures across the authority. As such the following remains work planned for the Directorate:

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Annual Governance Statement	Ensuring compliance with the CIPFA SOLACE Good Governance guide and the role of the Chief Finance Officer, to include within the Statement of Accounts.	1	5	3
Legal Services	Review clienting arrangements post implementation of new delivery vehicle.	1	15.5	4
Total		2	20.5	

Chief Executives Service

15.5 days of the audit programme are allocated to this area of work, covering projects within Chief Executives Service only. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Voluntary Sector grants	Review arrangements to ensure the outcomes agreed in grant conditions have been met by voluntary sector providers and (in conjunction with CAFT) ensure that anti fraud arrangements are robust.	1	15.5	1

External audit are reviewing performance management arrangements within their current audit plan.

Deputy Chief Executives Service

86 days of the audit programme are allocated to this area of work, covering projects within the Deputy Chief Executives Service only (Fundamental Systems are also relevant for work performed on behalf of the s.151 officer). This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Capital Programme	Project Diagnostic Tool – review a number of projects within the Capital Programme against the 12 elements of project management excellence.	4*	10.5	3
Review of performance appraisals and values	Reviewing arrangements to embed performance management and the value behaviours with staff.	1	15.5	3
One Barnet Programme	<p>Our reviews in the current year will include a continued focus on the following:</p> <ul style="list-style-type: none"> • Providing assurance on project arrangements including the designs and operation of project and programme management controls, following previous recommendations • Evaluate the extent to which arrangements will allow: <ul style="list-style-type: none"> ○ The required change outcomes (for example, new ways of working) being embedded in the organisation ○ Appropriate project close arrangements 	3	60	All

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
	In addition, we will carry out diagnostic reviews of Wave 2 projects to assess the project management controls environment against the 12 successful elements of project management excellence: <ul style="list-style-type: none"> • Street Scene • Early Intervention 			
Total		8	86	-

* Number of reviews will be dependent on risk

Commercial Services

67.5 days of the audit programme are allocated to this area of work, covering IT, estates and asset management, and procurement. This will cover the following priorities: A successful London suburb, and Better Services with less money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
SAP access controls	Completion of a diagnostic tool assessing segregation of duties across SAP.	1	5.5	1
Asset Management Plan	Reviewing the Asset Management Plan for strategic fit and effectiveness of operational plan for implementation.	1	15.5	3
Procurement Controls and Monitoring Action Plan	Ensuring the Council's arrangements for complying with the Contract Procedure Rules are fit for purpose.	2	31	1 & 3
Information Management (IM) Strategy (deferred from 2011-12)	Review of the Council's strategic direction for Information Management policies, ensuring that they are fit for purpose and have clear operational implementation plans.	1	15.5	2
Total		5	67.5	-

Management and Follow-up

282.5 days of the audit programme are allocated to this area of work, covering service administration, planning and follow-up of high priority recommendations arising from our work to ensure implementation within agreed timescales. There are no specific priorities that are covered in this area.

Area of review	Description of Work	No of audit days
Management, Audit Risk Assessment and planning.	Updating of audit risk assessment, strategy and preparation of new operational plan each year and management of contractor. Attendance at audit committees and providing guidance and support to the Chair of the Audit Committee. Includes advice and guidance support.	70
Assurance Statements on Internal Audit Service providers	Review Internal Audit providers within major suppliers to ensure that we can rely on their internal reports and opinions.	17
Risk Management	Facilitating the embedding of risk management throughout the organisation, including delivery of training based on needs of officers and members.	135
Assurance reports	Regular monthly reports to statutory officer group on internal control issues and assurances on key systems.	10.5
Follow-up	We will follow-up those audits with limited or no assurance and update the audit committee for priority one recommendations; these will be in line with management dates agreed for implementation.	50
Total		282.5

CAFT - Risk Based Proactive Anti-Fraud Reviews

The level of proactive anti-fraud work will be dependent on how much reactive work is received by the CAFT. As a result not all areas may be reviewed in 2012-13. Any areas that are still relevant will be carried forward to 2013-14.

Area of review	Description of Work	No. of Reviews
Council Tax and National Non Domestic Rates (NDR) and Electoral Registration	Pro Active exercise and targeted anti fraud work in this area to ensure that the anti fraud measure are fit for purpose and robustly complied with and that any exemptions and discounts given are valid and appropriate.	1
Purchase Cards	Pro Active anti fraud exercise to ensure that the councils anti fraud arrangements around purchase cards are fit for purpose.	1
Registration and Nationality Service	Pro Active joint working with UKBA embedded officer to prevent, deter and identify persons who are looking to exploit council's services illegally.	1
Direct Payments	Follow up previous anti fraud recommendations in this area and work collaboratively to review anti fraud arrangements in relation to the new payment cards system.	1
Total		4

CAFT - Continuous Risk Based Pro Active Anti-Fraud and Compliance Work.

The anti-fraud plan covers investigations into all “internal” instances of suspected fraud, corruption and money laundering, ongoing proactive anti-fraud work including National Fraud Initiative (NFI) coordination and Investigation and fraud awareness training. This area **excludes** work undertaken by the CAFT in relation to housing and council tax benefit fraud and compliance. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days
Fraud awareness training	CAFT will continue to deliver fraud and anti money laundering training through e-learning materials and will present to high risk areas and feed back to service through the Risk and Fraud forum. This training also incorporates the Risk Strategy and Policy Statement.		
The London Fraud Hub - Cross Boundary LA - Data Matching Pilot	West London Councils have joined together to share various data sets such as housing and council tax benefit data, housing waiting list and tenancy data in the aim to identify and track existing fraudsters as well as providing authorities with a tool to identify and prevent fraud before it happens.		
Housing Tenancy Fraud	Continue to work in partnership with Barnet Homes in relation to all aspects of Housing Tenancy Fraud – maximising recovery of properties where appropriate and continued partnership with UKBA embedded officer.		
Anti fraud advice and co-ordination	Provide ad hoc advice and assistance to all service areas in matters relating to internal fraud, corruption, bribery, compliance and/or money laundering.	-	100
Anti Fraud Compliance Work	Review and monitor compliance with standards across the council covering; Counter Fraud Framework, Bribery Policy Statement	1	10

Area of review	Description of Work	No. of Reviews	No of audit days
	and Procedure, code of conduct and gifts and hospitality register and declaration of interest.		
Vetting, propriety checking and barring	Ensuring arrangements are robust and joint working with HR to developing an enhanced vetting, propriety checking and barring policy.	1	10
NFI co-ordination	Ongoing NFI co-ordination and support including data uploading, training, assistance and investigation of relevant matches in accordance with Audit Commission timelines.	-	30
Right to work in the UK	Pro active targeting with embedded UKBA officer to verify compliance with checks that Council employees have the right to work in the UK.	1	10
Referrals and investigations	Approximate times allocated to effectively deal with referrals and subsequent investigations (reactive work)	Various	235
Total		3	395

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London Borough Of Barnet Internal Audit Strategy 2012 – 2013

Appendix B

1. Introduction

This document sets out the strategy for Internal Audit for the year starting April 2012 until March 2013. It demonstrates how Internal Audit supports the Council in achieving its overall aims and objectives whilst maintaining the professional standards that local authority internal auditors must achieve.

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

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

2. Role and Purpose of Internal Audit and the Chief Internal Auditor

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

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

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

London Borough Of Barnet Internal Audit Strategy 2012 – 2013

3. Internal Audit Strategic Objectives and Outcomes

No.	Objective	Workstreams
1.	Internal Audit will support the Council in its achievement of the Corporate Plan and resultant corporate objectives.	<ul style="list-style-type: none"> • Agreement of Annual Audit Plan - direct resources to those areas within the Council that are considered high risk. • Risk Management arrangements - review to ensure they are fit for purpose and can be relied upon by internal audit.
2.	Internal Audit will support the Council in its production of its Annual Governance Statement.	<ul style="list-style-type: none"> • Annual Report of Internal Audit - opinion on how the management's risk management processes identify, evaluate, monitor and report that controls are operating effectively within the Council, based on the internal audits carried out during the year.
3.	Internal Audit will support the discharge of the statutory functions of the Chief Finance Officer in relation to "making proper arrangements of the financial affairs of the Council".	<ul style="list-style-type: none"> • Ensure that the Council's fundamental financial systems are routinely reviewed as part of the Annual Audit Planning process.
4.	Internal Audit will ensure that a positive culture of internal control improvement and effective risk management takes place.	<ul style="list-style-type: none"> • Follow-up reviews – for those areas with audit reports noting limited or no assurance following up fundamental weaknesses to delivery against agreed implementation dates.
5.	Internal Audit will ensure that efforts are not duplicated on coverage of key corporate and directorate risks. In addition, the quality of individual audits are such that external audit can place suitable reliance on their content.	<ul style="list-style-type: none"> • Undertake quarterly meetings with external audit to understand their expectations and requirements. Seek endorsement of the Annual Internal Audit Plan. • Include rigorous review and quality assurance procedures carried out via outsourced arrangements.

London Borough Of Barnet Internal Audit Strategy 2012 – 2013

No.	Objective	Workstreams
6.	Ensure that good governance is in place within the Council.	<ul style="list-style-type: none"> The Assistant Director of Finance, Audit and Risk Management, promotes best practice in the various forums where her advice and guidance is sought
7.	Ensure that Statutory Officers receive regular reports on the assurance framework and are aware of any weaknesses in the control environment.	<ul style="list-style-type: none"> Ensure attendance of the Assistant Director of Finance, Audit and Risk Management at all monthly Statutory Officer Group meetings
8.	Ensure the service provides value for money.	<ul style="list-style-type: none"> Ensure that all quarterly progress reports to the Audit Committee include reference to its efficiency and effectiveness of the service. Regular benchmarking of the service
9.	Ensure the service liaises with other external inspectors and partnership organisations for assurances given through-out the year.	<ul style="list-style-type: none"> Inclusion of assurances obtained from external bodies to the Statutory Officers Group.
10.	Ensures that all audits are carried out based on the principles of integrity, objectivity, competencies and confidentiality. In addition, the audit team shall have the right skills and capabilities to carry out the work.	<ul style="list-style-type: none"> Ensure all staff members keep up to date with professional qualifications and are subject to regular appraisals. An appropriate training and development plan is to be devised, in line with resources available. Use of contract with PwC for specialist areas

London Borough Of Barnet

Internal Audit Strategy 2012 – 2013

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

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

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

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

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

Meeting	Audit Committee
Date	26 April 2012
Subject	Internal Audit Progress Report – 2011-12 Quarter 3 & 4
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendices.

Officer Contributors	Maryellen Salter, Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A Internal Audit Progress Report
Contact for Further Information:	Maryellen Salter, Assistant Director of Finance - Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Report and the high priority recommendations for follow-up in future periods.**

2. RELEVANT PREVIOUS DECISIONS

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

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

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

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

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 This report provides details of the audits carried out during November 2011 to April 2012 and also gives the assurance level for each audit. Those reports that were limited or no assurance were:

- Parking – Permits and Vouchers
- Payroll
- Contract Management – Environment, Planning and Regeneration (EPR)
- Data quality of Human Resources performance indicators
- Libraries
- Establishment list
- Value for money – facilities management
- Domestic Violence
- New Homes Bonus
- IT review of Children’s Integrated Care systems
- IT penetration testing review
- Menorah Foundation School
- Hasmonian Primary School

- 9.2 This report is the final for the 2011-12 year and for the first time the Internal Audit Service has delivered its programme of work by the end of the financial year. In this period the service has issued 31 reports and 1 report from the proposed 2012-13 plan.

- 9.3 The Committee is also asked to note additions to the plan in the quarter and the statistics on the performance of the Internal Audit Team.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Cleared by Finance (Officer’s initials)	JH and MGC
Cleared by Legal (Officer’s initials)	SCS

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London Borough of Barnet
Internal Audit & Risk Management
Progress Report 2011-12 – Quarters 3 & 4

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

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Appendices:

A: 2011/12 Work during quarter including assurance levels

B: Internal Audit Effectiveness Indicators

C: Corporate Risk Register

1. Introduction

The Internal Audit Plan was agreed by the Audit Committee on the 24th March 2011. This report follows the principles previously accepted by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

2. Final Reports Issued

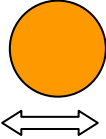
This report covers the period from 28th November 2011 to the 4th April 2012. The Internal Audit service has over this period issued 31 reports, in accordance with the 2011-12 Internal Audit Plan and 1 report based on the proposed 2012-13 Internal Audit Plan (separate item on the agenda). The full list of completed audits during this period is included in Appendix A, of the 31 reports 16 received satisfactory assurance and 13 were rated as limited assurance, there were also 2 risk assurance reports that gave conclusions only. Those issued with limited assurance are detailed within section 3 of this report.

This progress report notes the end of the 2011-12 Internal Audit Plan, all work has been completed for the first time by the end of the financial year. This is an achievement for the team and notes a good start to the contractual relationship with Price Waterhouse Coopers.

Positively, we noted satisfactory assurances in the following areas:

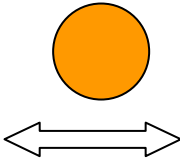
- Homelessness
- Treasury management
- Pensions
- Right to control
- Fairer Contributions
- Risk Management
- Non Current Assets

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

Title	Payroll			
Assurances				
Audit Opinion & Direction of Travel	No	Limited	Satisfactory	Substantial
Recruitment HR and Payroll (2010-11)				
Date final report issued	January 2012			
Background	<p>The Payroll function is responsible for the timely and accurate payment of staff remuneration, allowable expenses and amounts due to external agencies, for example Inland Revenue.</p> <p>The objective of area is to ensure that valid employees are correctly and promptly paid through the processing of the relevant and authorised Payroll data and the prompt correction and processing of identified pay run errors/anomalies.</p>			

<p>Summary of Findings</p>	<p>We noted the following areas of good practice during the audit:</p> <ul style="list-style-type: none"> • The allocation of roles and responsibilities for payroll related processes (covering Human Resources (HR) Recruitment and Compliance, HR Employee Services, Payroll and Pay and Data) • The existence of documented procedures for related processes for referral • The accuracy of related calculations (where applicable) and input. • The promptness of input • Adequate and effective arrangements for the independent checking of calculations (where applicable) and input for key areas (new starter input, variable payments, pay amendments and leavers) • Adequate and effective arrangements for ensuring the accuracy of the monthly payroll run <p>We noted the following significant issue as a result of our audit work:</p> <ul style="list-style-type: none"> • Although there were systematic arrangements for submitting P45 certificates for leavers, there were instances where they had not been submitted to the relevant person/body (4 out of 9 instances not submitted to leavers and 1 out of 9 not submitted to HMRC). This issue had not been rectified since the previous year's audit. <p>In addition, the following issues were noted:</p> <ul style="list-style-type: none"> • We were unable to evidence the independent check of new starter and sickness input, undertaken by HR/Payroll staff to confirm the accuracy of related input, in all instances. • Code of Conduct - Declaration of Interest Forms had not been completed and signed by 20% of our sample of new Corporate Starters as required for all new employees in line with Council policy. • HR/Payroll officers process pay actions based on authorised instructions from the Service. While authorising officers are generally recognised by HR/Payroll officers and processing is undertaken on this basis, we identified 2 instances where authorising officers were not easily identifiable on the instructing document and 1 instance where the authorising officer held an administrator status, confirming the need for HR/Payroll officers to exercise care when accepting pay instructions from Services without being certain of the authorising officer and/or their right to authorise actions. • Exception reporting of leaver payments for review and investigation had not been undertaken. Management confirmed that such reviews, undertaken in the past, should be re-instated. • Plans to update SAP access, in line with previous audit recommendations, to ensure the separation of HR and Payroll processing functions and embed further exception reporting, had not been implemented in full. • Officers in Pay and Data and Payroll had not undertaken fraud e-learning recently. • Mileage and expense claims and honoraria procedures were dated January 2008 and January 2009 respectively and although confirmed as appropriate, there was no evidence to demonstrate review of the procedures with review date to formally confirm their ongoing validity and accuracy.
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<p>Priority 1 recommendations</p> <p>Management Responses and agreed action dates</p>	<p>Recommendation</p> <p>P45 certificates should be issued for all leavers in line with Inland Revenue Regulations.</p> <p>Agreed. Pay & Data Team will produce a report listing (spreadsheet) all P45s to be printed; ensure a P45 is produced and post to the ex-employee and ensure that P45s have been sent to HMRC. Pay & Data Team will note on the report the date the information was sent and retain to on shared drive for future audit / review.</p> <p><i>To be implemented by February 2012, this was followed up and reported as implemented within the exception recommendation report.</i></p>
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Title	Contract Management – Environment, Planning and Regeneration			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel 2010-11 Corporate Procurement (devolved services included)				
Date final report issued	February 2012			
Background	<p>Contract Management is the required process undertaken during the term of the contract that enables all parties to a contract to deliver contract objectives set out to meet and improve service delivery standards, achieve value for money outcomes and ensure compliance with required regulatory frameworks, where applicable.</p> <p>Effective contract management is required by the Council’s Contract Procedure Rules (CPR).</p> <p>The scope of this review was to consider capability, procedures for contracts register, contract monitoring, contract variation and contract administration.</p>			

<p>Summary of Findings</p>	<p>The following positive findings, supporting the objectives, were noted:</p> <ul style="list-style-type: none"> • Responsibility for the administration of aspects of the Environment, Planning and Regeneration (EPR) contract register were documented and allocated; and • Where formal contracts were available and where applicable, identified variations had been authorised by the Members and officers with appropriate level of seniority. <p>The following significant issues were identified during the course of the audit:</p> <ul style="list-style-type: none"> • For the two contracts with annual values less than £1m that we selected from the EPR contracts register the following was noted: <ul style="list-style-type: none"> - These had been identified by management as non-compliantly procured contracts as part of the Council-wide Procurement Controls and Monitoring Action Plan; - there were no performance data arrangements for assessing the quality of delivery for one of the contracts reviewed; - there was no evidence of quotes being obtained or benchmarking process for comparing prices charged against other providers for one of the contracts reviewed; - for both of the contracts reviewed there was no activity (volume) based performance metrics for assessing the efficiency of service delivery - both officers responsible for contract management confirmed that they had not been challenged as to contract management arrangements in place either by management or corporate procurement centrally; and - for both, around governance, there were no formal periodic meeting structures to address overall delivery. - For contracts over £1m in annual value, governance structures were in place with the exception of one contract with an annual contract value £30m where progress meetings had ceased since March 2010. <p>The following issues / areas for improvement were noted:</p> <ul style="list-style-type: none"> • Responsibility for administration of the Housing component of the EPR contracts Register required clarification;
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- All officers interviewed confirmed that they had not received contract management training in the past two years;
- Officers queried about contract variations were unclear about the specific Contract Procedure Rules (CPR) requirements for variations confirming a need for development / training in this area.
- Officers interviewed for 5 of 6 contracts confirmed the lack of a formal contract risk log, documenting risks relating to contractor delivery and performance. This was consistent with a review of the JCAD risk register (the Council's risk management system) which did not consistently reflect risks relating to performance and delivery by the relevant contractor. In particular, there was no documented risk in JCAD for review and assessment linked to the decision to cease monthly progress meetings (including KPI discussion) for the one contractor with an annual value of £30m.
- Officers interviewed for 5 of the 6 contracts confirmed that there were no formal documented business continuity plans to address delivery failure by the contractor (although some officers stated that informal business continuity arrangements existed)
- There was not always formal record of meetings held reflecting KPI output and discussions, and resulting actions that were agreed within the meetings;
- The management and the officer responsible for the administration of the EPR contracts register confirmed that central EPR processes for identifying contract management arrangements in the contracts register and reviewing for compliance were planned but had not been implemented;
- Central EPR processes for using the contracts register for the timely assistance of contract managers in initiating procurement for terminating contracts were planned but had not been developed, this had however been partly mitigated by the Council-wide work on the central contracts register and Forward Plan that resulted;
- The documentation of formal procedures/protocols for the administration of the EPR contracts register was planned but had not been completed;
- Arrangements for identifying variations to contracts needed to be developed and implemented; and
- Instances where noted where purchase orders were not raised prior to the invoice.

<p>Priority recommendations</p> <p>1</p> <p>Management Responses and agreed action dates</p>	<p>Recommendation</p> <p>Processes should be implemented and responsibilities clarified across the Service for the ongoing scrutiny and challenge of contract management arrangements to ensure that they are undertaken for each contract in line with agreed and minimum contract management standards. Contract management minimum standards should be developed for contracts in line with the thresholds in the Contract Procedure Rules (CPRs), consultation should take place with Corporate Procurement to ensure practice is consistent.</p> <p>Contract monitoring models will be decided based on best practice, current effective practice in EPR and contract term values.</p> <p>The models will be applied to contracts with values equal to and above CPR limits for term and annual contracts.</p> <p>Identified contract managers will receive the appropriate contract management training to enable them to manage contracts effectively</p> <p>Contract managers will be monitored through standard management processes (e.g. one to one supervision and team meetings) to ensure that they are undertaking contract management in line with the agreed model.</p> <p><i>To be implemented by May 2012</i></p>
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Title	Data Quality of Human Resources Performance Information			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel No previous audit review in the past 5 years				
Date final report issued	January 2012			
Background	<p>The Council needs reliable, accurate and timely information with which to manage services, inform users and account for performance. Strategic decisions made by the council and its partners must be based on robust and reliable performance information. The data used to report on performance must be fit for purpose and present an organisation's activity in an accurate and timely manner. High quality data also enables informed judgements made by both internal and external assessors.</p> <p>'The council manages increasingly finite resources. Good quality performance information is essential if the council is to meet the varied needs of its communities, to plan and invest for the future and to account for the use of these resources to all of its stakeholders' (Source: Data Quality Policy - April 2011).</p>			

Summary of Findings

Our detailed review and spot check of the three indicators revealed weaknesses in internal control (for the three PIs unless separately identified) are as follows:

Systems and processes:

- Although the methodology for collating, calculating and reporting the indicators is correct, the weaknesses found during our review resulted from effective verification checks not always being carried out to confirm the accuracy of the indicators to identify possible errors before reporting, reliance was placed on service managers to ensure accuracy of data in SAP HR.

Our review of the three indicators for Quarter 2 found minor variations in that the final outturn figures reported were overstated for:

- **Average number of absence days per employee (rolling year)** - The Corporate denominator figure (2888) when compared to the total for the individual Directorates (2999) **is less by 111 employees**. Based on the individual Directorates denominator figure, the actual outturn figure would be 7.78 days instead of 8.1 days as reported.
- **% managers submitting a monthly absence return** – The count excludes managers on maternity leave or long-term sick. A review of the current list of managers excluded, found eight managers had submitted one or more absence returns, indicating that they had returned back to work and incorrectly omitted from the final count.

But there is the potential for data errors to occur as no data verification checks are undertaken to confirm the accuracy, validity and completeness of the data prior to reporting for the indicator;

- **% objectives set for eligible staff only** – This indicator excludes reviews deferred for staff, for example on Long-term sick, Maternity leave, 18-week assessment. Our sample check of the Chief Executive Service found five staff out of 28 exempt that could have been included in the final count following completion of their 18-week assessment.

Policy and Procedures:

- There are no internal written operational procedures, documenting the data quality processes required to ensure the data meets the 6 principles of data quality – accuracy, completeness, audit trail, relevance, reliability and timeliness.

People and Skills

- Although training and 'on-line' tutorial guides are available to Managers, there is still work to be done to ensure that Managers are accurately recording data in SAP Human Resources (HR) to support the data quality arrangements.
- The Strategic HR Data Manager is the only officer involved in the collection and reporting of performance data, which raises business continuity issues. Data output is not independently reviewed by the another member of the HR Team prior to upward reporting to relevant Committees, CDG, the Corporate Information Team (CIT) and publishing on the websites, to ensure that the reported information reflects actual performance.

We noted the following areas of good practice during the audit:

Governance and Leadership

- There is a clear commitment to data quality, with Human Resources responsible for data quality and for the HR Business Partners to provide a central support service to Service Teams on data quality issues. Performance Indicators are reported to the Budget and Performance Overview & Scrutiny Committee, Cabinet Resources Committee and Council's Director Group (CDG).

Policy and Procedures

- There is a Corporate Policy and Guidance on Data Quality which provides the framework for service-specific arrangements for data quality.
- There are procedures and 'on-line' tutorial guides available to Managers for recording and saving key performance information in SAP HR for the three indicators.

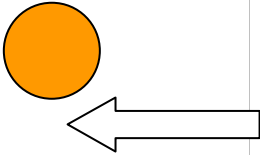
Systems and Processes

- SAP Self Service and SAP HR are the main management information system, which enables electronic recording and saving of performance information data. Management systems are supported by user guides.

Data Use

- CDG receives quarterly performance reports containing a variety of performance indicators, with a traffic light rating system used to highlight progress and a short narrative to explain the current position for review and evaluation. Assistant Directors are responsible for providing assurance that performance issues are being managed and that the data submitted is of high quality.
- Services receive progress performance reports and these are followed up by meetings with the HR Business Partners to discuss any data quality issues.
- Performance data is also published to residents through the council's website and placed on the London Data Store website. Both of these initiatives support the council's transparency agenda.

<p>'High' Priority recommendation</p>	<p>Recommendation A risk assessment should be undertaken to assess the frequency of undertaking a sample check of the indicators. Once this has been assessed, checks should then include:</p> <ul style="list-style-type: none"> • Sample checks to source records to confirm accuracy, validity and completeness of data prior to reporting; • Data cleansing by producing exception reporting, e.g. to remove duplicate / incorrect records or to fill in missing information. <p>Processes should be established with services to confirm when managers or staff should be included or excluded from the individual indicator data count.</p>
<p>Management Responses and agreed action dates</p>	<p>Agreed We recognise the Corporate aim for data quality is for all data input to adhere to the principle of 'right first time' and we agree to undertake more robust data verification checks to maintain data quality. We would suggest that the possible errors in data submissions outlined in your sample check of Quarter 2 data found minor errors, resulting in the indicators being potentially misstated but with a small margin of error</p> <p>Average number of absence days per employee (rolling year) this variation relates to the movement of staff throughout the year. Where staff appear in more than one service during the year they become an additional member of staff in that service but not to the council as a whole. We will undertake further investigations to establish the most accurate way of reporting this indicator.</p> <p>We have already implemented checks for the % managers submitting a monthly absence return. Each service is now given a complete list of managers and will be required to notify HR of any reason for exemption before the submission of data.</p> <p>% objectives set for eligible staff only is a new indicator and will not be used for reporting again until Q1 2012. Services will however be asked to confirm the accuracy of any exemptions for all Performance Review reporting and an annual check of exemptions for each service undertaken.</p>

Title	Libraries			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
2009/10 Library Management Services: Satisfactory				
Date final report issued	April 2012			
Background	<p>The Libraries service's overall vision is for Barnet's Libraries to be community assets, providing excellent provision of the core library offer of reading and learning, access to Council services, and tailored service offerings rooted in the needs of local communities.</p> <p>This can be seen through the Strategic Library Review which was concluded in the Cabinet meeting in July 2011. This review looked at the development of a strategy which delivered the service's four key objectives within the financial restrictions of savings being made.</p> <p>The Strategy includes two aspects. The 'business as usual' elements focussed on the aspects of delivery that the Council is already undertaking and which support the objectives. There is also a capital aspect, which has a £3 million fund to assist in the delivery of strategic options outside of the normal course of service delivery, and which are due to be delivered in 2012/13 and 2013/14.</p>			

**Summary
Findings**

of Management have in place a governance and oversight role in the Library Strategy Programme Board, which meets monthly. This has been set up to include review of detailed management information of both the 'business as usual' aspect of the strategy, and the development of the capital aspects. The findings below build on the role the Board is starting to perform to develop the strategy into an operational plan which can be implemented.

We found one high priority finding which has driven the 'limited' assurance rating given to this review.

Delay in implementation of strategy

Despite being agreed by the Cabinet in July 2011, there has been little progress in implementation of the Strategy, with no operational work plan developed to incorporate staff resource, delivery timescales and budget. To support the decision making process, we would have expected the necessary resource plan and financial implications to have been determined alongside the Strategy.

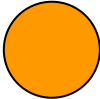
In addition, we found one medium priority and one low priority finding. The medium priority finding is summarised below:

Capital budgeting

The capital aspect of the Strategy consists of a £3 million fund. To date there has been no budgeting performed concerning how this fund will be allocated to each of the separate workstreams to achieve the objectives, and the timing of the work to be performed is yet to be confirmed.

In addition, one finding reported in the 2009/10 report regarding performance management and management information was considered as part of this review. There were no issues noted and the finding is considered to have been implemented appropriately.

<p>Priority recommendations</p> <p>1</p> <p>Management Responses and agreed action dates</p>	<p>Recommendation</p> <p>Management should ensure that the strategy is appropriately resourced and managed to limit any further delays to implementation.</p> <p>Management should now begin to translate the capital aspects of the Strategy into an operational workplan, including roles and responsibilities and budgets. Management can extend the existing overview for delivery of objectives to include this operational information.</p> <p>Management should perform an exercise to identify what level of dedicated staffing is required and how this can be achieved effectively to meet 'Business as usual' and the strategic delivery.</p> <p>Agreed. There are project streams to develop operational workplans. Work is underway to deliver aspects of the Arts Depot and the Self Service workstreams as a priority. <i>To be implemented July 2012.</i></p>
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Title	Establishment List			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
No previous review in the past five years				
Date final report issued	March 2012			
Background	<p>Establishment lists set out the details of staff post-holders, grades and spinal points that have been charged to each cost centre. The Council needs reliable, accurate and timely information about staffing levels with which to manage and delivery services, and to assist with forecasting and monitoring staffing budgets.</p> <p>Corporate Directors and Heads of Service are responsible for making arrangements to ensure control of the service HR Establishment list. In particular to ensure that proper controls are in place to ensure that the service HR structure is fully and accurately maintained in the Council's financial accounting system (SAP) and that a system of control is in place to ensure that no new posts are created without adequate resources being in place.</p>			

<p>Summary of Findings</p>	<p>Within the following areas of scope we found no issues from the audit in respect of:</p> <ul style="list-style-type: none"> • Governance and clarity of roles for ensuring validity and accuracy of Human Resources (HR) Establishment data are stated in the Financial Regulations and Scheme of Delegation; • There was adequate communication and knowledge of the Scheme of Delegation and related responsibility to senior managers in Services; • Responsibility for the update of establishment data was allocated to Pay and Data Team; • The identification in the Council's risk management system, of the issue / risk for relating to inaccurate establishment data; • The undertaking of specific initiative, championed at Senior Management level, to review and align HR establishment data to SAP Finance budgeted post/cost centre structure to address the identified risk; • Evidence of the authorisation of recruitment to established posts by HR and Finance experts for independent confirmation of availability of post, hours and budget, prior to recruitment; and • The routine reporting of Establishment data by Services as part of performance management for management review and scrutiny. <p>We noted the following significant issues as a result of our audit work:</p> <ul style="list-style-type: none"> • Instances where establishment change requests by Services were not formally authorised using SAP Organisational structure control forms and not subject to formal HR Business Partner expert review and approval prior to change, as required by procedure. This, coupled with the lack of independent checks of establishment list changes has resulted in data quality issues with some of the establishment lists we reviewed; and • Errors/discrepancies existed within the sample we reviewed with Establishment data. In addition, there were inconsistent approaches by Services to ongoing reviews of their Establishment data. <p>The following other issues were identified as part of the audit:</p> <ul style="list-style-type: none"> • The roll-out of the establishment reporting tool training in the Services by Service super users had not been completed in full; • Delays had occurred to the current initiative - for aligning HR establishment data to the SAP Finance cost centre structure; • Service role profiles did not sufficiently emphasise responsibility for the accuracy of establishment data in line with the Scheme of Delegation; and • The lack of audit trails, a requirement of the corporate data quality policy, of Establishment data reported to Services for inclusion in monthly and quarterly monitors
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**Priority
recommendations**

1 Recommendation 1

Pay and Data changes to HR establishment data, particularly significant changes stemming from complex restructures, should be subject to independent check. Evidence (audit trails) of such check should be retained.

A key output of the current initiative for establishment should be:

- the identification, recording and communication of causes of error / discrepancies to ensure that future input processing at source prevents discrepancies and
- formal sign-off by the Service of updated establishment lists.

Recommendation 2

HR should develop and communicate a protocol to ensure the ongoing and effective review of Establishment data by Services. The protocol should define timeframes for reviews, the use of establishment data reports or the provision of Establishment reports to Services as part of the review. It should also identify the responsibilities for who should be engaged with the review process. The role of Business Partners in facilitating the review should be clarified and defined.

Management Responses and agreed action dates

Recommendation 1


Agreed. The Pay & Data Manager will ensure that all SAP organisational changes are fully checked and a record made of the inputter and checker. Audit evidence will be retained for all changes. The SAP Change form will be amended to record inputter and checker

HR will issue revised detailed advice to the business to explain the process to make changes to the establishment. New detailed instructions and the SAP change form will be amended to require Finance, HR and the relevant Budget Holder to sign off and reference to the applicable Delegated Powers Report (DPR) / General Functions Committee (GFC) report. These actions will ensure ownership by all stakeholders of changes to establishment lists. *For implementation by May 2012*

Recommendation 2

Agreed. The following Management Action is proposed:

HR will issue revised detailed advice to the business to explain the process to make changes to the establishment. New detailed instructions and the SAP change form will be amended to require Finance, HR and the relevant Budget Holder to sign off and reference to the applicable DPR/ GFC report. These actions will ensure ownership by all stakeholders of changes to establishment lists. The Guidance will include advice on checking actions to maintain accurate establishment lists. HR will formally communicate changes to establishment data protocols and processes to Directors and Heads of Service. *For implementation by May 2012*

Title	Domestic Violence			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
No previous review in the past five years				
Date final report issued	April 2012			
Background	<p>In Barnet, the provision of domestic violence support is delivered by a mixture of both statutory and voluntary sector organisations. Within the Council, support may come through Children’s Services, Adult Social Care or Housing Services. External to the Council, Barnet has developed relationships with a number of agencies to implement domestic violence actions.</p> <p>Barnet is not obligated to provide support to adults who do not meet the eligibility criteria for a vulnerable adult. Therefore, there is a risk to Barnet that domestic violence cases which do not meet this criterion are referred to external agencies but the outcome may still impact on Barnet’s reputation.</p> <p>Barnet has in place a Multi-Agency Domestic Violence Strategy covering the period 2010/11 to 2012/13, with the aim of emphasising the importance of early intervention and prevention.</p> <p>The Council coordinates Barnet’s Multi-Agency Risk Assessment Conference (MARAC), a forum where multiple agencies combine to provide a co-ordinated response for ‘high risk / repeat cases’ of domestic abuse. This is in accordance with Co-ordinated Action Against Domestic Abuse (CAADA) guidance. CAADA is a national charity supporting a strong multi-agency response to domestic abuse.</p> <p>The Council completed a Social Care Institute for Excellence (SCIE) review in January 2012, which is similar to a Serious Case Review, for a domestic homicide which has occurred in Barnet. The SCIE review focused on the child in the family and ran parallel to the Domestic Homicide Review (DVHR), which focused on the victim. The SCIE and DVHR looked at the relationships between agencies in the specific circumstances leading to the Domestic Violence homicide. In addition, there has been a Task and Finish Group, which reported on Domestic Violence in January 2011. This included consideration of what additional steps the Council and its partners could take in fighting domestic violence in the Borough. This review has sought not to replicate the scope of these reviews.</p>			

Summary of Findings

We have identified a number of control weaknesses and made recommendations for improvement. However, we have also identified some areas where Barnet has implemented or is starting to implement good practice:

- Following the December 2010 Co-ordinated Action Against Domestic Abuse (CAADA) quality assurance process Barnet implemented an action plan. The latest CAADA assessment in July 2011 illustrated a significant improvement, reflecting the successful implementation of many of these actions.
- Within the housing directorate there is a domestic violence policy which clearly explains the process to be followed when a domestic violence case is identified. Additionally, mandatory training on domestic violence has been provided to all housing needs officers and induction training on domestic violence is provided to new starters.
- There is a signed Multi-Agency Risk Assessment Conference (MARAC) information sharing agreement in place making partners aware of the information they are able to share with other agencies in support of domestic violence cases.

There was one high priority finding to report:

Referral Process

- There was no overriding mapping document which illustrated the assessment and referral process across the Council and how the support agencies and directorates link together.
- From review of the procedures in Housing we understand that there were some specific procedures covering domestic violence and the approach required. This was considered to be an area of good practice in the Council. However, within Children's Service and Adults Social Care and Health, the domestic violence process was incorporated within the safeguarding procedures that were followed and there was no specific domestic violence policy. Consequently there was a lack of clarity over the referral process required to be followed.
- There were differences in the risk assessment tools being used in the directorates, with the Housing Social Care Direct Team not using any initial assessment tool.

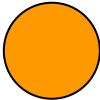
The following issues were rated as medium priority:

Referral Process – Assessment and referral exceptions

- Testing performed on 15 domestic violence cases identified the following control weaknesses:
 - For one domestic violence case referred to the MARAC, there was no audit trail to show that the action identified in the MARAC meeting had been completed.
 - For three domestic violence cases tested within the Housing Directorate there was no evidence of an assessment being undertaken.

<p>Priority 1 recommendations</p>	<p><u>Management Information</u></p> <ul style="list-style-type: none"> • Through discussions with management and review of the current management information it was identified that there is management information collated by the Police and also information covering MARAC cases. However, there was no other internal management information currently being produced and monitored to confirm performance levels and case volumes across the Council. <p><u>Staff Training</u></p> <ul style="list-style-type: none"> • It was identified that within the Housing Directorate domestic violence training was provided to all housing needs officers and new starters. There were also plans to incorporate regular refresher training on domestic violence. However, specific domestic violence training was not provided on a mandatory basis within the Children’s Service or Adult Social Care and Health teams. • There was no training log to capture which staff members required domestic violence training and whether they had received this training. • All staff are required to attend compulsory data protection training within Children’s Services. However, from discussions with management it is understood there were no plans to make this mandatory in the other two directorates. <p>Recommendation</p> <p>The Council should map the assessment and referral process and how departments and agencies link together. This will help to understand the different routes of referral and the process to follow, including identifying key contacts within the Council.</p> <p>The mapping and policies should clarify which assessment tool is to be used and should ensure that all directorates are performing assessments. We understand that Children’s services have previously considered implementing a separate domestic violence form across all agencies. Where it is deemed appropriate there should be consistency across the directorates in the use of assessment tools.</p> <p>We have documented a high level mapping diagram which could be used as a starting point for this task.</p> <p>The Council should ensure that there are clear procedure notes for all directorates so staff are aware of the process they need to follow when a domestic violence case is identified and this is being applied consistently across the Council.</p>
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Management Responses and agreed action dates	<p>Children's services</p> <p>Developing a clear pathway / mapping for victims of domestic violence with guidance notes. As part of the mapping, confirm Council service criteria's and detail process to be taken where a vulnerable adult does not meet service criteria.</p> <p>Housing</p> <p>Housing would be very happy to participate and adhere to the resulting mapping process.</p> <p>Adults Social Care</p> <p>Agreed.</p> <p><i>To be implemented by August 2012</i></p>
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Title	Value for Money – Facilities Management			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
There has been no previous review with this scope.				
Date final report issued	April 2012			
Background	<p>The Value for Money (VfM) approach concerns obtaining the maximum benefit with the resources available, with a balance of economy, efficiency and effectiveness. To achieve VfM, the cost of goods and services should be considered alongside quality, fitness for purpose and timeliness. This audit focused on Facilities Management VfM.</p> <p>The Council currently has approximately six leases in place for buildings and associated charges at North London Business Park. Responsibility for VfM within these relationships lies with Commercial Services. The services provided by the leaseholder can be defined in two groups:</p> <ul style="list-style-type: none"> • Fixed cost services provided, such as the rent on a building at North London Business Park and estate management charges. • Variable cost services provided, such as the actual costs of maintenance charged to the Council. <p>The Council needs to ensure that these payments are reasonable and appropriate to ensure they are in line with the budget set annually.</p>			

Summary of Findings

This review has focused on the processes and controls in place for achieving value for money in Facilities Management.

One high priority finding was identified, relating to the management of lease contracts. This finding is summarised below:

Contract Management of Leases

There is a lease in place, for Building 2 Lower Ground Floor, and the lease contract has not been signed, despite the Council starting the tenancy in January 2008. In addition, this and two additional leases were identified against which some of the rents and service charges had not been billed since the start of the lease in January 2008. A provision had been made for these costs for £190K covering 2009-10 and 2010-11, this is to be increased to £310,000 for 2011-12. We had estimated the cost at the time of the audit was £590,000, against the payments of £257k since 2009-10 the accrual appears reasonable however in the absence of correspondence from the lessor could not confirm appropriate provision had been made.

A further five medium priority findings have been noted relating to all areas of scope. These are summarised below:

Monitoring of Invoices

In a sample of five invoices, none were evidenced as reviewed by the Chartered Surveyor for appropriateness as required by Council procedure. Management confirmed that an invoice would only be reviewed in practice if there were queries around it. Management confirmed an annual process is performed to reconcile invoices received against the leases. This had not been performed at the time of audit, and the planned frequency (annually) means that issues may not be identified and resolved in a timely manner, nor is it appropriate for good budget management.

Meetings with Leaseholder

Only two meetings could be confirmed as occurring during 2011-12, despite the requirement for them to be held every six to eight weeks by Council procedures during 2011-12. Management confirmed that meetings and correspondence occur on a more frequent basis, but that this was not part of a formalised regime, and it was more reactive than proactive.


Three Year Budgeting: Planning

Management confirmed that budgeting was performed on an annual basis for Facilities Management with no active consideration of the longer term financial impact of operations. Given the size of the operational property portfolio and the cost of Facilities Management, it would be useful to profile the budget for a longer period.

Three Year Budgeting: Monitoring

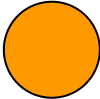
Budget monitoring performed on a monthly basis. The budget monitoring reports for July 2011 and November 2011 were reviewed, and neither included comments to explain the variances against budget.

<p>Priority 1 recommendations</p> <p>Management Responses and agreed action dates</p>	<p><u>Key Performance Indicators (KPIs)</u></p> <p>There are currently no KPIs in place in Facilities Management against which to monitor performance. Management confirmed that this issue has been identified and a set of KPIs is being developed; however, this could not be corroborated at the time of audit.</p> <p>Recommendation</p> <p>Management should liaise with the leaseholder to authorise and sign the lease for Building 1 Lower Ground Floor.</p> <p>Management should review all leases to identify any unbilled amounts, and liaise with the leaseholder to calculate a final amount payable.</p> <p>Management Response</p> <p>All necessary authorities are now in place for Officers to complete the outstanding lease.</p> <p><i>To be implemented by June 2012</i></p>
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Title	New Homes Bonus			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
No previous audit review in this area.				
Date final report issued	April 2012			
Background	<p>The “New Homes Bonus” scheme is a Government scheme which is aimed at encouraging local authorities’ development of new houses, in return for additional revenue. The grant will match the additional council tax raised by each council for each new house built (at October each year) for each of the six years after that house is built by providing local authorities with a New Homes Bonus. The Bonus commenced in financial year 2011-12 and is intended to be a permanent feature of the local government finance system.</p> <p>It will include:</p> <ul style="list-style-type: none"> - an enhancement for affordable homes - £350 per affordable home made available (gross, excluding reductions in related stock) - empty homes that are returned to use will qualify for the New Homes Bonus <p>New Homes Bonus Scheme grant allocation achieved is as expected:</p> <p>2011-12 (increase in housing stock Oct 2009-Oct 2010): £1,5m 2012-13 (increase in housing stock Oct 2010-Oct 2011): £1,6m</p>			

<p>Summary Findings of</p>	<p>We confirmed there were processes in place for the allocation of responsibilities for the delivery of key outputs under the New Homes Bonus, arrangements for the monitoring of Regeneration delivery and the reporting and review of related performance.</p> <p>The following significant issue was identified as part of the audit:</p> <ul style="list-style-type: none"> • There was no formal strategy or clear mandate in place focussed on maximising the New Homes Bonus Scheme. As a result of this operational delivery had not integrated the policy aspects of the New Bonus Scheme in with current regeneration activity. Officers did not have a comprehensive understanding of the Scheme detail to inform operation and maximisation of key aspects of the New Homes Bonus incentives. <p>In addition to the main finding, we also identified the following issues:</p> <ul style="list-style-type: none"> • We observed a lack of formal monitoring of empty homes delivery at a strategic and operational level. Empty homes returned to use will qualify for the new homes bonus. • Reporting, by Service work stream, of new homes and empty homes performance targets, outturn and milestones (for scrutiny by the relevant body), did not quantify associated New Homes Bonus Scheme grant allocations to ensure a clear and robust assessment of potential loss of income where delivery falls short of plan/expectations. <p>In addition,</p> <ul style="list-style-type: none"> • Management confirmed that new homes completions fell below target housing trajectory expectations causing Scheme grant allocations to fall below expectations • The Corporate Plan 2011-13 performance indicator, Number of new dwellings completed on the regeneration estates at quarter 3 was below target (i.e. red/amber status).
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<p>Priority recommendations</p> <p>1</p> <p>Management Responses and agreed action dates</p>	<p>Recommendation 1</p> <p>The strategy should be completed and approved that integrates the New Homes Bonus scheme operation with delivery of housing provision (for example, empty homes, new homes).</p> <p>The strategy should identify opportunities, approaches and requirements and benefits for maximising the new Homes Bonus grant allocations, where possible, in line with wider operational requirements and objectives.</p> <p>The strategy should be developed in consultation with and communicated to operational officers to ensure that underlying operation is co-ordinated towards maximising Scheme allocations, where appropriate. For example, with other aspects of Council's services for improving activities which ensure the prompt inclusion of properties on the Council Tax Base Valuation records.</p> <p>Analysis of the issues, gaps and targets for measuring improvement are identified within a draft briefing paper for consideration by the Regeneration Programme Board including details of monitoring responsibilities for Environment Planning and Regeneration (EPR) Senior Management Board (SMB).</p> <p>Coordination with other departments will allow this paper to be reviewed and reworked to provide system improvements as well as to develop upon existing New Homes Bonus investment proposals to generate additional future income.</p> <p>This process will involve a round-table discussion with the lead officers from service areas, allowing for knowledge gaps amongst the staff group to be addressed.</p> <p><i>To be implemented by June 2012</i></p>
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Title	IT review of Liquid Logic (Integrated Children's System)			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
Last audit: No previous audit performed				
Date final report issued	March 2012			
Background	The Integrated Children's System (ICS) is an electronic social care records system which was developed as part of the Governments 'Every Child Matters' programme. The system records details relating to children, such as their school, all the lead professionals in the child's life, their case information, their parents / guardians and family members.			

**Summary
Findings** of

We identified significant issues in two areas; Password Security and User Access Procedures and weaknesses in controls over Administrator Access and Audit Logging and Monitoring. The key findings are summarised below:

Password security (High priority)

The application password security settings do not meet the corporate security policies, for example; password expiry is not enabled; initial passwords for new users are weak and password history (the number of previous passwords that cannot be reused) is set to only one.

User access procedures (High priority)

No independent verification that Criminal Records Bureau (CRB) checks have been undertaken is performed prior to granting access to new users and users from third party organisations. There is no periodic review of user access and the test environment which contains a copy of data from the live environment. The live and test environments are not monitored to ensure that unauthorised or inappropriate access is gained and privacy breached.

Administrator access (Medium Priority)

System administrator accounts were active for users without a business need and third party provider Liquidlogic has full administrative authority for the Barnet system, including the ability to view all records in addition to unrestricted access through the use of security token, used to electronically authenticate during remote access to the Barnet environment. Furthermore, there is no monitoring or review of the activities performed by Liquidlogic.

Audit logging and monitoring (Medium Priority)

Monthly checks for inappropriate access to Integrated Children's System (ICS) records are not undertaken as required under the ICS access procedure.

Security policies and procedures (Low priority)

The recently updated Corporate Information Systems Security policy and sub-policies do not record a policy owner or include the date of next review.

The following controls were found to be operating as designed; Distribution of management information, segregation of duties and physical security.

**Priority
recommendations**

1 Recommendation 1

As outlined in the password policy, Management should ensure :

- Password expiry is enabled in the system and passwords are used for no more than 45 days ;
- Initial passwords are strong and not of a common form; and
- The requirement for new users to change their initial password at the time of first log on is enforced.

Where system limitations do not allow specific password controls to be implemented, other technical (e.g. single sign-on, authentication reliance) or manual (e.g. periodic policy reminders, user awareness training) options should be implemented.

Recommendation 2

Management should:

- Implement controls to verify that individuals have passed CRB checks before they are given access to ICS;
- Perform an exercise to assess all accounts within ICS and remove those that are no longer required;
- Periodically review the active ICS user accounts and disable any that do not require access or do not have a justifiable business requirement for access, as per the requirements in the client access procedure; and
- Apply the same access and monitoring procedures in the test environment as applied in the live environment.

Ensure reference numbers are recorded in ICS, Hornbill and Swift where required to ensure auditable evidence of appropriate approvals are retained.

Management Responses and agreed action dates

Recommendation 1

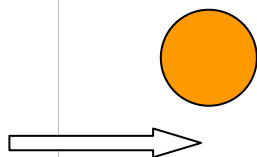
ICS password to be in line with LBB corporate password policy. *To be implemented May 2012.*

Recommendation 2

- LBB IS will implement and perform a quarterly care system audit to assess all accounts and disable ones that are no longer required. Proposed process written and sent to Paul Kennedy for assessment and agreement.
- Reference number from service Management Tool (Hornbill Supportworks) is recorded in SWIFT and ICS. Old entries before the implementation of Support Works won't have a reference attached to them.
- Access to all test systems to be locked. Users given access at the request of authorised officers. User list to be verified with business periodically
- Communication of the following process has been sent to all team managers that request access to ICS: The ICS team will no longer complete the Additional system access form on behalf of managers but the managers themselves will complete it. This form asks for confirmation that an enhanced CRB check is present. A record in Hornbill completed by the team manager for the employee with access to ICS will then recorded with the call ref recorded in ICS.

To be implemented May 2012

Title	IT Penetration Testing Review			
Assurances				
Audit Opinion & Direction of Travel				
2010-11 IT Risks and Issues – Data Security (No Assurance)				
Date final report issued	April 2012			
Background	<p>Penetration testing is a method of evaluating the security of a computer system or network by simulating an attack from malicious outsiders (who are not authorised to access the organisation's systems) and malicious insiders (who have some level of authorised access).</p> <p>Penetration testing is an active analysis of the system for potential vulnerabilities that could result from weak or inappropriate system configuration. These could be either known or unknown hardware or software vulnerabilities, or weaknesses in either Process or operational technical defences. This analysis is carried out from the position of a potential attacker and can involve active exploitation of security vulnerabilities.</p> <p>The most recent Penetration test was carried out by an external 3rd party IT supplier in March 2011. The testing involved conducting an internal and external IT Health Check against Barnet Council's internal network. This entailed assessing the security of the network against the GCSX Code of Conduct (CoCo), which mandates specific IT controls for protective monitoring in order to prevent sensitive data from leaking out of the Government Connect Secure Extranet.</p> <p>UK Government Connect Secure Extranet (GCSX) is a secure wide area network (WAN) that allows officials at local public-sector organisations to interact and share data privately and securely with central government departments.</p> <p>This audit has been carried out to review the overall governance, processes and procedures and actions to resolve vulnerabilities identified in the Penetration and Security Testing during March 2011.</p>			



Summary of Findings

Our review identified significant weaknesses in the resolution or mitigation of risks highlighted by penetration testing performed on behalf of the Council by a certified third party. Specifically;

Assessment of previous Penetration Testing (High priority)

Little progress has been made to address the issues identified in the External Penetration Testing (testing of the externally facing infrastructure – Internet). Of the 17 issues identified (of which one is high and four are medium severity), none have been fully remediated.

Some progress has been made in addressing the issues that were identified as part of the Internal Penetration Testing (testing of infrastructure within the Barnet IT environment). Of the 37 issues identified;

- 20 have been resolved and
- 17 remain open (five high and 12 medium severity.)

In addition, three high severity vulnerabilities identified during the March 2010 Penetration Testing were identified again during the Penetration Tests carried out in March 2011.

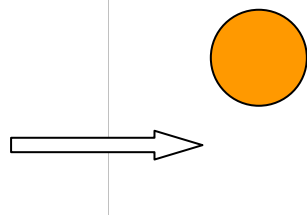
Furthermore, no formal risk assessments or records have been raised for any of the open issues to highlight these to management despite potentially being in the IT environment for more than ten months.

Absence of formalised governance process to manage security vulnerabilities (Medium priority)

There is no formal documented process to manage the Penetration Tests performed on behalf of the Council. The lack of a formalised framework to assess issues identified, prioritising resolution, evidencing resolution (through formal change documentation) and alerting management to issues that cannot be easily resolved has resulted in a number of vulnerabilities remaining in the Councils IT environment for an extended period of time (including three high vulnerabilities potentially in the environment for 22 months).

<p>Priority recommendations</p>	<p>1 Recommendation Assess the remaining open vulnerabilities for both Internal and External testing, and formally prioritise the resolution of these. In addition, ensure Risk management procedures are invoked, to inform management of the open vulnerabilities within the IT environment, and to investigate additional actions to mitigate the current risks.</p>
<p>Management Responses and agreed action dates</p>	<p>Management Response Out of 35 internal vulnerabilities, 32 have been completed. 3 are in progress and have firm dates for completion. Out of 17 external vulnerabilities, 11 are marked as completed as they are either fully completed or of information or low value and being monitored through an established information security group. As the council is looking to externalise the IT service by Jan 2013, investing in non critical items at this stage does not represent good value for money. We will however include these items for discussion during competitive dialogue. The remaining 6 are in progress and either have a firm date for completion of will be addressed as part of on-going security maintenance. <i>To be implemented by September 2012</i></p>

Title	Parking – Permits and Vouchers			
Assurances				
Audit Opinion & Direction of Travel				
Parking Review (2010-11) – No assurance	No	Limited	Satisfactory	Substantial
Date final report issued	April 2012			
Background	<p>Local Authorities are governed by the following legislation: a) The Road Traffic Act 1991 is the primary legislation for Decriminalised Parking Enforcement (DPE) and b) The Traffic Management Act 2004 is the primary legislation for Civil Parking Enforcement (CPE). The Parking Section is responsible for the enforcement of all on-street waiting restrictions and the management of the current car parks. It carries out the maintenance of mechanical and electrical equipment. From 1 May 2012 these services shall be delivered by an appointed contractor.</p> <p>The scope of our audit is limited to the following areas:</p> <ul style="list-style-type: none"> • Effectiveness of the on-line systems • Effective income collection and recording processes; income reconciliations and bank reconciliations. • Access to the parking system is only granted to appropriate users at appropriate access levels • Eligibility for permits and vouchers 			




<p>Summary Findings</p>	<p>of</p> <p>We confirmed Civica-produced system-specific guidance, the provision of training for taking card payments by telephone, the allocation of roles and responsibilities for and the undertaking of key functions such as income reconciliations and charge backs and the correct allocation of income to profit centres.</p> <p>We identified the following significant issue as part of the audit:</p> <ul style="list-style-type: none"> • There has been a failure to retain permit application supporting documentation for sufficient time period, in accordance with the Records Retention & Disposal Guidelines, or in a structured manner. As a result of this finding we were unable to review the effectiveness of the controls in operation as an audit trail only existed for 3 months and the filing of records for the three month period was completed on an ad hoc basis. <p>In addition to the main finding, we also identified the following issues:</p> <ul style="list-style-type: none"> • The controlled stationery (scratchcards and permits) is kept in multiple locations, with loosely controlled access, we also could not verify that stock was counted and reconciled periodically. • Whilst procedures exist, they are not currently up-to date and it is not clear when they were last reviewed. • Changes to the Civica parking system in terms of permit values, discounts or property addresses for example are not made through a formal change control process for the Civica system. In addition, there is an ability to create a new account or issue a discount without appropriate authorisation. • There is not currently a formal service level agreement between the Customer Service Organisation (CSO) and the Parking Service. • Within our audit sample there were instances where the daily cash-up reconciliation were not independently checked and evidenced as such. • There are currently unexplained differences between the parking system and SAP income reconciliations which have not been followed up promptly or resolved.
<p>Priority recommendations</p>	<p>1</p> <p>Recommendation 1</p> <p>That all records be stored manually or electronically in a logically searchable fashion, in line with the Records Retention & Disposal Guidelines, specifically section 3.9.23 that parking paperwork should be destroyed “2 years after certificate has expired or penalty payment has been made or the matter has been finished or correspondence on the matter has ceased”.</p>

Management Responses and agreed action dates


The CSO team intends to start scanning all new parking permit application documentation from the end of April 2012, as well as back-scanning all documentation which has been retained. Documentation will be stored electronically and retained in line with Records Retention & Disposal Guidelines.

To be implemented by June 2012

Title	Menorah Foundation			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
Date final report issued	April 2012			
Background	<p>The audit is conducted in line with the “Keeping your Balance” document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission (AC) and to ensure compliance with Barnet’s Scheme for Financing Schools and related Financial Guide for Schools.</p> <p>The scope of the audit included assessment of the following:-</p> <ul style="list-style-type: none"> ▪ adequacy of accounting, financial and other controls; ▪ compliance to established plans and procedures; ▪ the integrity and reliability of financial and other information; ▪ assets and other interests of the Council are properly safeguarded; and that ▪ the use of resources achieves value for money. 			

Summary of Findings	<p>The following represent the key findings made during the audit:</p> <ul style="list-style-type: none"> • The Financial Management & Procedures Policy document did not include written procedure notes for all areas of financial management; • From a sample of 30 purchase order forms, seven order forms were found to be missing; • Invoices were paid to three individuals on a regular basis for one-to-one tuition, for which no proof of their self-employed status was held for tax and National Insurance purposes ; • Invoices paid to an individual on a regular basis, with no indication of what service had been provided; • Payments made to individuals, without proper supporting invoices; • Non-compliance to Contract Standing Orders for Schools: no written contract documents, or proof of adequate insurance liability cover for all relevant contractors; • A review of procedures and controls over the income system found no independent check to verify income collected and banked agreed to source documentation, for example spreadsheets/class lists; • Transfers of money between staff are not signed for; • No audit trails exist for income collected from educational visits/swimming; • Arrangements for use of the School premises by independently run lunchtime club organisers have not been formalised; • No visible evidence that lunchtime clubs are adequately covered by insurance; • The use of on-line banking facilities with no dual control, independent checks, approved protocol or procedures; • No visible evidence of independent checks over payroll monitoring; • Voluntary Funds not audited or presented for review to governors; • The inventory records are not up-to-date; • Entries recorded in the inventory register where not complete • No annual stock checks over inventory; • Procedures for the disposal/write-off of inventory not followed.
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<p>Priority recommendations</p> <p>1</p>	<p>Recommendation 1 The School should ensure that: a) Controls over the issuing of blank purchase order forms to staff are tightened and regular checks are made to ensure that these orders have been returned. It is recommended that a log is maintained to record all orders which have been issued; b) Formal documentation should be obtained from individuals requesting payment to confirm that they may be paid gross of tax and National Insurance; c) Payment is not made unless there is sufficient detail on the invoice to establish what service was provided; d) Payment is not made without receipt of a proper invoice.</p> <p>Recommendation 2 The school should ensure that: a) Independent checks are carried out to confirm that amounts banked agree to control records and this is adequately evidenced; b) Transfers of money between staff are signed for; c) Source documentation (for example classlists, spreadsheets showing a clear and accurate breakdown of the amounts collected) is maintained in order for a clear audit trail to exist. These records should be held in accordance with LA guidelines.</p>
<p>Management Responses and agreed action dates</p>	<p>Recommendation 1 Agreed The School will ensure that controls over the purchasing system are reviewed in order that all of the above findings are addressed.</p> <p>Recommendation 2 Agreed Controls and procedures for all income received will be reviewed to ensure that all area referred to above are addressed.</p>

Title	Hasmonean Primary			
Assurances	No	Limited	Satisfactory	Substantial
Audit Opinion & Direction of Travel				
Date final report issued	April 2012			
Background	<p>The audit is conducted in line with the “Keeping your Balance” document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission (AC) and to ensure compliance with Barnet’s Scheme for Financing Schools and related Financial Guide for Schools.</p> <p>The scope of the audit included assessment of the following:-</p> <ul style="list-style-type: none"> ▪ adequacy of accounting, financial and other controls; ▪ compliance to established plans and procedures; ▪ the integrity and reliability of financial and other information; ▪ assets and other interests of the Council are properly safeguarded; and that ▪ the use of resources achieves value for money. 			

<p>Summary of Findings</p>	<p>The following represent the key findings made during the audit:</p> <ul style="list-style-type: none"> • a review of the current Financial Management and Procedures Policy document, found that this has not been maintained up-to-date • A review of the School's budget processes for 2011/12 found that the Governing Body had agreed contributions to balance expenditure. However, there are no agreed regular monthly contributions. • A review of the School's purchasing and tendering arrangements found some controls to be in place to ensure that value for money was being achieved. However, audit tests carried out over the day-to-day purchasing system identified the following weaknesses: <ul style="list-style-type: none"> a) Lack of evidence confirming receipt of goods in some of the sample b) Some unaccounted for pre-numbered purchase order forms. Although a log is maintained in the School office to record details of blank orders issued to staff, unreturned orders have not been followed up; c) Evidence that some committed expenditure had not been recorded on the School's accounting system at the time goods were ordered • A review of the contractual arrangements in respect of the School's cleaning contract held with a Cleaning company identified the following weaknesses: <ul style="list-style-type: none"> a) A formal written contract, showing agreed terms and conditions was not held by the School; b) There was no evidence of adequate insurance cover for the contractor; c) Although the School provided details of a further two quotations obtained prior to the appointment of the contractor, there was no evidence of a selection process being undertaken by governors, or approval of this expenditure
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<p>Priority 1 recommendations</p>	<ul style="list-style-type: none"> • A review of arrangements for use of the school premises for weekly after-school clubs attended by pupils and run by school staff found no visible evidence to show approval by the Governing Body for staff to run the clubs and retain all income received from pupils • A review of sample bank reconciliations found a number of income (2) and expenditure (7) items, which have remained outstanding, not yet presented at the bank, since prior to May & and September 2010 • Sample checks carried for payroll found evidence of controls over payroll costs and personnel data and visible evidence to confirm at least two officers are involved in the monthly payroll checks. However, a review of claims forms completed for mid-day supervisory cover have not been countersigned by an independent officer/governor to ensure a clear separation of duties. • A review of the School's inventory register identified the following weaknesses: <ul style="list-style-type: none"> a) The records have not been updated for some time; b) Disposal procedures have not been followed; c) An annual physical stock check has not been carried out <p>Recommendation 1</p> <p>The School should ensure that:</p> <ul style="list-style-type: none"> a) The officer(s) responsible for checking receipt of goods, sign and date the delivery note to indicate that the delivery was received complete etc; b) Blank orders issued to staff are returned if not used; c) A purchase order form is raised and approved, by a delegated officer, as per the School's Authorised Signatories prior to the order being placed (with the exception of utilities, contract payments, temporary staff costs). Orders should be posted onto the accounting system as committed expenditure. <p>Recommendation 2</p> <p>The School should ensure that, in accordance with the requirements set out in section 4.1.1 of the LBB Financial Guide for Schools document, Appendix 1 (Contract Standing Orders for Schools):</p> <ul style="list-style-type: none"> a) Arrangements for the provision of the above mentioned services are legally formalised as soon as possible; b) Contractors should be asked to provide a copy of their current insurance liability cover and a copy held on file at the School; c) A fair and transparent selection process is undertaken prior to the appointment/renewal of all contracts and there is adequate evidence recorded within minutes of meetings of the relevant committee to demonstrate this.
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Management Responses and agreed action dates	Recommendation 1 Agreed The School will ensure that controls over the purchasing system are reviewed in order that all of the above findings are addressed. Recommendation 2 Agreed This is now in hand with the contractor.
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4. Work in progress and effectiveness review

All work at the end of the financial year has been finalised.

Appendix C shows how effective Internal Audit is at delivery of the two of the three aspects of value for money – efficiency and effectiveness. Economy is reported within quarterly performance reports to Directorates and Cabinet Resources Committee and are within tolerance levels.

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

Effectiveness – there has been a consistent positive direction of travel from the fourth quarter of 2010-11 to this quarter. Currently the percentage of recommendations has improved in the quarter from 69% to 75%. However this percentage is below 90% the target that has been set. We will continue to work with Services to embed the corporate governance objective and create a culture of improvement.

5. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be relied upon as part of the financial accounts audit.

6. Changes to our plan

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

Type	Audit Title	Reasons
Additional	One Barnet programme controls	Additional work at the request of the One Barnet Programme Board.

7. Risk Management

Improvements within the quarter for risk management arrangements have included:

- Review of the Risk Management Strategy and Policy Statement, separately reported to the Audit Committee;
- Training packages developed for implemented for 2012-13 on improvements to the strategy

The Risk Management arrangements were audited by Price Waterhouse Coopers in March and gave satisfactory assurances that the arrangements were in line with the Strategy in place. They had the following recommendations that we are incorporating into arrangements for 2012-13 by including into the Strategy and the training packages:

- The Council should ensure that the importance of monitoring and updating risks and actions is re-iterated to service level managers.
- For the risk registers reviewed the responsible risk champion should review the risk registers to ensure the importance of this is reiterated.

- It is recognised that for individuals who use the risk management system (JCAD) infrequently, they may find it difficult to fully utilise the system. It may be worth exploring this cause with known departments whose risk registers are not up to date.
- The Council should utilise the risk management and fraud forum as an opportunity to share best practice and reporting techniques to ensure consistency in approach and minimise duplication of efforts. Additionally, the report the Chief Executive Services (CES) is currently producing quarterly should be extended to all other directorates and introduced as a formal control. This would also help to improve the issues concerning the regular monitoring of risks highlighted in recommendation 2.1.
- The process for escalating risks to another risk register should be re-iterated and clarified with staff to ensure consistency in approach.

8. Other Inspections

The Council received the final version of the Ofsted and Care Quality Commission (CQC) report in February 2012 on its Safeguarding functions and the outcomes for children that are looked after by the authority. Services and governance in these areas have been recognised as good overall in both safeguarding and in the outcomes for our looked after children. Of the 22 areas rated by Ofsted and CQC all but two were rated as good, the two areas rated as adequate were both in relation to the quality of provision for safeguarding outcomes for children and young people and how good outcomes are for looked after children and care leavers.

The action plan arising from this report has been presented to the Safeguarding Overview and Scrutiny Committee on the 16th April 2012. The Ofsted/CQC report made 15 high level recommendations for the Council to action with its health partners. The majority of the recommendation are to be actioned within 3 months from the date of the report. The main recommendations are as follows:

- The Domestic Violence Strategic Board to review the services provided through housing for victims of domestic abuse
- The council to review its current processes for initiating child protection enquiries and the use of strategy discussions and follow up meetings in order to be fully compliant with Working Together 2010 and local safeguarding procedures
- Strategy discussions and meetings should be chaired as a matter of routine by team managers including those undertaken through the Local Authority Designated Officer (LADO) service
- LADO arrangements to be reviewed to ensure the procedures, especially in relation to advice given, strategy discussions and meetings are compliant with Working Together 2010 and local safeguarding procedures
- The Barnet Safeguarding Children Board (BSCB) to ensure that all schools adopt the correct safeguarding procedures by referring appropriate safeguarding concerns to either the LADO or children's social care before interviewing children in detail or undertaking any further investigative actions before a strategy discussion or meeting has been held
- Review child protection and children in need plans to ensure actions are specific and timescales are identified
- Ensure that supervision records are suitably detailed and contain actions that are clear and measurable

- Council to ensure looked after children and young people are made aware of the existence of the Pledge and how they can use this to monitor the commitment of partners to providing good quality care and support
- Council to ensure that robust case audit systems and reporting mechanisms in both looked after children and safeguarding services are sufficiently challenging, particularly in relation to the quality of practice and direct work. Ensure that audit findings are routinely shared with the senior management team to drive improvement
- Develop the existing mechanism to support complaints to ensure that there is a framework for annually reporting to relevant committees and boards on representations and complaints by looked after children and young people to include issues of service quality and practice
- Council to develop and implement an explicit permanency policy to secure long term, stable and legally protected placements for looked after children
- Council to ensure longer-term looked after children are provided with permanent and legally secure placements

The action plan is being monitored by the Children's Services Senior Management Team and subject to internal and external scrutiny.

The full copy of the Ofsted report can be located here:
<http://www.ofsted.gov.uk/local-authorities/barnet>

Appendix A: 2011/12 work completed during quarter 3 & 4 including assurance levels and 2012-13 progress

Audit Opinions on Completed Audits during the period

Systems Audits	Assurance
1 Homelessness	Satisfactory Conclusions only
2 One Barnet Programme Controls	Limited
3 Parking – permits and vouchers	Satisfactory
4 Treasury management	Satisfactory
5 Risk Management	Satisfactory
6 Non-current Assets	Limited
7 Payroll	Satisfactory
8 Pensions	Satisfactory
9 Right to control	Limited
10 Contract management – EPR	Limited
11 Data quality of Human Resources performance indicators	Limited
12 Libraries	Limited
13 Establishment List	Limited
14 Value for money – facilities management	Limited
15 Domestic Violence	Limited
16 Fairer contributions	Satisfactory
17 New Homes Bonus	Limited
18 IT review of LiquidLogic (Children’s Services)	Limited
19 IT penetration review	Limited Conclusions only
20 One Barnet Programme Controls	Limited

School Audits	Assurance
1 Grasvenor Avenue Infant	Satisfactory
2 St Paul’s	Satisfactory
3 Annunciation Junior	Satisfactory
4 Sunnyfields	Satisfactory
5 Trent CE	Satisfactory
6 Foulds	Satisfactory
7 Menorah	Limited
8 St Joseph’s Junior	Satisfactory
9 Brookhill Nursery	Satisfactory
10 Akiva	Satisfactory
11 Hasmonean Primary	Limited

2012-13 Completed reports:

Systems Audits	Assurance
1 Procurement Controls and Monitoring Action Plan	Limited

Appendix B: Internal Audit Effectiveness Indicators for quarters 3 & 4

Performance Indicator	Annual Target	Actual August 11	Actual Nov 11	Actual April 12
% of recommendations accepted	98%	100%	100%	100%
% of recommendations implemented	90%	60%	69%	75%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment	Quarter 4 assessment	Yes
Average client satisfaction score	90%	100%	100%	100%
% of Plan delivered	95%**	17%	47%	100%
% of draft reports completed within 10 days of finishing fieldwork	90%	82%	90%	90%
Periodic reports on progress	Each Audit Committee	Achieved	Achieved	Achieved
Preparation of Annual Plan	By March	Quarter 4 assessment	Quarter 4 assessment	Achieved
Preparation of Annual Report	Prior to A.G.S.	Quarter 4 assessment	Quarter 4 assessment	For June Audit Committee
Staff with professional qualifications	70%	75%	75%	75%
Staff development days	5 days	Quarter 4 assessment	Quarter 4 assessment	6 days

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

Appendix C: Corporate Risk Register

The following 'heat map' highlights the number of risks currently on the corporate risk register and the current ratings of these using the 5 X 5 matrix of impact and probability:

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

Risk	Current Assessment Impact Probability Rating			Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact Probability Rating		
ORG0006 – Reputational/Financial Procurement- failure to deliver value for money, uncommercial contracts with suppliers.	Major 4	Likely 4	High 16	Consolidate procurement activity within the Commercial Directorate <i>In progress</i> Develop and implement an up to date procurement strategy <i>In progress</i> Deliver actions as set out in Procurement	Treat	30/06/2012 On-going On-going	Moderate 3	Unlikely 2	Medium Low 6

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
				Controls and Monitoring Action Plan. Audit to take place w/c 26 March 2012. <i>In progress</i>					
ORG0010 – Reputational/Strategic Development and infrastructure – Development within the Borough through the medium-term is planned to deliver 8,800 new homes and an increase in population of 20,000 by 2015. There is a risk that funding and delivery mechanisms will not be in place to deliver the necessary physical, green and social infrastructure to accommodate the requirements of an increased population.	Major 4	Likely 4	High 16	Consider opportunities around TIF, particularly for BX/CR TIF Board established, external consultant appointed to consider options, development partners providing necessary information on infrastructure costs. <i>In Progress</i>	Treat	On-going	Moderate 3	Possible 3	Medium High 9
				Adopt a Community Infrastructure Levy (CIL) charging schedule for Barnet Draft tariff estimated Report to Regeneration Board July 2011 Adoption by June 2012 <i>In Progress</i>		30/06/2012			
				Develop a corporate approach to infrastructure delivery and securing of funding Develop a robust Infrastructure Delivery Plan and funding delivery matrix <i>In Progress</i> Development of CIL tariff for Barnet anticipated introduction Summer 2012 <i>In Progress</i>	On-going				
ORG0011 – Compliance/Strategic Waste management and sustainability – The cost of waste disposal will increase significantly in the medium-term due to landfill tax increases and the procurement of new waste disposal facilities by the NLWA. The loss of £258.4m PFI credits presents further risk to the affordability and progress of the procurement. Waste minimisation, collection and recycling arrangements will significantly impact on cost and the	Major 4	Likely 4	High 16	NWLA Procurement risk register maintained and updated including review at Waste Project Board meetings. Ongoing <i>In Progress</i>	Treat	31/03/2012 (Normal)	Moderate 3	Almost certain 5	High 15
				Make progress at NLWA meetings, critical review of NLWA papers, with additional support from specialist consultant Ongoing <i>In Progress</i>		31/03/2012 (Normal)			
				Develop, implement and review Waste Action Plan		31/03/2012 (Normal)			

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
amount of waste sent for disposal. In addition, the carbon reduction scheme will impose financial penalties in respect of wider sustainability issues. Government likely to further increase penalties/incentives. Risk – increased waste sent for disposal at significantly increased cost. Lack of progress on wider sustainability agenda attracting additional carbon commitment penalties.				Ongoing <i>In Progress</i> Annual communications plan to include more targeted communications based on the intelligence available. <i>In Progress</i> Establish & Embed Carbon Reduction Commitment Steering Group to strengthen management focus on Carbon Reduction commitment Work in progress Review in Progress following 2011 reporting <i>In Progress</i> Prepare business case for members' decision on future waste collections <i>In Progress</i> Prepare business case for members' decision on future involvement with NLWA, including decision on Inter Authority Agreement. <i>In Progress</i>		15/05/2012 (Normal) 03/04/2012 (Normal) 15/05/2012 (Normal) 15/05/2012 (Normal)			
ORG0015 - Financial There is an enhanced risk around treasury in respect of creditworthiness of banks across the globe as a result of the current Eurozone crisis. The potential break up of the Euro and associated defaults could leave banks around the world exposed to bad debts. The Council therefore needs to review its treasury strategy continuously to ensure that the most prudent course of action is taken in respect of Council funding.	Major 4	Likely 4	High 16	Continual monitoring of deposits <i>In Progress</i>	Treat	On-going	Major 4	Possible 3	Medium High 12
ORG0019 - Financial Street Lighting PFI Contract. Contractor has struggled to deliver the required standards and as a consequence has suffered large financial adjustments. Contractor has indicated this is not	Catastrophic 5	Possible 3	High 15	Working on proposed amendments to contract to improve sustainability - general service provision alterations Process has stalled pending resolution of issues preventing progress with the CMs installation on which other changes are dependent.	Treat	31/05/2012 (Normal)	Catastrophic 5	Unlikely 2	Medium High 10

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment			
	Impact	Probability	Rating				Impact	Probability	Rating	
sustainable and has threatened to withdraw from contract. The financial implications could be up to 50% increase annually potentially equating to £2.25m annually.				<p>Process has now re-commenced and the Waiver Funds have now been deposited. Works Order to be raised to commence work on CMS installation April/May. <i>In Progress</i></p> <p>Working on proposed amendments to contract to improve sustainability - Invest a Safe Programme Agreements <i>In Progress</i></p> <p>A report has been drafted providing detailed explanation analysis of risks & options to reduce some of the risks This report may require consideration at CDG to progress to action. Due to the additional issues arising this Paper has been up-dated and submitted to the Directorate with a subsequent request to provide further information on cost impact for each option. <i>In Progress</i></p> <p>Now gained agreement with all parties including Banks to proceed with the Energy Savings programme and this will have a positive impact on sustainability of the contract. Therefore there is still a possibility of the contractor walking away at the point at which the financial liability is reduced to the minimum point. This is expected to be May 2012. Hence the next review will be in 2012. <i>In Progress</i></p>		05/01/2013 (Normal)				
ORG0001 – Reputational/Strategic Transformation – The Council's strategic agenda is defined by the One Barnet programme which is designed to transform public services to Barnet citizens, working with our partners and the community, in the context of severe resource constraint. Risk – failure to deliver One Barnet effectively, with	Major 4	Possible 3	Medium High 12	<p>Ensure effective governance arrangements with both Cabinet Members and senior management engaged. Ensure clear understanding of programme deliverables. <i>In Progress</i></p> <p>Benefits Realisation Framework Business Case Framework in place with estimated programme costs and benefits.</p>	Treat	On-going 27/01/2012 (Normal)	Minor 2	Possible 3	Medium Low 6	

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
declining service performance and citizen satisfaction. Leading to sub-optimal commercial arrangements with third parties.				Framework for benefits to be completed in new year. Work continuing on mapping of benefits. Workshops undertaken with project managers in order to populate in a consistent manner benefit profiles and to agree a mechanism for the management and tracking of benefits. <i>In Progress</i>					
ORG0002 – Financial Central government support has been cut and our response has been agreed by Cabinet. Given the slow recovery of the economy there is a risk that the government will make further cuts to local government funding. Risk – given the scale of the savings there will be key concerns in delivering those savings over the next 4 years and managing to deliver services in times of such uncertainty.	Major 4	Possible 3	Medium High 12	Risk assessment of 2012-13 savings plans Services to work through savings plans <i>In Progress</i>	Treat	On-going	Moderate 3	Possible 3	Medium High 9
ORG0004 – Reputational/Internal Control Governance – The Council faces a period of major change with potential impact on core governance systems and processes. Risk – breakdown in core governance systems leading to financial loss or reputational damage.	Major 4	Possible 3	Medium High 12	Comprehensive performance management reporting process including key risks at Directorate and Corporate level. Ongoing action <i>Implemented</i>	Treat	30/06/2012 (Normal)	Moderate 3	Unlikely 2	Medium Low 6
ORG0014 - Financial RISK: new revenues and benefits systems went live February however with process inefficiencies, When the Council needs to submit its grant subsidy claim for March 2012 the risk will be that the LA error will not be in the tolerable ranges which would result in the threshold being lost circa £1.2m.	Major 4	Possible 3	Medium High 12	Monitor LA error and submit grant to external audit for certification for reporting in September/October 2012. <i>In progress</i>	Treat	30/09/2012	Moderate 3	Possible 3	Medium High 9

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
LA error is intervening period between receipt and assessment of the claim - with a backlog situation this will always be the case.									
ORG0018 - Business Continuity Momentum is growing towards the London 2012 Games, and the level of involvement and responsibility Barnet is required to take to support activities and events is increasing. The Council has a number of responsibilities to fulfil, which require resourcing. In addition there is a risk that robust business continuity plan may not be in place throughout the period of the Olympics to take account of: managing community events, ensuring emergency planning procedures are in place and maintaining business as usual.	Major 4	Possible 3	Medium High 12	Review Action Plan on a monthly basis with Team <i>In Progress</i>	Treat	27/07/2012 (Normal)	Moderate 3	Unlikely 2	Medium Low 6
ORG0003 - Compliance Information management – The Council's overall arrangements to manage information, including systems, data sharing, data protection, freedom of information, transparency etc need further development. Risk – breach of information management requirements, sub-optimal service delivery with partners, failure to address transparency agenda effectively. Mitigating action: improvement programme to be specified and delivered.	Moderate 3	Possible 3	Medium High 9	Training on policies Policies have been refreshed and published; training on the policies will be available via an e-learning tool in April <i>In Progress</i> Organisational redesign A comprehensive change and communication will be submitted to the IGC in April for approval <i>In Progress</i> Information remediation work stream An information management policy and retention schedule is a key deliverable of this work stream <i>In Progress</i> ECM/EDRMS Define a roadmap for the existing EDRMS system (Wisdom) the business requirements of an enterprise content management system	Treat	30/04/2012 (Normal) 30/04/2012 (Normal) 31/05/2012 (Normal) 31/05/2012 (Normal)	Minor 2	Possible 3	Medium Low 6

Risk	Current Assessment			Control Actions	Risk Status	Target Date (Priority)	Target Assessment		
	Impact	Probability	Rating				Impact	Probability	Rating
				<p><i>In Progress</i></p> <p>Information Governance Council (IGC) to oversee actions from the IM review. IM plan to be implemented to provide robust information governance framework which consists of information management policies supported by an organisational structure and process to monitor and enforce compliance with policies</p> <p><i>In Progress</i></p> <p>Data Flow Analysis</p> <p>Work is to understand key data flows between partner organisations to express the requirement to interchange this data and to begin a conversation to further define (through negotiation) the standards, processes and controls that will apply to these information flows</p> <p><i>In Progress</i></p>		31/05/2012 (Normal)			
<p>ORG0005 - Financial</p> <p>Asset management – Asset management planning is not well integrated into the business planning process. Risk – failure to deliver cost-effective capital assets necessary to support service delivery.</p>	Moderate 3	Possible 3	Medium High 9	<p>Establish a Corporate Asset Management information system</p> <p>In order to better understand the whole life costs of the corporate estate.</p> <p>Scope of project has broadened - SAP optimisation (Assets stream) delivering as per plan however now looking to implement further improvements thus deadline extended from June 11 to Dec 12.</p> <p>CIPFA database now adopted and being populated.</p> <p>Early inputs designed to populate the KPIs for the NSCSO phase 2 dialogue</p> <p><i>In Progress</i></p>	Treat	On-going	Minor 2	Possible 3	Medium Low 6

Risk	Current Assessment Impact Probability Rating			Control Actions	Risk Status	Target Date (Priority)	Target Assessment Impact Probability Rating		
<p>ORG0007 - Financial Iceland deposits – The Council is currently assuming recovery of Icelandic bank deposits based on priority status for UK local authorities. Although priority status has been obtained this is likely to be appealed, leading to lower recovery in the sum of c£14m. Risk – insufficient provision in the risk reserve and use of general fund balances which would need to be re-established at the minimum level..</p>	Moderate 3	Possible 3	Medium High 9	Maximise recovery through the Icelandic courts In Progress	Tolerate	On-going	Moderate 3	Unlikely 2	Medium Low 6
<p>ORG0017 – Compliance The Localism Bill was published in December 2010, and received Royal Assent in November 2011. It is being put into effect through a series of Commencement Orders, the first of which have been laid before Parliament. It forms part of the government's agenda to push power from central government downwards and outwards to the lowest possible level, including individuals, neighbourhoods, professionals and communities as well as Councils and other local institutions. In practice, the Localism Act contains a mixture of provisions relating to local governance, town planning and housing. Risk: Due to the timescales there is a risk that the Council may not have appropriate resources in place to implement the requirements of the Act.</p>	Moderate 3	Possible 3	Medium High 9	Project Team in place – multiple workstreams to deliver	Tolerate	On-going	Moderate 3	Unlikely 2	Medium Low 6

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Meeting	Audit Committee
Date	26 April 2012
Subject	Exception Recommendations Report
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the progress against internal audit recommendations.

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A - Internal Audit Recommendations
Contact for Further Information:	Maryellen Salter, Assistant Director of Finance - Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

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

2. RELEVANT PREVIOUS DECISIONS

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

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

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

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

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

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

9. BACKGROUND INFORMATION

- 9.1 Of the 16 recommendations that were due for implementation, 12 have been implemented in time for reporting to the Audit Committee representing 75%.
- 9.2 Overall the number of recommendations implemented on time has improved compared to last quarter which was reported at 69%; and 60% reported in quarter 1 and the previous quarter to that was 49%. Each Directorate has an audit lead that is a reference point to ensure that action against recommendations is monitored on a regular basis. Some of the recommendations are awaiting decisions from either Directors and/or the relevant Committee in order to progress.
- 9.3 Those recommendations not completed will be taken forward to quarter 1 for follow-up alongside the priority 1 recommendations from reports issued in quarters 3 & 4. 14 recommendations are currently due for follow-up in June and 3 for September Audit Committee, this may change as a result of audits issued within the period to the next Audit Committee.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Cleared by Finance (Officer's initials)	JH and MGC
Cleared by Legal (Officer's initials)	SCS

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Quarter 3: Recommendations due

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>Recommendation 1: Data Protection Where council services use third party “data processors” to process personal data to provide services on behalf of the council, the SIRT should request service teams to review current contractual arrangements, to ensure that these are in accordance with the following special provisions of the Act when using a “data processor”:</p> <ul style="list-style-type: none"> • a “data processor” that provides sufficient guarantees about its security measures to protect the processing undertaken; • reasonable steps taken to check that those security measures are being put into practice; and • there must be a written contract setting out what the “data processor” is allowed to do with the personal data. <p>Contractor monitoring checks should confirm that contractors have in place appropriate technical and organisational measures to ensure the security of the personal data supplied by the Council (and to guard against unauthorised or unlawful processing of the personal data and against accidental loss or destruction</p>	<p>Corporate Governance</p>	<p>Corporate Governance Directorate will work with Corporate Programmes in Commercial Services to ensure that the Procurement Controls and Monitoring Action Plan will pick up on all aspects that are required to be monitored/checked as part of the contract monitoring process. A checklist of requirements and guidance will be produced to assist staff in undertaking the procurement process and the ongoing checking of contracts.</p> <p>As an interim, guidance will be posted online in terms of specifically the requirements on Data Protection Act and Data Processor contracts.</p>	<p>Implemented Data protection guidance and a staff checklist have been published on the intranet.</p> <p>Additional guidance has been provided to the Procurement team and they have confirmed that they will use the guidance in their tendering training.</p> <p>The Council’s standard terms and conditions, which include data protection clauses, are published on the procurement portal on the Council’s website.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
of or damage to the personal data) as required under the seventh DP principle.			
<p>Recommendation 2: Data Protection Standards & Information Rights Team (SIRT) should work with relevant Directors on the draft Closed Circuit Television (CCTV) policy and seek approval for circulation.</p> <p>Compliance with the Information Commissioners Office (ICO) CCTV Code of Practice should be included within the corporate compliance framework.</p> <p>An inventory of CCTV in use and a corporate register should be prepared. Once in place, this should be monitored routinely.</p>	Corporate Governance	<p>Work has already begun to address these issues through the Information Management Working Group.</p> <p>SIRT will work with services to ensure that they adopt appropriate procedures in line with CCTV Code of Practice and implement a process of audit.</p> <p>SIRT will put together an inventory of all cameras which will identify appropriate owners. SIRT will ensure that services adopt appropriate procedures in line with CCTV Code of Practice and implement a process of audit.</p>	<p>Implemented The CCTV policy has been approved, circulated and published on the intranet.</p> <p>Compliance with the ICO CCTV Code of Practice is now incorporated in the Council's standard terms and conditions, and is published on the procurement portal on the Council's website.</p> <p>A CCTV audit has been carried out, which includes a corporate register and a CCTV compliance log book to ensure that data protection requirements are met and monitored. In addition, Cabinet Resources Committee has approved the appointment of a new security contractor, who will monitor CCTV usage.</p>
<p>Recommendation 3: Data Protection Services should be reminded to implement and monitor an effective clear-desk policy to minimise the risks of data loss or theft.</p>	Corporate Governance	A reminder will be sent to all Directors asking that they ensure compliance with this Policy.	<p>Implemented Those high risk areas are aware of their requirements and managers have responsibility for implementation.</p>
<p>Recommendation 4: Data Protection (Environment, Planning and Regeneration) Management should undertake the following action to ensure compliance with the ICO and LBB & Metropolitan Police CCTV Codes of Practice:</p>	Environment, Planning and Regeneration	<p>Audit of CCTV system completed.</p> <p>Procedures are being written and when completed will be issued to staff.</p> <p>Section 29 Form is in place.</p>	<p>Partially met The audit of the CCTV system has been completed and a section 29 form has been produced. The systems procedures manual and has not been written and issued to staff.</p> <p>Further Action: A systems procedures manual should be</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>a) The CCTV system should be audited to confirm, it is operating in line with the objectives of the system This review should also enable management to justify continuous use of CCTV, which forms part of the Council's Data Protection notification to the Information Commissioner</p> <p>b) A systems procedures manual should be written and issued to all staff.</p> <p>c) A Section 29 Form, should be provided by the police before disclosure is granted.</p>			<p>written and issued to all staff.</p> <p>Implementation date: June 2012</p>
<p>Recommendation 5: Council Tax The planned review of user access in OpenRevenues should be completed. The review should include an assessment of the risks associated with user access provision in relation related user roles/functions and the re-alignment of functions or implementation of related exception reporting and reviewing processes where necessary. In particular, monthly quality checks of staff work should include the inspection (for validity and accuracy) of Council Tax</p>	<p>Revenues and Benefits (CES – Customer Services)</p>	<p>The following actions were outstanding:</p> <ul style="list-style-type: none"> - updating query exception reports of Control Team processing to cover Council Tax and Business Rates processing activity - the completion of declaration of interest forms by staff and restricting access in OpenRevenues based on feedback, where necessary. 	<p>Partly implemented A risk assessment was undertaken of OpenRevenues user access resulting in the following changes:</p> <ul style="list-style-type: none"> - Data for quality checking is now sourced directly from OpenRevenues thereby ensuring the review/scrutiny of actual changes to Council Tax and NNDR accounts. - Senior officer (responsible for refund checking) access to create refunds was removed/disabled - The Local Taxation Manager processing access was removed/disabled - An effective process was implemented for identifying leavers and disabling them in the

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>exemptions and discounts sourced from a record of all exemptions and discounts processed directly to OpenRevenues during the month.</p> <p>The planned process should be completed for identifying staff living in the borough or who have family members living in the borough and restricting access to the relevant Council Tax accounts</p> <p>The process for identifying and disabling leaver accounts should be strengthened to ensure that they are promptly disabled.</p>			<p>system.</p> <ul style="list-style-type: none"> - the review of exception reports to identify / monitor any housing benefit assessment processing activity of the Control Team. - the introduction of a process to restrict access in line with identified conflicts on interest through completion of declaration of interest forms (in progress) <p>Revised Implementation Date</p> <p>1 June 2012</p>
<p>Recommendation 6: Freedom of Information – FOI Information Requests</p> <p>The Standards and Information Rights Team (SIRT) should take steps to remind Link Officers that they:</p> <ul style="list-style-type: none"> - comply with statutory timescales under the Freedom of Information (FOI) and Environment Impact Report (EIRs) when responding to a request; <p>The procurement of a new FOI database should allow for more effective tracking and monitoring requests.</p>	Corporate Governance	Monitoring continues and direction of travel has been maintained with Q3 performance of 77.2%. However, implementation of the new FOI case management system is in progress and further link officer training will take place during and following this implementation.	<p>Implemented</p> <p>The direction of travel shows a maintained improvement, a requirement from the previous follow-up. The response time to statutory deadlines is monitored through the corporate performance quarterly reporting, overseen by Cabinet Resources Committee.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>Recommendation 7: Sustainability – Risk Management – Recommendation</p> <p>Arrangements should be implemented for ensuring that identified lead officers responsible for sustainability and carbon emission reduction initiatives in respective Service areas, have identified and addressed risks (linked to activity) which may compromise carbon emission reduction objectives/ delivery outcomes.</p>	EPR (Cross Cutting)	The carbon footprint review was completed by the Carbon Footprint Task and Finish Group. Recommendations, determining the Council's overall approach for reducing carbon emissions, were reported to Cabinet for approval 4 April 2012	<p>Implemented</p> <p>The carbon footprint review was completed by the Carbon Footprint Task and Finish Group. Recommendations, determining the Council's overall approach for reducing carbon emissions, were reported to Cabinet and approved 4 April 2012</p>
<p>Recommendation 8: Waste Prevention – Waste Prevention Strategy – Recommendation</p> <p>Management should put a process into place to ensure there is a periodic review of the Waste Prevention Strategy and that the Strategy is fit for purpose and remains current. The Waste Prevention Strategy should reflect the latest legislative requirements and directives/trends in population behaviour/attitude towards waste prevention.</p>	EPR	A project has continued and the work has fed into a report to Cabinet Briefing on 28 March, and Cabinet considered on 4 April the future waste collection options the borough. Waste will be included in future transformation activity and therefore a strategy will be developed alongside this work.	<p>Implemented</p> <p>This has now fed into the wider transformation agenda; as such we consider the work closed to the One Barnet Programme Board to monitor and action.</p>
<p>Recommendation 9: Strategic Procurement - Monitoring of vendor spend – Recommendation</p> <p>The corporate procurement team</p>	Corporate Procurement Team (Commercial Services)	Monitoring of vendor spend across categories has been actioned in accordance with the Procurement Controls and Monitoring Action Plan, this has been in place since January	<p>Implemented</p> <p>This has been confirmed by the recent audit into the Procurement controls (considered separately on the agenda).</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>should establish a process for identifying and monitoring expenditure by category by service across the Council to ensure that current levels do not exceed Contract Procedure Rules.</p>		<p>2012.</p>	
<p>Recommendation 10: Data Security Risks and Issues It is recommended that Network and CITRIX security patches are applied on a regular basis. A regular maintenance window should be agreed with the business and scheduled. Furthermore, the Change Management Policy and Procedure should be formally approved by senior management. The Senior Management Board should provide a directive to ensure that Change Approval Board meetings are held on a regular basis and attended by all. Any Requests for Change (RFC) raised should be reviewed and approved on a timely basis.</p>	<p>Information Systems (Commercial Services)</p>	<p>The systems had not been taken offline to apply security patches. Dates to take the systems offline to apply the security patches had been proposed.</p>	<p>Partly implemented The systems had not been taken offline to apply security patches. Dates to take the systems offline to apply the security patches had been proposed. Further Action Apply the security patches to the Network and Citrix systems on the proposed dates.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>Recommendation 11: Complaints The Council should develop a customer relations strategy, which communicates objectives for providing good customer service. The strategy should communicate its objectives and attitudes towards reducing complaints, and how the Council intends to promote and seek feedback on positive working practices.</p> <p>In addition, internal procedures for managing corporate complaints should be developed, published on the Council's intranet, and subject to regular review. Management should consider including the following within the scope of the procedures:</p> <ul style="list-style-type: none"> • Scope/definition of complaint; • Key roles and responsibilities; • How to manage the different types of complaints, i.e. corporate, social care, joint complaints between organisations, prolific or vexatious complainants, etc; • Timescales for dealing with complaints; • Training and information; and • Monitoring and reporting arrangements. 	<p>Customer Services (Chief Executives Services)</p>	<p>The Corporate Complaints Policy and the Unreasonably Persistent Complainant Policy came into effect on 1 January 2012. These policies provide clear timescales for responding, key roles and responsibilities.</p> <p>A Training Needs Analysis has been completed and an e-learning package is under development.</p> <p>Monitoring and reporting arrangements are currently under review as part of a wider review of Customer Care Standards.</p>	<p>Implemented The policy has been formally approved and implemented.</p> <p>Monitoring and reporting arrangements are in place.</p> <p>A training needs analysis has been undertaken following the implementation of the policy.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>Recommendation 12: Member Allowances Management should review current reconciliation arrangements and agree on the frequency and method of checking members allowances to</p> <ul style="list-style-type: none"> - confirm that members are receiving their correct allowances as agreed. - identify and rectify any anomalies, to limit any year end issues with regards to Members' allowances. <p>In addition, documentary evidence of the checks carried out should be retained to indicate who preformed the checks and when.</p>	<p>Corporate Governance</p>	<p>The 2010-11 has been completed including processes for reconciliation of the 2011-12 allowances. This will be carried out regularly to ensure correct payments.</p>	<p>Implemented The reconciliation for 2010-11 has been completed and reviewed by management.</p>
<p>Recommendation 13: Payroll P45 certificates</p> <p>P45 certificates should be issued for all leavers in line with Inland Revenue Regulations.</p>	<p>Deputy Chief Executive - Payroll</p>	<p>This recommendation has now been fully implemented with effect from 1 February 2012. Pay & Data Team now produce a spreadsheet listing of all P45s to be printed and ensure the listing reconciles with the number of P45s actually produced by SAP.</p> <p>The Pay & Data Team will note on the spreadsheet the date the P45s were issued to employees and when the P45 data has been sent to HMRC. The spreadsheet will be retained for audit purposes.</p>	<p>Implemented Responsibility is clear and allocated for a fit for purpose process for promptly and systematically identifying leavers (based on SAP leaver action reports) and issuing P45 certificates to leavers and HMRC.</p> <p>Testing confirmed effective operation of the process, including maintaining audit trails of activity.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
<p>Recommendation 14: IS Strategy / Business Continuity / Disaster Recovery – System Resilience Recommendation</p> <p>Management should consider improving network availability through identifying any single points of failure within the Council’s network and implementing appropriate resilience features to reduce the impact of the loss of the primary Information Technology (IT) equipment.</p>	Information Systems	A paper was produced for the Information Governance Council outlining resilience of the network, a degree of risk is remaining which is to be presented to Council Directors and the Lead Member and solutions sought through the New Support Customer Services Organisation (NSCSO) project.	<p>Implemented</p> <p>Information Services (IS) have undertaken a resilience audit and mapped the resilience of all platinum, gold, silver and bronze systems. The results of this analysis by IS has shown that the majority of critical systems are already backed-up off-site. A long term solution has been agreed to be included within the NSCSO dialogue process and in the short term tactical investments have been made in improving system back-ups; and site resilience to enable externally hosted systems to be accessible in Barnet House. The Director of Commercial Services has consulted the Lead Member on the short-term measures to enable a long terms solution to be explored within the NSCSO solution.</p>
<p>Recommendation 15: Business Continuity – Corporate Support business continuity Plans IT Provision and accommodation Recommendation</p> <p>The Head of Insurance should co-ordinate the preparation and finalisation of Corporate Support IT and Accommodation business continuity Plans.</p>	Corporate Governance	<p>The Head of Insurance has continued co-ordinating the finalisation of the IT and Accommodation Business Continuity Plans through engagement with the officers responsible for the development of those plans.</p> <p>Development of the IT Disaster Recovery plan and a viable Accommodation business continuity plan was <u>in progress</u> but had not been completed.</p> <p>For instance, the need was identified for further action involving the collection and analysis of updated data on remote access availability and</p>	<p>Partly implemented</p> <p>The Head of Insurance has continued co-ordinating the finalisation of the IT and Accommodation Business Continuity Plans through engagement with the officers responsible for the development of those plans.</p> <p>Development of the IT Disaster Recovery plan and a viable Accommodation business continuity plan was <u>in progress</u> but had not been completed.</p> <p>For instance, the need was identified for further action involving the collection and analysis of updated data on remote access availability and the numbers of officers required for critical services to ensure the development of a fit for purpose Accommodation Business Continuity Plan.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2012
		the numbers of officers required for critical services to ensure the development of a fit for purpose Accommodation Business Continuity Plan.	
<p>Recommendation 16: Independent Provider Performance (SEN) – Contract Procedure Rule (CPR) compliance Recommendation</p> <p>All contracts/agreements should comply with the Council's Contract Procedure Rules.</p>	Inclusion (Children's Service)	All providers have and are requested to return signed contracts in line with the agreed action. Contracts have been received for all but 4 schools for which Barnet Council has placements. Only one school is refusing to sign (follow-up in progress).	<p>Implemented</p> <p>Actions have been taken and processes exist to facilitate the return of contracts by all placement providers to ensure compliance with Contract Procedure Rules.</p> <p>Contracts are now in place for 92% of providers with the provision of further contracts imminent and arrangements in hand to address remaining providers (2) who are refusing to sign contracts.</p>

Meeting	Audit Committee
Date	26 April 2012
Subject	Grants Certification Work Report 2010/11
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants
Officer Contributors	Maria Christofi, Assistant Director Financial Services, Finance Directorate Catherine Peters, Head of Finance SAP Systems, Closing & Compliance Antony Russell, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Certification Work report 2010/11
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable
Contact for further information: Antony Russell, Finance Manager (Closing & Monitoring), 020 8359 7862	

1.2 That the Officer response to the matters raised by the External Auditors be noted.

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

2. RELEVANT PREVIOUS DECISIONS

2.1 Audit Committee 17 February 2011 (Grants Report 2009/10)

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

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

7. LEGAL ISSUES

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

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

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

9. BACKGROUND INFORMATION

9.1 The Council submitted 10 grant claims and returns from government departments and other bodies requiring external audit certification in 2010/11, representing a claim value in

excess of £385 million.

- 9.2 Under Audit Commission guidance, to provide assurance to the grant paying bodies, the Council's External Auditor reviews and certifies all claims in excess of £125,000 after verifying that all the expenditure incurred by the Council qualifies under the terms and conditions of the grant. Grants under £125,000 do not have to be certified and only limited checks are required for grants between £125,000 and £500,000.
- 9.3 The following performance is drawn to the attention of this Committee. It summarises the Council's performance against key certification performance targets and prior year's performance:

Performance measure	Target	Performance 2010/11	Performance 2009/10
Number of claims	N/A	10	11
Claims submitted on time	100%	100%	91%
Claims certified on time	100%	100%	100%
Claims amended by Auditor	0%	60%	45%
Claims qualified by Auditor	0%	10%	18%

- 9.3.1 Overall the Council's performance in preparing claims and returns is broadly consistent with 2009/10.
- 9.3.2 In 2010/11 six claims were amended. These six amendments resulted in a net gain to the Council of £57,759, or 0.01%, of the total value of the claims and returns.
- 9.3.3 In 2010/11 one claim was qualified: the Housing and Council Tax Benefit Scheme return. The External Auditors are required to qualify where they feel that, based on certification work that they have undertaken, the entries within the claim or return are not adequately supported by the Council's working papers such that they are not satisfied that the claim or return is correct.
- 9.3.4 The Housing and Council Tax Benefit Scheme return was qualified due to issues that arose from the audit in regard to the calculation of Non-HRA benefits within the housing benefit claim. During 2010/11 the Council implemented a new IT system for administering Housing Benefits as the old system was no longer supported by the software provider. This transition added significant complexity to the grant return and the External Auditors acknowledge that these issues are not considered to be on-going control issues as the likelihood of recurrence in future years is remote. This is reflected in the fact that there are no recommendations in the action plan relating to this return.
- 9.4 The Council submitted all of its claims and returns on time and the External Auditors recognise that this reflects good performance in regard to the monitoring and management of deadlines on the part of the Council.
- 9.5 The grant fee for 2010/11 was £93,653 against the planning estimate of £75,000. This was due to the extra work needed to reach a conclusion on the Housing Benefit claim following the implementation of the new system.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

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

London Borough of Barnet
Certification work report 2010/11

February 2012



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Appendices

A	Details of claims and returns certified for 2010/11
B	Action Plan
C	Audit Fees

1 Introduction and approach

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As the London Borough of Barnet's (the Council's) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.

The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and they clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2010/11 were:

- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data; and
- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;

Our certificate

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

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

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



2 Results of our certification work

Key messages

For the financial year 2010/11, we have certified 10 claims and returns prepared by the Council, which amounted to £385,790,476. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial information.

The Council's performance in preparing claims and returns is summarised in the table below.

Table One: Performance against key certification targets

Performance measure	This year (2010/11)	Last year (2009/10)
Without qualification	4	4
Amended	5*	5
Qualified	1	2
Total	10	11**

*Excludes the BEN 01 Claim that was both Amended and Qualified.

** Includes Single Programme LDA Grant (RG31) not required in 2010/11.

This demonstrates that overall the Council's performance in preparing claims and returns is broadly consistent with the prior year 2009/10. We note that the number of claims qualified reduced to one but the overall proportion of claims requiring amendment prior to audit certification remains high as a proportion of the total number of claims audited .

The amendments resulted in a marginal net gain to the Council of £57,759 (0.01% of the total value of the claims and returns). Although the Council did not lose any grant income entitlement as a result of amended errors in the claims in 2010/11, there is a risk of incurring losses in future years if the control issues noted in this report are not adequately addressed.

Details on the certification of all claims and returns are included at Appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at Appendix B.

The Council's and our performance in meeting deadlines related to the certification of claims and returns is summarised in Table two below:

Table Two: Performance against deadlines

Deadline	This year (2010/11)	Last year (2009/10)
Submitted by deadline	100% (10/10)	91% (10/11)
Certified by deadline	100% (10/10)	100% (11/11)

The Council submitted all of its claims and returns on time and we were able to certify all of the claims and returns within the relevant deadlines set by the Audit Commission. This reflects good performance in regard to the monitoring and management of deadlines on the part of the Council.

Certification work fees

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

Table Three: Hourly rates for certifying claims and returns for 2010/11

Role	2010/11	2009/10
Engagement lead	£380	£380
Manager	£210	£210
Senior auditor	£135	£135
Other staff	£105	£105

Our fee for certification work at the Council in 2010/11 was £93,653 compared to £74,760 for 2009/10. Our fee is greater than our planning estimate of £75,000 due to the extra work needed to reach a conclusion on the Housing Benefit claim following the implementation of new systems by the Council. Details of our fee by claim and return and how this compares to last year are included at Appendix C.

Significant issues

We set out below the significant issues arising from our certification work.

Housing Benefits

During 2010/11 the Council implemented a new IT system (Civica) to administer Housing Benefits. This was necessary in order to replace the previous obsolete system (Perecles) that was no longer supported by the software provider. The system was introduced mid-year, with benefits being processed on the new system from February 2011. The transition process was challenging and required significant input from Council housing benefits team to ensure that the systems were correctly reconciled. This added significant complexity in the audit trail, which required additional input from both the audit team and the Council in order to complete the audit and successfully certify the claim by the 30 November deadline.

Two significant issues arose from the audit in regard to the calculation of Non-HRA benefits within the housing benefit claim. We acknowledge that in both cases the qualification issues were due to the implementation of new Civica system, and were exacerbated by the need to convert mid-year. These are not considered to be on-going control issues as the likelihood of recurrence in future years is remote. This is reflected in the fact that there are no recommendations in the action plan relating to this return.

For both qualification issues, we were unable to accurately quantify the level of error without significant further work and were therefore obliged to qualify the claim.

The qualification issues were as follows:

- We found differences between the calculation methodologies for Rent Free Weeks benefits within the two systems. The available guidance on the correct calculation method is not definitive. The Council had raised this issue with the Department for Work and Pensions (DWP) and the Audit Commission at an early stage, and they indicated that the new system (Civica) followed the guidance more closely.
- The level of benefit that can be claimed for Non-HRA benefits is capped by the DWP for each individual claimant, on a weekly basis. The aggregate level of benefit up to and in excess of the cap forms part of the mandatory information required as part of the claim. During the audit we found un-reconciled differences between the closing balance of individual claims on the old system, and the opening balance on the new system. We were therefore unable to confirm that the aggregate balances reported in the claim were accurate. The Council informed us that Civica had acknowledged that due to the additional complexity of these cases, a reconcilable audit trail could not be provided.

The likelihood or value of any financial impact arising from these issues could not be accurately calculated without significant additional investigation, reflecting our need to qualify rather than amend the claim. In line with audit regulations, we presented the facts to the DWP in a qualification letter so that they could determine the appropriate way forward.

Since issuing our qualification letter, we have received notice from the DWP that they require further clarification on the qualification issue regarding Rent Free Weeks, which has required further audit procedures. The results of this work will be reported back to the DWP on 12 March 2012 and they will then decide how they intend to proceed in this matter.

There were a number of other amendments to the Housing Benefit claim which were agreed and processed by the Council prior to certification. These amendments amounted to an over-claim of £16,335 for Housing Benefit Subsidy in 2010/11.

Other Control Issues

The following control improvements were identified for specific claims. This should improve the process and help reduce the level of amendment required in future years:

- LA01 – Need to improve control over inactive accounts.
- CFB06 – Need to make better use of available guidance.
- HOU01 & HOU02 – Errors made in the claim due to incorrect underlying information and misapplication of the guidance.
- PEN 05 – Delayed response from schools to audit queries.

The following areas of improvement apply generally to the administration of claims and returns:

- Greater clarity on the delegated authority and internal process to agree audit amendments and qualification points.

We have presented these recommendations in an action plan in Appendix B.

Acknowledgements

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

Grant Thornton UK LLP
February 2012

A Appendix - Details of claims and returns 2010/11

Claim or return	Value (£)	Certificate	Summary
Housing and council tax benefit subsidy claim (BEN01)	£236,790,079	Qualified & Amended	This claim was qualified on two points and subject to amendment prior to certification. Details of the qualification are provided on page 5 of this report.
Pooling of housing capital receipts (CFB06)	£817,383	Amended	The return was fairly stated in accordance with the terms and conditions, following amendment to the way in which to costs had been apportioned.
Sure start, early years and childcare and Aiming high for disabled children grant (EYC02)	£16,063,082	Without qualification	The return was fairly stated and in accordance with terms and conditions.
HRA subsidy (HOU01)	£12,041,826	Amended	A number of significant adjustments were required, including in relation to the Capital Financing requirement and the impact of issues identified in the HOU02 audit (see below). These were agreed with management and processed prior to qualification.
HRA finance base data return (HOU02)	See HOU01 above	Amended	A number of adjustments were required mainly regarding the number of dwellings, including shared and PFI holdings, held by the Authority which in turn affected the total value of stock. These were agreed with management and processed prior to qualification.
Disabled facilities (HOU21)	£870,000	Without qualification	The return was fairly stated and in accordance with terms and conditions.

Claim or return	Value (£)	Certificate	Summary
National non-domestic rates return (LA01)	£100,141,392	Amended	Return was fairly stated in accordance with terms and conditions except for an amendment to correctly reflect the number of accounts that were still active.
Teachers' pensions returns (PEN05)	£23,203,925	1 x Amended 2 x Without qualification	The Authority prepares three claims relating to the Teacher's Pension: the main claim and supplementary claims for Woodside College and London Academy. The claims were fairly stated and in accordance with the terms and conditions, following amendments to classification made with respect to the main claim prior to certification.
Total	£385,790,476		

B Appendix - Action Plan

Claim or return	Recommendation	Priority	Management response	Responsible officer	Implementation date
HRA subsidy & base data return - HOU01 & HOU02	We noted that HOU01 and HOU02 were subject to amendment in both 2009/10 and 2010/11. The Council should ensure that the officers completing the claims are fully conversant with the guidance and that underlying financial information has been checked prior to inclusion in the claim (e.g. in regard to capital financing requirement).	Medium	The Council will ensure that the officers are conversant with the guidance and that there is adequate review of working papers before submission of the claim.	Finance Manager (EPR) and Head of Treasury	Immediate
Teachers' pensions return x3 - PEN05	There was a time lag noted in receiving information from the schools with their own payroll systems, specifically working papers available to support the claim during the audit. The Council should ensure that schools running their own payroll systems are fully briefed about the timing of the audit, and ensure that requests for information from audit are obtained promptly.	Medium	The Council will ensure that any school that uses an external payroll provider will send the required information in a timely manner to allow the teachers pension return and working papers to be available within the required timescales.	Pay & Data Services Manager	Immediate

Claim or return	Recommendation	Priority	Management response	Responsible officer	Implementation date
All Claims	<p>During the housing benefit claim audit , we noted that the agreement of audit findings with the Council's nominated contact, had not been previously agreed (internally) with senior management. This resulted in an extended process for agreeing the amendments and qualification.</p> <p>The Council should ensure that nominated Council contacts for specific claims and returns obtain the agreement of senior management as appropriate, prior to agreeing amendments and qualification issues with the auditors.</p>	Medium	The roles and responsibilities will be made clear to the relevant officers as part of the Grants Procedure Note.	Finance Manager (Closing & Monitoring)	Immediate

C Audit Fees

Claim or return	Fee 2010/11	Fee 2009/10	Explanation of Significant Variance
Housing and council tax benefit subsidy claim (BEN01)	49,160	25,033	Significant additional staff input was required to validate the claim, as a result of the change in the Council's Housing Benefit System mid year. This included additional manager and engagement lead input needed to resolve the amendments and qualification issues.
Pooling of housing capital receipts (CFB06)	4,600	4,285	N/a
Sure start, early years and childcare and Aiming high for disabled children grant (EYC02)	5,605	3,813	Qualified in the prior year and therefore we deployed more senior staff input to the audit in 2010/11.
HRA subsidy (HOU01)	3,348	5,500	Less senior staff input required than in the prior year.
HRA finance base data return (HOU02)	9,940	9,903	N/a
Disabled facilities (HOU21)	4,495	4,443	N/a
National non-domestic rates return (LA01)	5,992	5,840	N/a
Teachers' pensions returns (PEN05)	8,393	12,673	Less senior staff input required to resolve amendments in 2010/11 than in the prior year.
Single Programme LDA- RG31	0	1,037	No requirement to audit in 2010/11
Certification Work Report	2,120	2,233	N/a
Total	93,653	74,760	



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This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP

AGENDA ITEM: 11 Pages 144 – 166

Meeting	Audit Committee
Date	26 April 2012
Subject	Audit Plan 2011/12
Report of	Deputy Chief Executive and Chief Finance Officer
Summary	This report advises the Committee of Grant Thornton's Audit Plan for 2011/12

Officer Contributors	Maria Christofi, Assistant Director Financial Services Catherine Peters, Head of Finance SAP Systems, Closing & Compliance Antony Russell, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Audit Plan 2011/12
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Antony Russell, Finance Manager, 020 8359 7862

1. RECOMMENDATION

1.1 That Grant Thornton's Audit Plan for 2011/12 be noted.

2. RELEVANT PREVIOUS DECISIONS

2.1 Grant Thornton's Audit Plan for 2010/11 was noted at the Audit Committee of 17 April 2011.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Audit Plan 2011/12 will assess fundamental aspects of financial standing and performance management in Barnet, that relates to the council's 'Better Services with Less Money' corporate priority.

4. RISK MANAGEMENT ISSUES

4.1 The Audit Plan 2011/12 highlights the council's Statutory responsibility in respect of producing the financial statements. Without appropriate close down processes in place and references to Local Government financial reporting policies there is a risk that statutory deadlines may be missed or accounting policies misinterpreted without the appropriate reference to the external auditors views or concerns. The consequence of this could result in qualified financial statements or a qualified value for money opinion.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Audit Plan 2011/12 has the potential to cover the assessment of all services within the authority that, in turn, impact on all members of the community.

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

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

7. LEGAL ISSUES

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

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

8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "To 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 audit plan for the financial year 2011/12 is to communicate the work that Grant Thornton will carry out in discharging their responsibilities to give an opinion on the council's financial statements and a conclusion on the council's arrangements for achieving value for money.

- 9.2 The plan is based on Grant Thornton's risk based approach to audit planning and is based on their assessment of the potential business and audit risks that need to be addressed by the audit and the controls the council has in place to mitigate these risks.
- 9.3 The audit plan identifies the council's responsibilities as:
- Ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
 - Maintaining proper accounting records; and
 - Preparing accounts which give a true and fair view of the financial position of the council and its expenditure and income in accordance with International Financial Reporting Standards.
- 9.4 The audit plan identifies Grant Thornton's responsibilities as auditing the financial statements and giving an opinion as to:
- Whether they give a true and fair view of the financial position of the council and its expenditure and income for the period in question;
 - Whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
 - Whether the Annual Governance Statement has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with their knowledge.
- 9.5 Six main audit risks have been identified in the audit plan along with a planned audit response. The risks are drawn to the attention of the Committee below:
- 9.5.1 Financial performance
Grant Thornton will keep the council's financial performance under continuous review throughout the year through discussions with key officers of the council and consideration of the financial monitoring reports. The savings plans for 2011/12 and progress made in delivering them will also be reviewed as part of the financial resilience work undertaken as part of the value for money programme.
- 9.5.2 Use of estimates and judgements
Grant Thornton will continue to focus on the use of estimates and judgements within the financial statements, in line with the requirements of the International Auditing and Assurance Standards Board. Key judgements and estimates made by the council, including those used by professionals such as property valuers, will be clearly documented.
- 9.5.3 Housing Revenue Account self financing
Grant Thornton will review the council's proposed accounting treatment and disclosures in respect of the settlement due on 28 March 2012 to ensure correct treatment of any accounting impact in 2011/12.
- 9.5.4 Accounting for Property, Plant and Equipment
Grant Thornton will review any valuations undertaken and ensure that these are in compliance with the requirements of International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). They will consider the completeness of the council's work on valuations and instructions to its valuers. Audit procedures will be conducted to ensure that capital transactions in the year have been correctly reflected in the accounts.

9.5.5 Accounting for Heritage Assets

The council will be required to disclose heritage assets as a separate category for the first time in the 2011/12 accounts. Grant Thornton will, through discussions with the key members of the finance team, review the arrangements in place to ensure reporting will be appropriate and in accordance with the requirements of the Code.

9.5.6 Accounting for Schools

Further clarification is expected to the Code in respect of accounting for schools. Grant Thornton will discuss with the council any treatments proposed in response throughout the year and adopt a pragmatic approach when a degree of judgement is required. Grant Thornton will look to perform a detailed review of the treatment of grants and contributions.

9.6 Additional work that Grant Thornton will carry out to support the audit opinion for 2011/12 includes high level reviews of the accounting of VAT and PAYE and the adequacy of the council's arrangements in addressing fraud and corruption.

9.7 Grant Thornton will carry out additional work to support the audit opinion for 2011/12. They will undertake high level reviews of the council's arrangements for accounting for VAT to ensure that it is correct and in accordance with current legislation. They will also review the arrangements that the council has in place regarding taxation associated with payroll, including PAYE and the adequacy of the council's arrangements in addressing fraud and corruption.

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

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

9.10 The Code requires Grant Thornton to issue a conclusion on whether the council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The 2011/12 value for money conclusion will be based on two reporting criteria specified by the Audit Commission:

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

9.11 The audit plan confirms the indicative audit fee for 2011/12 which was presented at Audit Committee (16/06/2011).

10. LIST OF BACKGROUND PAPERS

10.1 None.

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

London Borough of Barnet Audit plan 2011/12

December 2011



An overview of your 2011/12 Audit Plan

This is our audit plan for the financial year 2011-12 for the London Borough of Barnet (the Council). It sets out the work that we will carry out in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving Value for Money (VfM).

We set an indicative fee in April 2011. In setting this fee, we assumed that the general level of risk in relation to the audit would not be significantly different from that identified for 2010/11. Following the completion of the 2010/11 audit we have updated our accounts audit risk assessment.



See
Accounts audit

The new approach to local Value for Money audit work was introduced by the Audit Commission in 2010/11. In 2011/12 we will continue to give our value for money conclusion based on two reporting criteria specified by the Audit Commission.



See
Value for
money audit

As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.



See
Engagement team

We have used the published 2011/12 Audit Commission scale of fee for the Council as our proposed fee. The planned fee remains as per the Indicative Fee letter (issued in April 2011).



See
Audit fee

You will receive a number of reports and plans from us throughout the year which will provide you with the detailed conclusions of our work culminating in the issue of our Annual Audit Letter to the Council.



See
Outputs and timeline

We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention. We comply with the Audit Commission's requirements in respect of independence and objectivity.



See
Appendix A

Accounts audit - introduction

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2011/12 accounts at the Council. The plan is based on our risk-based approach to audit planning and uses our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

The Council's responsibilities

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

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

Our responsibilities

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

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



Accounts audit - risk assessment

Accounting risks and planned audit response

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

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Audit approach
Financial performance	All areas of the financial statements	<ul style="list-style-type: none"> We will keep the Council's financial performance under continuous review throughout the year through discussions with key officers of the Council and consideration of the financial monitoring reports. We will also review savings plans for 2011/12 and progress made in delivering them as part of the financial resilience work undertaken as part of our Value for Money programme.
Use of Estimates & Judgements	All areas of the financial statements	<ul style="list-style-type: none"> We will continue to focus on the use of estimates and judgements within the financial statements, in line with the requirements of the International Auditing and Assurance Standards Board. Key judgements and estimates made by the Council, including those used by professionals such as property valuers, will need to be even more clearly documented and evidenced.
Housing Revenue Account self financing	Income and expenditure & borrowing	<ul style="list-style-type: none"> We will review the Council's proposed accounting treatment and disclosures in respect of the settlement due on 28 March 2012 in order to ensure correct treatment of any accounting impact in 2011/12.

Accounts audit - risk assessment (continued)

Table 1: Accounting risks and planned audit response (cont.)

Key audit risk	Audit areas affected	Audit approach
Accounting for property, plant and equipment	Non current assets & Income and expenditure	<ul style="list-style-type: none"> We will review any valuations undertaken and ensure that these are in compliance with the requirements of IFRS and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We will also consider the completeness of the Council's work on valuations and instructions to its valuers. We will conduct audit procedures to ensure that capital transactions in the year have been correctly reflected in the accounts.
Accounting for heritage assets	Non current assets	<ul style="list-style-type: none"> The Council will be required to disclose heritage assets as a separate category for the first time in the 2011/12 accounts. We will, through discussions with the key members of the finance team, review the arrangements in place to ensure reporting will be appropriate and in accordance with the requirements of the Code.
Accounting for schools	Non current assets & grants and contributions	<ul style="list-style-type: none"> Further clarification is expected to the Code in respect of accounting for schools. We will discuss with the Council any treatments proposed in response throughout the year and adopt a pragmatic approach when a degree of judgement is required. We will look to perform a detailed review of the treatments of grants and contributions.

Our Approach

We will use our audit software to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. This helps us to comment constructively on your system of internal controls.

Our approach will be to report all findings to management so that the Council can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Audit Committee and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

Planning

- Updating our understanding of the Council through discussions with management and a review of the monthly finance reports

Controls evaluation

- Reviewing the design and implementation internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Assessing the Council's arrangements for complying with tax legislation and Bribery Act requirements
- Testing the operating effectiveness of selected controls
- Assessing internal audit against the CIPFA Code of Practice

Substantive procedures

- Reviewing material disclosure issues in the financial statements
- Performing analytical review
- Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate

Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Determining an audit opinion
- Reporting to the Audit Committee through our ISA 260 report

Accounts audit - other issues

Additional Assurance work

To support the audit opinion for 2011/12, we will undertake the following high level reviews:

- VAT - work is planned to understand the Council's arrangements to ensure VAT is accounted for correctly and in accordance with current legislation.
- PAYE - We will undertake a review of the arrangements the Council has in place regarding taxation associated with payroll, including National Insurance and PAYE. This will provide assurance that the figures recorded in the financial statements are true and fair and have been calculated appropriately in accordance with current legislation.
- Fraud - we will use our forensic team to review the overall adequacy of the Council's arrangements to ensure that fraud and corruption are addressed effectively.

Whole of Government Accounts

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

Certification of Grants and Returns

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

In carrying out work in relation to grant claims and returns, we act as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commissions 'Work programme and scales of fees 2011-12.'

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

National Fraud Initiative (NFI)

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

Accounts audit - public reporting

Annual Governance Statement and External Reporting

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

We will assess the quality of the Council's external reporting using our benchmarking tool, which uses data from over 200 UK local authorities to identify best practice. This will enable us to report areas where the Council is performing well and areas where there is scope to improve to improve external reporting to move towards 'best in class' in 2011/12 and beyond.

Electoral challenge

The Audit Commission Act 1998 gives electors certain rights:

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

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

Value for money audit

Introduction

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

2011/12 VfM conclusion

The Value for Money approach for 2011/12 remains the same as the prior year. Our VfM conclusion will be based on two reporting criteria specified by the Audit Commission:

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

The work we will do to conclude on these criteria is summarised in the following charts:

Code criteria

The Council has proper arrangements in place for securing financial resilience



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

Work to be undertaken

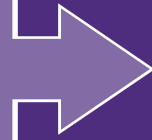
Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control. Specifically we will:

- Complete a follow-up review of the Council's financial planning, governance and high level controls, using the 2010/11 financial resilience review findings and recommendations as a baseline.
- Review progress against planned savings in year 2 of the Medium Term Financial Plan, to gain assurance that the medium term financial goals can be achieved.

Value for money audit

Code criteria

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



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

Work to be undertaken

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency. Specifically we will:

- Perform a series of high level risk assessments using our local government specialists, in the following key strategic areas:
 - leisure re-commissioning
 - community safety
 - early intervention
 - health integration
 - waste & street scene.
- Review the high level governance arrangements for Barnet Group.
- Consider 2011/12 outcomes against measurable targets for service performance set in the Corporate Plan.
- Follow-up progress against the contract management action plan.

We will tailor our VfM work to ensure that as well as addressing our high risk areas, it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for officers and Members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a brief specification for each review outlining the scope, methodology and timing. These will be agreed with officers and presented to Audit Committee.

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



Engagement team - key contacts

Your main audit team is based in London and are all public sector specialists. All members of the core team have been involved with the Barnet audit in prior years.

We operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



Paul Hughes (CPFA)
Engagement Lead

T 020 7728 2256
E paul.hughes@uk.gt.com

Paul is the Council's Engagement Lead, bringing his extensive local authority expertise to the Council. Paul will be a key contact for the Chief Executive, the Deputy Chief Executive, other senior council officers and the Audit Committee. Paul is responsible for the overall delivery of the audit including the quality of output and signing the audit reports and conclusion



Tom Foster (ACCA)
Client Services Manager

T 07920 073654
E thomas.foster@uk.gt.com

Tom is responsible for the audit strategy, planning and liaison with key Council contacts to ensure the smooth running of the audit and the delivery of the overall audit plan including VFM. Tom reviews the quality of audit outputs and ensures accuracy of reporting prior to presenting plans and reports to the Council's officers and members.



Melanie Fox (ACCA)
Accounts Manager

T 07995 808 776
E melanie.fox@uk.gt.com

Mel is responsible for managing the audit of the financial statements and is the main contact for the Finance Manager (Closing & Monitoring). Mel is the first point of contact for resolving audit issues and will liaise with the Council's internal audit on financial controls.



Dan Maton (CPFA)
Accounts Executive

T 0207 7283049
E dan.maton@uk.gt.com

Reporting to Mel, Dan is responsible for the performance of the audit fieldwork and day-to-day liaison with the finance team. Dan has significant local government and wider public sector audit experience and will bring this knowledge to the benefit of the Council.

Engagement team - specialist support

As part of the audit we will use a number of our specialists to gain assurance on areas such as VAT, employment tax and anti-fraud arrangements.

We will also use a number of our local government specialists to perform high level risk review work and act as a sounding board on a number of the Council's key initiatives.

A sample of CVs are included here.



Negat Sultan
IT Audit Manager
T 0116 247 5590
E negat.sultan@uk.gt.com

Negat is responsible for review of the Council's IT systems to support the financial accounts process. Negat has more than ten years of experience working in an IT advisory and risk management role. Negat's recent work includes a variety of governance, regularity and value for money reviews across a broad spectrum of public sector clients.



David Smith
Advisory Specialist
T 0780 162 1099
E david.smith@uk.gt.com

David Smith provides advice to public and private sector clients on project appraisal, contract governance and PPP deals. He is a leading financial advisor to Local Authorities and has experience in advising on economic regulation. He has advised internationally on privatisation and restructuring. David will be assisting with our VFM high level risk assessments.



Bob Stubbs
Advisory Specialist
T 07900 227 371
E bob.stubbs@uk.gt.com

Bob has many years experience advising Local Government and the Public sector, specialising in project implementation and governance within the Sports, Arts & Leisure sector. He was the former Chief Executive at Wembley National Stadium Ltd. Bob will be assisting with our VFM high level risk assessments.



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

David has extensive public sector experience specialising in regeneration, partnership governance and service transformation. David's expertise will be used to support our work on the Council's Value for Money conclusion.

Audit fee

What is the scale audit fee?

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

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

How your scale audit fee is calculated

The Audit Commission has published a scale fee for all authorities. This scale fee balances both the drive to provide greater efficiency in the audit and our assessment of risk and complexity.

Variations to the scale audit fee

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

2011-12 audit fee

Your external audit fee for 2011/12 is £ 373,500 (£ 415,000 in 2010/11). This is the same as the indicative fee communicated to you in March 2011, and represents a 10% reduction on last year's fee.

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

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

Table 2: 2011/12 audit fee

Fee	Planned fee 2011/12	Actual fee 2010/11
Main audit fee (accounts and VfM)	£ 373,500	£ 415,000
Certification of claims and returns*	£ 80,000*	£ 87,660

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

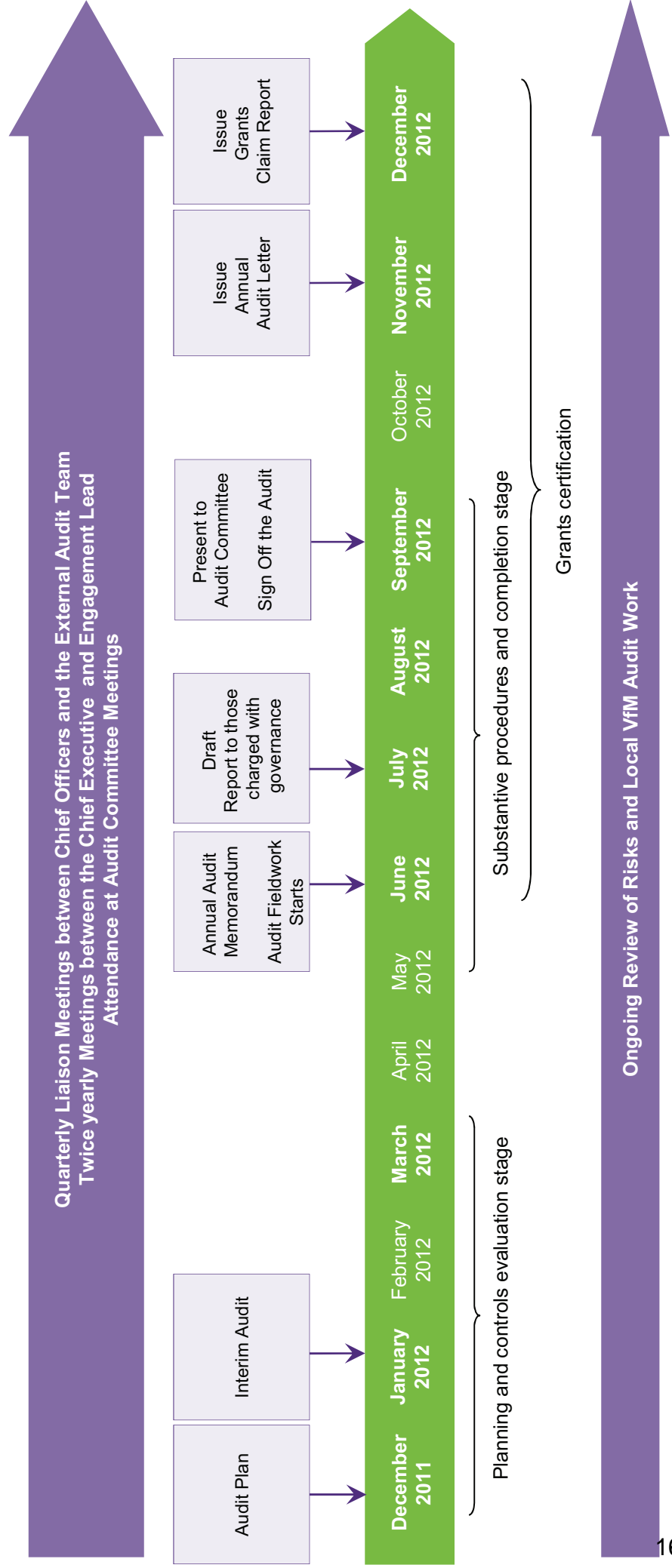
Outputs

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

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

Output	Purpose	Issue date
Audit Plan	<ul style="list-style-type: none"> Outline audit approach for the accounts and VfM audits Identify initial high risk areas and our planned response 	December 2011
Annual Audit memorandum	<ul style="list-style-type: none"> Report the results of the control evaluation of our audit and its impact on our planned audit approach Confirm focus areas for the audit of the accounts based on updated risk assessment Provide certain disclosures to those charged with governance under auditing standards Confirm with Senior Officers and Audit Committee 	June 2012
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> Highlight key issues arising from the audit and the resolution of these Communication of adjusted and unadjusted audit differences Improvement recommendations resulting from audit procedures 	July 2012
Auditor's Reports	<ul style="list-style-type: none"> Opinion on the Council's financial statements Value for money conclusion 	September 2012
Annual Audit Letter	<ul style="list-style-type: none"> Short summary of the key issues arising from our 2011/12 audit 	November 2012
Grants Claim Certification	<ul style="list-style-type: none"> Highlights key issues arising from our grants certification work Recommendations identified for improvement 	December 2012

Timeline



Appendices

Appendix A Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

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

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

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

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

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

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

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

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

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

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Meeting	Audit Committee
Date	26 April 2012
Subject	Annual Review of the Council's Financial Regulations
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To report to Audit Committee as part of the annual review of the Council's Financial Regulations

Officer Contributors	Maria G. Christofi, Assistant Director Financial Services Catherine Peters, Head of Finance SAP Systems and Compliance, Closing & Monitoring
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Catherine Peters, Head of Finance, 020 8359 7142

1. RECOMMENDATION

1.1 That the Committee note the ongoing review of the Financial Regulations.

2. RELEVANT PREVIOUS DECISIONS

2.1 Special Committee Constitutional Review, 25 March 2010 – agreed to recommend to Council the approval of amendments to Financial Regulations.

2.2 Council 20 April 2010 – approved the amended Financial Regulations

2.3 Special Committee Constitutional Review, 09 February 2011 (agenda item 7 and 9) – agreed to recommend to Council the approval of amendments to the Financial Regulations.

2.4 Council, 01 March 2011 (agenda item 5.3.1) – approved the process for approval of the Treasury Management Strategy and appropriate amendments made to the constitution.

2.5 Special Committee Constitutional Review, 18 January 2012 (agenda item 7) – agreed to recommend to Council the approval of amendments to the Financial Regulations.

2.6 Council, 24 January 2012 (agenda item 4.3.1) – approved the amended Financial Regulations.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Clear, relevant and up to date Financial Regulations support the quality of decision making and ensures adherence to corporate policies.

4. RISK MANAGEMENT ISSUES

4.1 Failing to have in place robust and appropriate Financial Regulations could place the financial administration of the council at risk.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Clear and robust Financial Regulations are important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

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

6.1 Financial Regulations ensure that the council manages its financial and other resources properly in line with statutory requirements and good financial management practice. There are direct consequences for all the implications listed above.

7. LEGAL ISSUES

7.1 The statutory duties of the Chief Finance Officer are set out in section 151 of the Local Government Act 1972. The wording of section 151 covers, amongst other things, financial management and the financial appraisal of projects.

7.2 Section 114 of the Local Government Finance Act 1988 places a specific duty on the Chief Finance Officer to make a public report in specified cases of actual or anticipated financial misconduct.

7.3 The duties of the Monitoring Officer are set out in section 5 of the Local Government and Housing Act 1989.

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

8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including “To maintain an overview of the council’s constitution in respect of contract procedure rules and financial regulations”.

9. BACKGROUND INFORMATION

9.1 The Financial Regulations were last amended in February 2011. It is important to make certain that the Financial Regulations ensure the highest standards of financial governance.

9.2 The Financial Regulations are being reviewed on an ongoing basis to take account of changes to working arrangements, audit recommendations and good practice guidance.

9.3 A recent review of the Financial Regulations was presented to Special Committee Constitutional Review on 18 January 2012 and was recommended for approval to the Council. This went to Council on 24 January 2012 and was approved.

9.4 The issues that were addressed in the amendments to the Financial Regulations included:

- The June 2011 Internal Audit report on the Financial Regulations made a recommendation that certain CIPFA recommended clauses in the CIPFA Financial Regulations Good Practice Guide, in particular arrangements with external providers and partners, should be addressed in the Financial Regulations. To meet this recommendation the relevant section in the Financial Regulations has been expanded to make it more consistent with the model recommended by CIPFA. This can be found at paragraphs 5.12 to 5.17 of Part 1 – Financial Management.
- Other amendments include providing more detail on the authority of the Head of CAFT and Chief Internal Auditor (paragraph 4.15 of Part 2 – Financial Administration). In addition, further detail is given on the process around risk management (paragraphs 5.1 to 5.8 of Part 2 – Financial Administration).
- Other amendments to the Financial Regulations address a number of minor changes to wording; updating names of roles and teams; and changes to enhance the clarity of the document.

9.5 Future amendments will be presented to Special Committee Constitutional review.

10. LIST OF BACKGROUND PAPERS

10.1 None.

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

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Meeting	Audit Committee
Date	26 April 2012
Subject	Corporate Risk Management Policy Statement and Strategy
Report of	Assistant Director of Finance – Audit and Risk Management
Summary	This report seeks to inform the Audit Committee of the revised Risk Management Policy Statement and Strategy

Officer Contributors	Maryellen Salter, Assistant Director of Finance – Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Risk Management Policy Statement and Strategy

Contact for further information: Maryellen Salter, Assistant Director of Finance – Audit and Risk Management 020 8359 7623

1. RECOMMENDATIONS

- 1.1 That the revised Risk Management Policy Statement and Strategy be noted as the policy and procedure by which the Authority will identify, manage, monitor and report risks.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The risk management policy statement and strategy was last approved at Audit Committee in March 2011 as the policy and procedure by which the Authority will continue to manage and monitor risks.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The presence of strong risk management policies and procedures is paramount to the authority achieving all of its corporate priorities.
- 3.2 The requirement of a Risk Management Strategy and strong risk management processes and procedures underpins a strong internal control environment.

4. RISK MANAGEMENT ISSUES

- 4.1 Without consistent guidelines surrounding the application of risk management appropriate mitigation strategies to minimise risk may not be used, exposing the Council to loss, damage or injury.
- 4.2 Without a risk management strategy decisions could be made without due consideration to the risks involved to the various option proposed.
- 4.3 Policy and procedures require updating to ensure practice does not deviate from the approach approved by Members.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The council's revised Risk Management Strategy will support the council's approach to managing equalities and further demonstrate that a consistent approach is used to embed equalities and diversity in service delivery, where that risk has been identified within a service.

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

- 6.1 When used appropriately risk management strategies can ensure that resources are used effectively within the organisation and effective decision making can take place. In addition, coupled with a rigorous assurance process to test the controls identified within the individual risk registers it can foster a positive control environment that can assist the Council to self-regulate. Given the move away nationally from external inspection this is particularly important.

- 6.2 The management of risk should consider all use of resources implications for that particular risk to ensure the level of mitigating action is appropriate to the resource implications.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

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

- 8.1 Constitution part 3 responsibility for functions, section 2 responsibility for Council functions, details the terms of reference for the Audit Committee to provide independent assurance of the adequacy of the risk management framework.

9 BACKGROUND INFORMATION

- 9.1 The Council faces a changing profile of risks in future years due mostly to the decline in central government funding.
- 9.2 The Assistant Director of Finance – Audit and Risk Management instigated a research exercise to consider how the existing risk management policies and procedures are currently viewed and implemented. The research took the form of an online survey for Audit Committee members and for senior officers within the Council, and was carried out during February 2012. The survey highlighted a number of strengths and weaknesses regarding risk management at the present time.
- 9.3 The most significant weaknesses were 1) a lack of consensus regarding who has the primary responsibility for managing risk and discussing risk, and 2) an indication that in some areas risk management is not fully embedded in decision-making processes.
- 9.4 The strengths identified were 1) a clear appetite for further training on risk management, and 2) good levels of engagement amongst senior officers in using JCAD, the Council's online risk management tool.
- 9.5 The changing risk profile of the Council precipitated the need for the existing policy to be updated with a particular reference to commissioning services. In addition, the findings of the survey have led to some additional modifications.
- 9.6 The most significant change to the policy is the inclusion of Section 5 of the risk management strategy titled 'risk management when commissioning services' that specifically addresses the risk management processes that need considering when modifying the delivery of a service. The section of the policy is intended to provide guidance to those involved with commissioning and subsequent contract management for outsourced services. It includes

guidelines on identifying new risks, understanding which risks will continue to be retained by the Council and provides officers with a checklist.

- 9.7 Regarding the findings of the survey roles and responsibilities have largely not been revised. However a new section of the report sets out the duties of all relevant parties and Committees with regards to risk management to ensure better clarity.
- 9.8 The correct procedure for involving Council members in decisions regarding the response to risk have been expanded as part of more detailed guidance on the process for escalating risks.
- 9.9 The definition of a 'serious incident' in terms of risk has been clarified; this reflects the need for measurable standards that can be consistently applied across the Council and any delivery partners.
- 9.10 The Strategy and guidelines are available to all officers and management through the intranet, in addition the risk management system is a 'live' system called JCAD that can be updated at any time.
- 9.11 Based on the acceptance by CRC of the revised Risk Management Strategy a programme of activity focussed on further embedding risk management across the Authority will ensure compliance. This will be supported by the Annual Audit Plan which is focused on giving assurances to the Audit Committee on those areas identified as high risk across the Council.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Cleared by Finance (Officer's initials)	PJ
Cleared by Legal (Officer's initials)	MGC and JH

Corporate Risk Management

LB Barnet – Risk Management Policy Statement and Strategy

Document Prepared for:	Corporate Directors Group/Cabinet Resources Committee/Audit Committee
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Author: **Maryellen Salter – Assistant Director of Finance, Audit & Risk Management**

Document Control

Document Description	To define the approach to managing risks across the Council		
Reference	LB Barnet – Risk Management Policy & Strategy		
Version	V3		
Date Created	21 March 2012		
Status	Draft Version		
Filename	Held on “T” drive as; t\RD-Corporate Risk\ Strategy & Guidelines		
Authorisation	Name	Signature	Date
Prepared By:	Maryellen Salter		28/3/12
Checked By			
Distribution To	Name		Date Distributed

Version Control

Version number	Date	Author	Reason for New Version
Version 1	21/03/12	Maryellen Salter/Matthew Chandler	1 st Draft document - revised to set out how risk will be managed with external delivery partners, and to reflect feedback obtained
Version 2	28/03/12	Maryellen Salter	Updated after CDG comments
Version 3	2/04/12	Maryellen Salter	Minor update after consultation with Lead Member

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1 Introduction

Risk is defined as anything that may have an impact on the Council's ability to achieve its objectives. Risk management refers to the culture, processes and structures inherent within the Council that are directed towards the effective management of potential opportunities and threats.

The Council's Risk Management policy is to proactively identify, understand and manage both positive and negative risks inherent in the delivery of our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking.

The Council supports managers to being risk aware when making management decisions, not risk averse.

Risk Management is a fundamental part of best management practice for Directors, Assistant Directors, Heads of Service and other managers when planning, setting objectives, assessing adequate controls (both financial and service delivery) and monitoring performance.

Risk Management is a key way in which the Council manages its business. It is essential that risk management is embedded into corporate processes including:

- Strategic planning
- Financial planning
- Service delivery
- Policy making and review
- Project management
- Performance management
- Change management/transformation
- Business continuity planning

2 Risk Management Framework

2.1 Aims and Objectives

Our overarching aim is to improve the Council’s ability to deliver its strategic priorities by managing threats and opportunities, and creating an environment that adds value to ongoing operational activities. This strategy supports the overall vision for Barnet’s residents:

“Delivering high quality public services in the public sector is only possible through a partnership between Barnet’s citizens and the wider public sector. We want to sustain Barnet’s strengths as a suburb contributing to London’s resilience in this time of uncertainty, and to London’s prosperity when better economic conditions return. Access to public services must be easy and our citizens should have a favourable experience of public services.”

The risk management strategy, once embedded, will contribute to the three corporate priorities:

- Better services with less money;
- Sharing opportunities and sharing responsibilities
- A successful London suburb

Risk Management Team objectives are:

No.	Objective	Workstreams:
1.	Risk Management is aligned with corporate and directorate business planning and service delivery.	<ul style="list-style-type: none"> • The Risk Management Team (RMT) will undertake health checks of the risk management processes, through internal audit reviews, to ensure there is a golden thread from corporate priorities to recognition of risks to delivery of those priorities. • Quarterly performance reports to include risks that have been challenged through the Risk and Fraud forum.
2.	To achieve better outcomes for the Council by being able to anticipate and respond to changing social, economic, environmental and legislative conditions to manage risk and maximise opportunities.	<ul style="list-style-type: none"> • Inclusion of cross cutting and emerging issues within the Risk and Fraud Forum agenda. • Ensuring that risks are appropriately reviewed by the Audit Committee and scrutinised on a quarterly basis through the inclusion of risks within the quarterly Internal Audit and Risk Management progress report.

No.	Objective	Workstreams:
3.	Provide assurances to stakeholders that risk management is being used to improve decision making. Ensure stakeholders receive adequate assurances over the controls identified by management and officers to mitigate risks.	<ul style="list-style-type: none"> Quarterly updates to the Statutory Officer Group updating on the risk maturity of the organisation. Quarterly reports to the Audit Committee providing oversight of corporate risks and the level of mitigating action taken by officers. Inclusion of risk management issues on any committee papers. Ensuring the internal audit plan is based on the risks of the Council and key controls are reviewed.
4.	Ensure that risks are regularly monitored and reviewed to ensure the risk treatment by officers and management is effective, including those risks managed by third parties.	<ul style="list-style-type: none"> Quarterly Risk Management and Fraud forums that challenge risks registers from directorates.
5.	Ensure there is effective communication and consultation in the risk identification, analysis and evaluation stages of day to day risk management, including any services delivered by partners.	<ul style="list-style-type: none"> Outline an appropriate risk management framework, providing training and support as and when requested. Develop JCAD (risk management system) to ensure it is aligned with the risk management strategy and allows for better reporting and analysis.
6.	To develop a risk aware culture.	<ul style="list-style-type: none"> Develop a common language of risk through the revision of the policy statement and strategy Use risk champions within each directorate to disseminate information. Consult with members regarding their risk management needs. Standard item on the Risk and Fraud Forum will be to learn from instances where risk has not been effectively mitigated.
7.	Ensure resources are appropriate to carry out effective risk management.	<ul style="list-style-type: none"> Determine the training needs of directorates on an annual basis through risk management champions at the Risk and Fraud Forum.
8.	Ensure that the risk management framework continues to be fit for purpose	<ul style="list-style-type: none"> Participation in regular benchmarking of the service, external and internal audit reviews, and revision of the risk

No.	Objective	Workstreams:
	and remains relevant.	management policy statement and strategy on an annual basis. <ul style="list-style-type: none"> Put in place a model for risk management when commissioning services from third parties.
9.	To implement an effective risk management framework that forms a key part of effective corporate governance, including annual reporting through the Annual Governance Statement.	<ul style="list-style-type: none"> Revise the Risk Management Policy and Strategy Statement and ensure it is cascaded to performance leads and senior management teams through the Risk and Fraud Forum.
10.	Raise awareness of the need for risk management by all those connected with the delivery of services (including partners, providers and suppliers) and in particular surrounding the transformation programme. Risk management to be embedded within the process of commissioning services.	<ul style="list-style-type: none"> Revision of the Risk Management Policy and Strategy Statement for programmes, projects and partners. Ongoing work with programmes such as One Barnet to embed risk management, including separate challenge sessions.

2.2 Risk response

Officers within the Council are committed to leading the organisation forward to continue to deliver quality services and to meet governance standards.

There is a need to create an assurance framework for the development of the Council's risk management systems and processes through the creation of an active learning culture in which people can learn from, and respond positively to, incidents and identified weaknesses. The Council has a risk management and fraud forum to ensure that this culture is embedded.

Our intention is to identify risks and proactively assess whether to treat, tolerate, transfer or terminate. The aim is to reduce the risk to the Council, where practicable, and to manage residual risk in such a way to support the achievement of the Council's objectives. This risk control/mitigation (risk appetite) is undertaken at four levels:

Tolerate

The exposure of risk may be tolerable without any further action being taken. In risks that are not tolerable, ability to do anything about them may be limited, or the cost of action may be disproportionate to the potential benefit gained.

Treat

Most risks will be treated by a mitigating action plan that is tailored to the identified risk and undertaken to control the risk to within an acceptable level.

Transfer

For some risks the best response is to transfer them. This may be done by conventional insurance or by paying a third party to take the risk in another way. When commissioning services it is necessary to assess which risks are being transferred, which risks are retained and identify whether any new risks arise. Part B of this policy considers this in more depth

Terminate

Some risks will only be treatable or containable to acceptable levels, by the termination of the activity.

2.3 Roles and Responsibilities

This section sets out the key responsibilities for risk management within the Council.

2.3.1 Maintenance of the Risk Management Policy

- At the highest level within the Council, the **Cabinet** will approve any major changes to the Risk Management approach.
- The Council's **Corporate Director's Group (CDG)** is responsible for approving this risk management strategy at an officer level and for ensuring that this is reviewed and updated on a regular basis.

2.3.2 Identifying and recording risks

It is everyone's job to identify risks and report them to their manager/ director. **Managers at all levels** are responsible for the collation and management of risks within their area, using risk registers compiled on the Council's **risk management system (JCAD)**.

The prime purpose of risk management is to aid management in the delivery of value for money services. The mechanics of risk management are not to simply identify risks but to identify and implement effective controls to mitigate those risks – commensurate and balanced to the rating of the risk with the associated costs of implementation and affect on the priorities of the Council. Concise risk management is built around clear **ownership of risks** and the identification of nominated officers to implement the mitigating actions, followed up by a monitoring process to ensure that those officers take the actions agreed.

Supporting the further embedding of the risk management strategy is the **Risk Management and Fraud Forum**. The Forum consists of the **Risk Champions** - representatives from each Directorate, Corporate Anti-Fraud Team (CAFT), Service Areas, major programmes and associated risk management disciplines such as Health & Safety, Information Governance and Business Continuity. The Champions typically work at a senior management level striving to further embed risk management in their own area. The role of this Forum is to challenge the process for identifying and escalating risk from the directorates and the various risk disciplines and the efficacy of steps being taken to manage it, analyse cross cutting risks, emerging "hot spots", common risks, and potential clashes of risk.

2.3.3 Summary of responsibilities

Within the Council various groups and individuals have responsibilities regarding the risk management process. Some of these are defined by the Terms of Reference set out in the Council Constitution (identified in *italics*); the remainder are based on the established practise of the Council and are formalised by means of this policy.

The Council

Full Council is responsible for ensuring that the risk management strategy covers bodies working in partnership with the Council.

The Cabinet/Cabinet Resources Committee

The Cabinet has responsibility for reviewing and approving the Risk Management Strategy and Policy document annually.

Audit Committee

The Audit Committee's remit is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. This includes monitoring the effective development and operation of risk management and corporate governance in the Council.

The Audit committee will proactively fulfil its duty by receiving quarterly reports on risk management within the Internal Audit and Risk Management progress reports. The Audit Committee will also review updates to the Risk Management Strategy and Policy.

Deputy leader of the Council – Resources and Performance

To lead on budget and policy formulation and implementation in relation to risk management

The Deputy Leader is the Lead Member on Risk Management for the Council. Periodic review meetings occur with key officers in order to maintain oversight of risk management within the Council.

Corporate Directors Group (CDG)

CDG is responsible for approving the risk management strategy at an officer level and for ensuring that this is reviewed and updated on a regular basis. It is also responsible for reviewing the corporate risks of the Council, and overseeing the management of directorate risks against performance on a quarterly basis.

Statutory Officers Group (SOG)

The Statutory Officer Group receives reports from Internal Audit and Risk Management regarding the adequacy of the risk management arrangements on a quarterly basis. In addition, on a monthly basis it receives reports from Internal Audit on perceived risks resulting from internal audit reviews and the status of any action plans to mitigate any perceived risks.

Risk Management and Fraud Forum

Meets Quarterly to:

- Provide a sense check on risks across the Council, ensuring consistency of approach
- Consider risks that cut across teams or directorates
- Consider risk conflicts
- Review the escalation of risks with scores of 12 or more
- Respond to any serious incidents

Risk Champions

Attend the Risk Management and Fraud Forum. Take a lead role in embedding risk management processes and policies within their directorate. Champions take a super user role in terms of the JCAD risk management system.

Service Directors and Managers

Monitor Directorate level risks and ensure an appropriate response has been implemented. Review risks against performance on a quarterly basis for reporting to CDG and include on the monthly performance monitor. Have oversight of risk management within the directorate. Seek the involvement of their Lead Council Member in determining the risk appetite for the directorate in general and for specific risks with a score of 12 or more.

All staff

All staff should have active involvement in the process of identifying and evaluating risks within their team and projects annually. Staff are required to implement actions allocated to them on JCAD, and to exercise their responsibilities for executing control activities relevant to their role.

Risk Management and Internal Audit

Risk Management Team is responsible for updating the policy, providing training and support to teams dealing with risks. The risk management team will form part of the Risk Management and Fraud Forum to provide specialist insight. They will support CDG and Audit Committee monitor risks in the Council through using JCAD reports and any other information available, for example from Internal Audit reviews.

Internal Audit will deliver the annual audit plan reviewing controls within the Council using a risk-based approach. For each review a report will be issued giving a level of assurance and/or making any recommendations for improvement. Reports will be presented in summary format to Audit Committee with a focus on those reports issued with limited or no assurance. Internal Audit will review the adequacy of risk management arrangements on an annual basis. The Chief Internal Auditor will issue an annual opinion on internal controls for inclusion within the Annual Governance Statement (AGS).

2.4 One Barnet, programme and project management

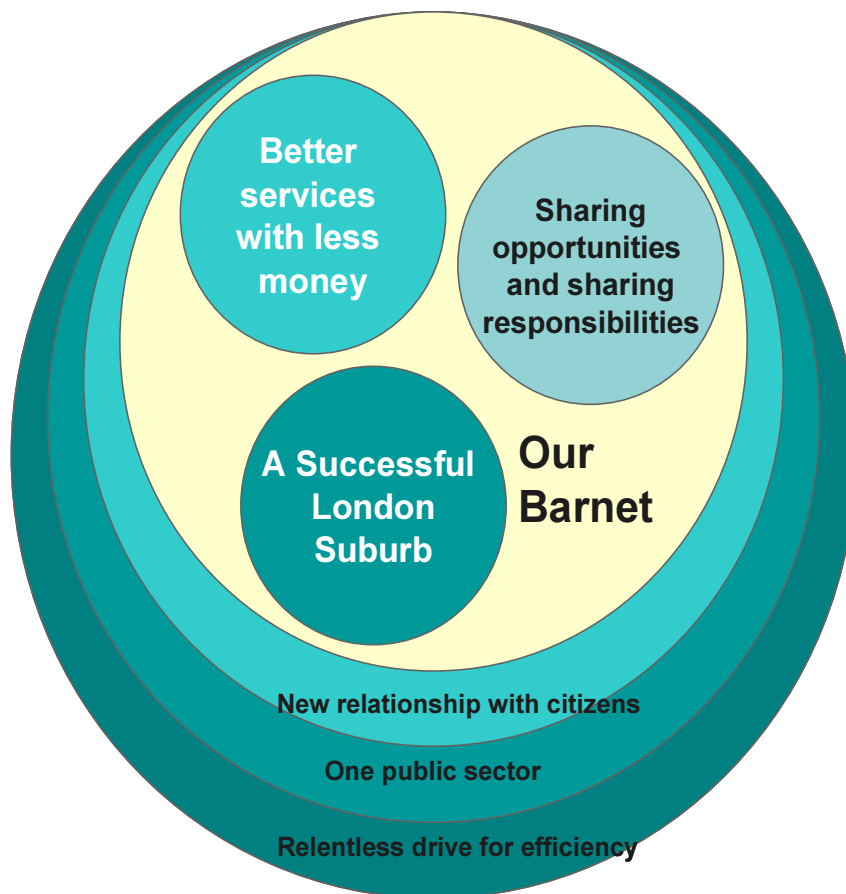


Diagram 1: Corporate Plan 2010-13

Programme level risks – are those risks which affect the intended benefits of a programme. There are two main types of programme level risks:

- a) those risks which affect all or a number of projects within the programme; and
- b) those risks which so substantially affect the benefits of a key project that they put the programme benefits at risk

Project level risks are those risks which affect the intended outputs or benefits of the project.

Project Managers are responsible for the development and maintenance of a **Project Risk Register** for each of the projects which they manage. The registers will normally sit alongside the associated issues log and be normally stored within JCAD. This is to facilitate the identification of actions which can be directly input to the appropriate project plan. The registers will typically be compiled by holding workshops with the key stakeholders. The initial risk register will be signed off by the appropriate **Project Board** and then reported to them an exceptional basis via the normal project highlight reports. The highlight report would typically include:

- Progress on mitigating the highest scoring risks
- Any changes to the rating of the risks
- New risks identified.

One Barnet represents a transformation programme for the Council, which because of the one off nature of the programme, will be high risk to the Council. This will be because:

1. the organisation has limited experience of undertaking the work before; and
2. the impact cannot always be predicted from the outset.

The Project Board will then consider what risks if any, need to be escalated to the **Programme Risk Register**. The criteria for escalation would normally be:

- Highest scoring existing and new risks which need agreement as to the appropriate action to be taken to mitigate the risks
- Lower rated risks which are likely to be common across a number of projects, which will require attention by the Programme Board and are likely to be dependencies for other projects
- The risks affect the overall objectives of the programme (subjective)

The **Programme Manager** is responsible for the development and maintenance of a Programme Risk Register. This register will be maintained on the corporate JCAD system for ease of joining up to the corporate reporting cycle.

2.5 Risk management and fraud detection

It is the responsibility of every Director, Head of Service and Line Manager to ensure that their processes and procedures are protected against the possibility of any fraudulent, money laundering activities or bribes.

All Managers should complete a risk assessment of all their processes and procedures specifically looking to identify and enhance any process weakness that could allow fraudulent transactions and activities to exist, they should include reference to any previous CAFT investigations in their area's or any fraud risk identified with Internal Audit reports.

When establishing new processes and procedures or reviewing the effectiveness of existing processes and procedures managers should pay particular attention to the following areas;

Segregation of duties – where ever possible, no one person should be able to complete end to end processes which would allow fraud to go undetected.

Authorisation hierarchy – there should always be an authorisation process that required someone other than the originator to validate and authorise transactions thus ensuring that at least two people are involved in raising and authorising transactions.

Transparency – there should always be a record of the transactions processed throughout each link in the process chain allowing clear visibility of the requestor, processor and authoriser, recording date and time and action taken.

Audit trail – every process should have a recorded audit trail that is available for scrutiny. Each process should be audited regularly to ensure compliance with the requirements of the process. A full audit report should be completed detailing findings and recommended actions. The audit should be conducted by an independent party.

Any suspicion of or detection of fraudulent activities should be immediately reported to the Corporate Anti Fraud Team (CAFT) and where relevant also the Police so that a full and thorough investigation can be conducted.

In accordance with the Council's Whistleblowing policy staff may report wrongdoing to their managers. All managers must be aware of this policy, and act accordingly by passing all information reported to them to the councils Whistleblowing Officer for investigation.

All Managers and staff should be familiar with the Council's Counter Fraud Framework which include the Whistleblowing Policy, Anti-Bribery Policy and the Councils Anti Money Laundering Framework which includes information on Anti Money Laundering and Suspicious Activity. The Council has a designated Money Laundering Reporting Officer and all cases where suspicious activity is suspected should be referred to them as soon as possible.

2.6 Risk management policy

This document acts as a risk management policy which describes the Council's objectives for, and the commitment to risk management.

3 Implementing Risk Management

3.1 **Defining risks**

There are a number of defined steps that managers need to undertake when considering risks and to ensure that a consistent approach is maintained. At the Council risks are usually categorised in four ways within the JCAD risk management system, and then further classified into their nature:

Risk	Nature
Strategic	Compliance
Operational	Finance
Project	Health and Safety
Business Continuity	Internal Control Checklist
	Political
	Reputational
	Staffing and Culture

These are further defined in Appendix A.

3.2 **When to carry out risk assessments**

Risk assessments should be carried out, at a minimum, on an annual basis at **team, directorate and corporate level**, as and when the objectives have been set for the following year, as part of the business planning cycle. Risk can also be identified through individual interviews and by workshops throughout the year. At the heart of the risk management cycle within the Council is the Risk Management and Fraud Forum which provides challenge around key risks identified from across the various directorates as well as considering emerging and cross cutting risk.

Risk assessments should be carried out as early as possible in the life cycle of any new **project, programme or partnership**. The resultant risk register will then need to be signed off by the appropriate project/ programme/ partnership board. The key risks from the register will then need to be escalated to the appropriate team/ directorate risk register. The more complex programmes may have their own risk meetings, where the key risks from across the various projects can be considered along with any emerging or common/ cross cutting risks which may need escalating to the programme risk register and the corporate risk register.

3.3 **How to carry out a risk assessment**

Risk assessments at any level should be performed on JCAD - the system the Council uses to record, manage and report risk and associated controls and action plans. The detail of how to carry out a structured risk assessment is contained within the Risk Management User Guide. The basic principles are summarised in Appendix A.

3.4 **Day to day management and monitoring of risk**

Risks are to be monitored according to the level of risk noted by the risk matrix (Appendix A); this will also dictate the level of management attention required. JCAD should be used for assigning risk owners and setting the frequency of review.

Directorates are responsible for ensuring all staff know how to report a risk for monitoring by Management. All risks should be discussed regularly at team meetings as a standing agenda item.

3.5 Escalation processes

Where a risk is rated as having a score of 12 or above at a team level, this is considered to be a trigger point for further escalation process. The stages of escalation are defined in Appendix A.

3.6 Serious risk incidents

A serious risk incident is an incident that occurs which results in the Council suffering loss that is:

- financial
- reputational
- operational

Defining a 'serious incident'

The definition of a 'serious incident' shall be aligned to the risk scoring approach set out in Appendix A; incidents that occur and have an impact that meets the criteria for a risk score of 4 (Major) for impact are defined as serious. On this basis the following shall apply:

Category of incident	Trigger point for treatment as 'serious'
Financial	<ul style="list-style-type: none"> • A loss of >0.5% of budget • Claims of >£150k
Reputational	<ul style="list-style-type: none"> • National media coverage with key directorates performing well below reasonable public expectation; • Erosion of public confidence • Requirement for Member or external agency intervention • One or more fatalities • Prosecution
Operational	<ul style="list-style-type: none"> • Enforcement action due to compliance breach • Multiple breaches of statutory duty • Improvement notices from central government • Low performance ratings • Uncertain or non-delivery of key objective/service due to lack of staff • Unsafe staffing level of competence

Response to a serious incident

In the unfortunate event of a serious risk incident occurring a review of the events that led to that loss will be undertaken by the Risk Management Forum to foster a culture of learning from these untoward incidents.

Service Directors and Managers will be required to demonstrate to CDG and their lead Member what actions have been taken to improve the design or implementation of controls with regards to the risk recurring.

4 Reporting and Monitoring

4.1 Performance management framework

Risk reporting will take place alongside financial and performance information on a quarterly basis, this will allow adequate analysis and linking of interdependencies to take place. The quarterly performance report will be reported to CDG, CRC and could be subject to call-in from the Overview and Scrutiny Committee (OSC).

4.2 Audit Committee

The Audit Committee's remit is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. This includes monitoring the effective development and operation of risk management and corporate governance in the Council. As such the Audit Committee will receive quarterly reports on risk management within the Internal Audit and Risk Management progress report.

4.3 Assurances on the effectiveness of key controls

The Council wants to ensure that the controls which managers say are in place to manage the key risks, are both in place and working effectively. The annual programme of internal audit work includes resources to test the key controls specified within the risk registers, based on the level of risk involved. In addition, external audit base their plan on the key risks of the Council and this assurance should be noted within the risk registers where relevant.

4.4 Annual Governance Statement

The Council has to produce an Annual Governance Statement every year, which is an assessment of the systems the Council has in place to control and manage the services they provide. The risk management strategy and framework will provide assurance to CDG and Members that risks are being properly managed.

5 Risk Management when commissioning services

This section of the Policy applies to the specific situation that arises on outsourcing service provision to partner organisations. A summary checklist for managers covering the key aspects of this section has been included, see Appendix C.

5.1 Objectives

The overarching aim is to improve the Council's ability to deliver its strategic priorities by managing threats and opportunities, and creating an environment that adds value to ongoing operational activities.

Our strategy is to embed risk management in the decision making process and to align the responses to risk to corporate objectives.

The purpose of risk management in the context of commissioning services will be:

- To ensure proper identification and understanding of risks associated with commissioning a service
- To support clear allocation of responsibilities for managing and monitoring risk
- To align the response to identified risks with corporate priorities
- To provide a framework for information sharing regarding risks and performance management
- To reduce the burden to the Council of risk management procedures

5.2 Approach to risk management when commissioning services

The process of identifying risks when commissioning services has two elements

1. Considering those risks that are associated with the delivery of the service that is being transferred and communicating with the provider regarding these
2. Assessing what the new risks for the Council are as a result of commissioning services from a delivery unit

The process of risk identification, scoring, escalation and monitoring is set out in the Risk Management Policy Statement. All risk assessments should be carried out using JCAD and should apply the 5 X 5 matrix for impact and probability.

5.2.1 Identifying existing risks

Each service area should already have an up-to-date risk register on JCAD. As part of competitive dialogue it is expected that bidders will want to review the risks as perceived by the Council. It is possible that they may identify additional risks, or score existing risks differently based on their planned approach to delivering the service

It is expected that an integral part of the negotiations for contracts that there will be clear agreement on how the Council and the partner organisation will document, monitor and manage risks.

5.2.2 Identifying new risks

When considering the implications of commissioning a service from a delivery unit officers should first review the existing risk register for that service area and consider what may change as a result of the proposed commissioning move. Following this review, it is recommended that officers also consider if any different risks may arise from transferring service delivery.

Where the Council will be commissioning services in partnership with another organisation (e.g. an NHS body) it will be necessary to involve the partner in the risk identification process at an early stage. While different bodies have different risk assessment techniques and policies, the 5x5 matrix is a common approach that most organisations should be able to engage with.

5.2.3 Working with potential partners

Through the process of competitive dialogue the Council will have access to a new perspective on the risks associated with the service and the contract. Commissioners can take advantage of this to enhance their ability to manage risk. It should be noted that there may be challenges arising from these discussions, particularly if other parties use a different lexicon for risk management. Part of the dialogue process will be establishing a common ground between parties.

5.3 **Understanding retained risks**

One of the benefits of commissioning services will be the ability to transfer risks to delivery units however the Council may retain exposure to some risks.

It is recommended that the Council understands which risks may continue to have a potential impact upon it and ensure they are recognised and dealt with accordingly. The following points are to act as guidelines for making these decisions. However it is important to note that the exact terms of contracts and legal frameworks for commissioning services will affect the assessment of risks.

As a rule of thumb, it is suggested that any risk with a score of 10 or less on JCAD is unlikely to pose a risk to the Council if management of the associated activity has been fully transferred and the provider takes on the risk.

Of the high-extreme level risks (score of 12 or more) the following categories of risk may also be fully transferred with no residual impact on the Council:

- Health and Safety
- Internal control
- Staffing
- Some financial risks

However, risks with a High or Extreme impact that fall in the following areas are likely to still have adverse impact on the Council despite any contractual provision:

- Reputational
- Compliance
- Political
- Some financial risks

Risks that can still impact the Council are, to a greater or lesser extent, retained risks. These risks will normally be recognised and recorded within the Council. There are two ways in which this can occur:

- 1) The retained risks are logged individually on JCAD
- 2) Risks are grouped appropriately and recognised on JCAD as part of the 'new' risks associated with commissioning services

5.4 Risk appetite

Section 3.5 of this Policy identifies the importance of involving the relevant Council Members when determining the risk appetite for a given risk. This principle remains applicable when risks are being considered for commissioned services. The assessment of whether a risk with a score of 12 or more that is effectively retained by the Council should involve the lead Council Member for the service area. They should also be involved in setting the risk appetite for all such risks.

The Council's risk appetite should be set with reference to the strategy for service delivery in that area, and also considering the overall corporate plan. The process of aligning risk response with strategic priorities will help to determine which of the 'Four T's' (Treat, Tolerate, Transfer, Terminate) will be used on a given risk.

5.5 Risk allocation and responsibility

Having identified all of the risks officers will need to determine and clearly record who will take responsibility for each risk, having considered which party is best placed to deal with each risk. It is expected that the commissioning contract will be structured in order to provide an enforceable legal basis for the allocation of responsibility for identified risks. The contract should also make provision for how emerging risks will be identified and dealt with.

A risk that is considered to be retained by the Council should be reviewed to determine what the response will be within the 'Four T's' framework. Where possible the primary responsibility for executing the actions plan should lie with the provider, with appropriate monitoring arrangements in place to provide the Council with the necessary assurance. For retained risks the Council will usually employ the approach set out in this Strategy, however some variations may occur where risks are assessed as being 'joint risks'.

5.6 Dealing with joint risks

In general it is expected that dealing with any given risk will clearly allocated to either the Council or to the service provider. However a small number of risks may be assessed as being shared between parties. Such risks may be the 'retained risks' that the Council cannot fully transfer.

In these circumstances it is recommended that the Council and service provider develop a joint risk register and use this to define the actions each party will undertake in order to manage the risk to within the agreed parameters. The aim of the approach adopted will be to help develop partnership working, with all parties working together for agreed common goals.

5.7 Monitoring risks

Those risks that are retained by the Council but managed by the delivery unit will usually be monitored by the Council. Based on the guidelines above, these are likely to be risks that have a score of 12 or more. Activity regarding such risks, including any changes in conditions should be monitored quarterly.

It is recommended that commissioners consider how they will ensure that they have sufficient technical expertise available to understand and interrogate the risk and performance data that is collected from delivery units. Effective contract management by the Council will be contingent upon the ability of the Council to monitor the activity of delivery units, challenge subjective decisions and enforce the requirements of the contract.

Over the course of the service contract it is likely that the risk profile will evolve. For this reason commissioners are encouraged to make provision for ongoing reviews of risks with open dialogue taking place with providers.

5.8 Aligning risk and performance

The commissioning contract should align risk management with performance management. Partner organisations should have clear incentives to be delivering good risk management procedures. The structure of the contract and the legal framework in which the partnership operates should reflect the priorities of the Council and match the reward for partners with the achievement of corporate objectives and management of risks. Such incentives may take the form of performance related pay, a share of financial benefits or other opportunities specified in the delivery contract.

5.9 Contingency planning

Part of the risk management approach for the Council will be to have a robust business continuity plan that will deal with contingencies that may arise and prevent the provider from continuing in their role and delivering services, either in the short or long term. It should be considered what role the service provider can play in this, through the sharing of information, training exercises and joint business continuity plans.

5.10 Requirements for partner organisations

In order for the council to maintain its responsibilities for overseeing the management of the risks it will be necessary to agree a good quality system of information reporting. Commissioners should consider what form and frequency of information will be useful to them. Every service contract will be uniquely tailored; however it is desirable to have a consistent approach across the Council on key aspects of contract management. To support this, the following guidelines outline typical requirements for the service provider.

5.10.1 Risk management policies

The service contract should include a requirement that the provider of services maintains a minimum standard of risk management procedures, proportional to the size of their contract. While it will be the responsibility of providers to determine their risk attitude, there will need to be a requirement upon providers that they will collaborate with the Council to monitor and report on those risks that the Council has identified as having a score of 12 or more where the activity is ongoing.

5.10.2 Risk reporting

The contract management process should require regular (usually quarterly) reporting from delivery units on the following:

- Status and actions regarding any risks where the Council has a degree of retained risk

In addition it is recommended that there are appropriate channels for the service provider to report to the Council:

- Any new emerging risks that would score 12 or more
- Any serious risk incidents that occur

In order to support transparency and accountability, where commissioners believe it will be advantageous, providers should report annually:

- Full risk register for the services delivered, thus demonstrating the overall approach taken to assessing and dealing with risks and providing the Council with broader comfort on how risk management is treated
- Outline plan for risk management strategy in the forthcoming year

To maintain good practice on risk reporting throughout the life of the contract, it is suggested that the contract terms should specify a post-holder or group within the delivery unit that will take a lead on monitoring and reporting risks to the Council. It would be helpful for a defined committee or panel to have responsibility on the Council's part for receiving these reports. Such a group would usually work closely with performance management.

5.10.3 Information sharing

Within the contract arrangements the right of access to data associated with the service delivery for Barnet Council or its agents must be clearly established, including access for audit and assurance procedures. The scope of access and the typical inspection routines will be individually negotiated but should include appropriate opportunity for the Council to gain assurance that the provider is meeting the required performance standards and is dealing with business in a manner consistent with the Council's understanding. The Council should also consider the eventuality where there are signs of failure on the contract delivery, and whether any additional access may be required in such circumstances.

6 Corporate Guidance & Support

Guidance notes will form an integral part of this policy and strategy document. Guidance notes will be available to everyone in the Council by publication on the intranet.

Support and advice from Corporate Risk will also be made available to support managers in this role, as and when required.

All risk champions are given training and development support to ensure that they have competence for managing risk. The Risk Management and Fraud Forum acts as a vehicle to cascade further guidance.

Appendix A: Risk assessments and escalation

6.1 Defining risks

Risks fall into the following types:

Strategic – those risks affecting the medium to long term goals and objectives

Operational – those risks that managers and staff encounter on a daily basis

Project risk – are those risks which affect the intended outputs or benefits of the project

Business continuity – a risk that will have an impact on the ability to deliver services during an event of a significant disruption that threatens the ability of the organisation to deliver its services.

The nature of these categories is further expanded to the following:

Compliance – risk that will prevent compliance with legislation, policy, or strategic guidance

Finance – risk of unfavourable monetary impact covering medium term financial budgets and including income, expenditure, assets, liabilities, and reserve balances

Health and safety – a risk to the wellbeing of staff and contractors of the Council

Internal control checklist – an improvement or gap in the internal control environment of the service area identified in the annual internal control checklist process.

Political – a risk that will be out of line with the political direction of the Authority or conflict with policy

Reputational – a risk that will be visible to, or have a direct impact on, external parties which could damage the reputation of the Council

Staffing and culture – a risk that will have impact on motivation, staffing levels and or arrangements or that may be at odds with the culture of the organisation.

6.2 Risk Matrix

A risk is broken down into probability and impact. **Probability** represents the statistical chance of an event taking place. Such events are summarised into five broad stratified headings: Rare, unlikely, moderate, likely and almost certain. **Impact** represents the expected disruption to the Council. These are summarised as either negligible, minor, moderate, major, and catastrophic.

The above defines the gross or **inherent risk**, i.e. it takes no account of the controls the Council has in place or can put in place to manage the identified risk.

To offset this, Council officers apply controls to reduce the gross risk and obtain a net or **residual risk**. Officers should also describe what their **target risk** will be and the controls that are put in place should be with a view of mitigating the risk to be in line with the target. In addition, the means of prioritising them will be in relation to the four T's: terminate, transfer, treat or tolerate.

The Council has developed a risk matrix, based upon current best practice in the public sector. It is based upon a 5 by 5 matrix of impact and probability.

		PROBABILITY					
		1	2	3	4	5	
		Rare	Unlikely	Possible	Likely	Almost certain	
I M P A C T	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5

The resultant scores from the matrix are assigned ratings as per the following table:

	1-3	Low risk	<p>Acceptable risk.</p> <p>No further action or additional controls are required.</p> <p>Risk at this level should be monitored, and reassessed at appropriate intervals</p>
	4-6	Moderate risk	<p>A risk at this level may be acceptable.</p> <p>If not acceptable, existing controls should be monitored or adjusted.</p> <p>No further action or additional controls are required.</p>
	8-12	High risk	<p>Not normally acceptable.</p> <p>Efforts should be made to reduce the risk, provided this is not disproportionate.</p> <p>Determine the need for improved control measures</p>
	15-25	Extreme risk	<p>Unacceptable.</p> <p>Immediate action must be taken to manage the risk.</p> <p>A number of control measures may be required.</p>

Probability score

The frequency based score is appropriate in most circumstances and is easier to identify.

Probability score	1	2	3	4	5
Descriptor	Rare	Unlikely	Possible	Likely	Almost certain
Frequency How often might it/does it happen	This will probably never happen/recur	Do not expect it to happen/recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not a persisting issue	Will undoubtedly happen/recur, possibly frequently

Impact

This scale should be used for guidance on descriptions of impact for assigning a risk impact score.

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
Compliance	No or minimal impact or breach of guidance/statutory duty	Breach of statutory legislation Reduced performance rating from external/internal inspector	Single breach in statutory duty Challenging external or internal recommendations or improvement notice	Enforcement action Multiple breaches of statutory duty Improvement notices Low performance ratings	Multiple breaches in statutory duty Prosecution Complete system changes required Zero performance against key priorities and targets
Finance	Small loss risk of claim remote	Loss of 0.1-0.25 per cent of budget Claim less than £20k	Loss of 0.25-0.5 per cent of budget Claims between £20k - £150k.	Uncertain delivery of key objectives/loss of 0.5 – 1.0 percent of budget Claims between £150k to £1m	Non delivery of key objective/loss of >1 percent of budget Failure to meet specification/slippage Loss of major income contract
Health & Safety	Minor injury Cuts, bruises, etc. Unlikely to result in sick leave	Moderate injuries: Likely to result in 1-3 days sick leave	Major injuries: More than 3 days sick leave – notifiable to HSE	Death Single fatality	Multiple deaths More than one Fatality
Internal Control Checklist	Control is in place with strong evidence to support	Control in place with tentative evidence	Control in place with no evidence to support	Partial control in place with no evidence	No control in place

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
Political	Parties largely work positively together with occasional differences. Members and executive work co-operatively	Parties have minor differences of opinion on key policies Members and executive have minor issues	Members begin to be ineffective in their role Members and Executive at times do not work positively together	Members raise questions to officers over and above that amount tolerable Strained relationships between Executive and Members	Internal issues within parties which prevent working collaboratively Questions from members shift resources away from corporate priorities
Reputational	Rumors Potential for public concern	Local media coverage – short term reduction in public confidence Elements of public expectation not being met	Local media coverage – long term reduction in public confidence	National media coverage with key directorates performing well below reasonable public expectation	National media coverage, public confidence eroded. Member intervention/action
Staffing and Culture	Short-term low staffing level that temporarily reduces service quality (<1 day)	Low staffing level that reduces the service quality	Late delivery of key objective/service due to the lack of staff Low staff morale Poor staff attendance for mandatory/key training	Uncertain delivery of key objective/service due to lack of staff Unsafe staffing level of competence Loss of key staff Very low staff morale No staff attending training	Non-delivery of key objective/service due to lack of staff Ongoing unsafe staffing levels or competence Loss of several key staff No staff attending training on an ongoing basis

6.3 Risk assessment process

The basic principles and steps involved in performing a risk assessment, the format of the assessment and use of the risk register are summarised below:

1. Provide succinct and sufficient description of the risk, its cause and consequence
2. Link the risk to the relevant strategic/ directorate business objective
3. Record the risk in JCAD using the best practice 5x5 probability–impact risk matrix (see above)

4. Include rating of risks at inherent (initial rating without any controls), residual (current rating with existing set of controls) and target stages (level of risk that the owner is prepared to accept and will drive what additional controls are required).
5. Determine the risk appetite for the identified risk and apply this in setting the approach for managing the specific risk (treat, tolerate, terminate, transfer)
6. Measure the effectiveness of existing controls
7. Identify the additional controls required to fill any gaps with the set of existing controls and to achieve the required target risk rating
8. Show any progress on actions and change in the trend of the risk rating, compared to previous updates to the register
9. Identify reasons for closing risks and store closed risks in a separate area to maintain an audit trail
10. Identify assurance mechanisms where the design and effectiveness of the controls have been tested or challenged

6.4 Risk escalation process

Risks are initially identified at a team level and responded to at this level. However when a risk has a score of 12 or above this is a trigger for considering escalation of the risk. The following stages shall apply:

1. The team should seek the involvement of their Directorate Risk Champion or other risk specialists to ensure the risk score is appropriate and consistent with this risk management strategy/policy.
2. Assuming the risk score remains as 12 or above, the risk is to be escalated by including it within the relevant Directorate risk register on JCAD.
3. All risks rated 12 and above are to be included within monthly monitors and agreed at each Senior Management Team (SMT) or equivalent for each Directorate
4. Officers should involve their lead Council Member in discussing the risk appetite and for sending monthly monitors with risks agreed at SMT.
5. Directorate level risks will be reported quarterly to the Risk Management and Fraud Forum and the reports published on-line.
6. The quarterly report for each directorate will show a summary Heat Map, identifying how many risks in each area of the probability-impact matrix. A JCAD report on all risks with an initial score of 12 or more will also be presented for each directorate. This report includes a description of the risk, the initial score, control activities, the status of the risk response, key dates, a current and a target risk score.
7. Where a Directorate level risk rated 12 or above is considered to have the potential to impede the achievement of corporate objectives, following consultation with the Assistant Directors Group, it is to be included within the Corporate Risk Register for agreement by the Corporate Directors' Group (CDG).
8. Corporate risks will be reported to CDG and Cabinet Resources Committee quarterly, more regularly if the need arises.

Appendix B: Business Continuity

Business continuity plans allow officers to manage threats or incidents that have potential to disrupt the delivery of services or the conduct of Council business.

By focusing on the impact of disruptive events, BCM identifies the critical services and function the organisation depends on, and what is required for the organisation to meet its obligations to its stakeholders. This allows the Council to:

- Take steps to protect its people, premises, IT, supply chain, reputation etc
- Plan to respond effectively to disruptive events and challenges

Business Continuity Management is a cyclical process, and is designed to manage and control risks which can be described as 'low probability, high impact' events. It involves four stages:

1. understanding the organisation
2. determining the Business Continuity Strategy
3. Developing and implementing the BCM plans
4. Exercising maintaining and reviewing

It requires both leadership and ownership from senior management, and understanding and support throughout the organisation. For this reason, Business Continuity Management is a mainstream activity, which is required of all directorates/service.

The aim of BCM is to ensure the Council is resilient to interruptions in the delivery of its business critical services and to return to 'business as usual' as quickly and efficiently as possible.

The Corporate Business Continuity Toolkit requires that all services report monitoring (alongside Risk Management) to include confirmation all critical services have been identified, regularly reviewed, BC plans in place, updated and tested within the last 6 months.

Reference should be made to the Business Continuity Strategy.

Appendix C: Checklist for risk management when commissioning services

The following checklist for use by officers when commissioning services is intended to highlight key considerations for risk management. The checklist should be used within the context of the overall Risk Management Policy, in particular commissioning services (Section 6).

- 1) Ensure the existing risk register on JCAD for this service is up to date
- 2) Engage with any commissioning partners to build a complete risk register
- 3) Review the JCAD risks to identify where the Council (or commissioning partnership) is likely to have to retain some element of the risk impact
- 4) Use competitive dialogue with bidders to
 - a) Explain the risks you expect to transfer to them
 - b) Obtain their views on the risks associated with the service
- 5) Determine the risk appetite and preferred strategy for dealing with identified risks, involving relevant Council Members for those risks with a score of 12 or more
- 6) Agree and formally document in the service contract who will be responsible for managing the defined list of known risks
- 7) Set in place monitoring protocols and put in place plans to make sure the Council has sufficient capacity to exercise its duties in monitoring
- 8) Make a contingency plan for service continuity

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Meeting	Audit Committee
Date	26 April 2012
Subject	Annual Review of Audit Committee's Effectiveness
Report of	Assistant Director of Finance – Audit and Risk Management
Summary	To review the Committee's effectiveness, as required annually by its terms of reference, and to review the terms of reference.

Officer Contributors	Maryellen Salter, Assistant Director of Finance – Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A : Review of Effectiveness
Contact for Further Information:	Maryellen Salter 020 8359 3167

1 RECOMMENDATIONS

- 1.1 The Committee's views are sought on the review of the effectiveness of the Committee in 2011/12 and the recommendations made, attached at Appendix A.**
- 1.2 That the Committee consider the Committee's terms of reference as set out in the Constitution and at Appendix A (role and structure section) and instruct, if necessary, the Director of Corporate Governance to make any recommendations for change to the Special Committee (Constitution Review).**

2 RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee last reviewed its effectiveness in the meeting of the 24th March 2011. At that meeting they considered the terms of reference as being appropriate and no recommendations were made.

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Reviewing the work of the Audit Committee is an essential aspect of effective corporate governance.

4 RISK MANAGEMENT ISSUES

- 4.1 Failure to ensure that the Audit Committee is fully effective could have a negative impact on the Authority's Corporate Governance and Risk Management arrangements

5 EQUALITIES AND DIVERSITY ISSUES

- 5.1 Monitoring of the Council's systems for accounting, regulation and control contribute to the management of resources and ensuring the equitable delivery of services to all members of the community.

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

- 6.1 Delivering the core functions of an Audit Committee contributes to effective systems of internal control. The Audit Committee's work includes providing assurance on the council's arrangements for:

- risk management;
- maintaining effective internal control; and
- reporting on financial and other performance.

- 6.2 In addition, by the Audit Committee monitoring progress against any actions to address significant internal control concerns effectively this can lead to better use of resources and a positive culture of improvement within the Council.

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 This Committee's terms of reference as described in Part 3, Section 4 of the Council's Constitution, includes a requirement to review annually the Committee's effectiveness.

9. BACKGROUND INFORMATION

9.1 Attached at Appendix A is a review of effectiveness for 2011/12, using the recommended template from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on model audit committees

9.2 This shows that the Audit Committee has substantially operated in line with recommended practice with clear improvements being made:

- The workplan has been redesigned to demonstrate how the Audit Committee is discharging its responsibilities;
- Member briefings occurred in the municipal year in relation to fraud and corruption for all members. E-learning is available to members which incorporates the Counter Fraud framework.
- Assurances were provided to the Audit Committee upon presentation of the accounts regarding estimates and judgments used in the Statement of Accounts.
- The Audit Committee now receives quarterly reports on recommendations not implemented for priority one recommendations (high risk)
- The Audit Committee also receives quarterly information on risk management
- The Audit Committee receives the Annual Audit Plan which discusses the risks to the Council
- The Committee provided their training needs where appropriate and this was fed into the Member Training programme led by Corporate Governance.

9.3 There were some areas of best practice that the Audit Committee can work towards demonstrating in the future:

- Producing a formal Annual Report describing the work of the Audit Committee and the outcomes it has achieved; and
- When necessary determining an induction process for new members.

9.4 Members training needs for 2012/13 will be fed into the Corporate

Governance Member Training programme, the following areas are suggested areas, those in bold were covered in the training programme for 2011/12:

- the role of the committee and the terms of reference
- **the financial and risk environment with the importance of risk management**
- **financial reporting**
- governance
- **understanding financial statements**
- **the role of internal and external audit**
- regularity framework, including production of the Annual Governance Statement
- an overview of Council services

9.5 There are no recommendations for changing any aspects of the Audit Committee's terms of reference, but the Committee are asked to consider the matter and whether the statement of purpose still is relevant to Members.

10. LIST OF BACKGROUND PAPERS

10.1 None.

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

Appendix

London Borough of Barnet
Internal Audit & Risk Management
Review of the effectiveness of the Audit Committee

Maryellen Salter, Assistant Director of Finance, Audit and Risk Management
April 2012

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Executive Summary

1. Introduction

In June 2007 CIPFA published *Delivering Good Governance in Local Government: Framework*, which is based on the Good Governance Standard for Public Services drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation.

Local authorities are required to review their governance arrangements against the Governance Framework and prepare an Annual Governance Statement which publicly reports the effectiveness of the authority's governance arrangements.

An effective Audit Committee is a cornerstone of good governance. The outcome of its work can demonstrate to stakeholders that the Council's affairs are being conducted in an environment of openness, honesty and integrity. The main objective of the Audit Committee is to independently contribute to the assurance framework that an effective internal control system is maintained.

The Audit Committee should support the Council and the s151 Officer, and the Monitoring Officer, by reviewing the comprehensiveness of assurances in meeting the Council and s151 Officer's assurance needs and reviewing the reliability and integrity of those assurances.

2. Objective and scope of the review

The objective of the review was to provide assurance to the Audit Committee that they are undertaking their work in accordance with their own terms of reference, and best practice. In undertaking this review we considered the following key areas:

- Structure and role;
- Membership;
- Meetings;
- Internal Audit Process;
- External Audit Process;
- Fraud and Internal Control;
- Financial Reporting;
- Risk Management; and
- Administration

3. Approach

The approach to the review has been to update on the 2010-11 detailed review and follow-up the status of any recommendations from that review. This approach is considered appropriate given there were no significant changes to Committee membership or the terms of reference in the current financial year.

4. Summary of Findings

The Audit Committee has addressed many of the findings from the previous review, specifically:

- The workplan has been redesigned to demonstrate how the Audit Committee is discharging its responsibilities;
- Member briefings occurred in the municipal year in relation to fraud and corruption for all members. E-learning is available to members which incorporates the Counter Fraud framework.
- Assurances were provided to the Audit Committee upon presentation of the accounts regarding estimates and judgments used in the Statement of Accounts.
- The Audit Committee now receives quarterly reports on recommendations not implemented for priority one recommendations (high risk)
- The Audit Committee also receives quarterly information on risk management
- The Audit Committee receives the Annual Audit Plan which discusses the risks to the Council
- The Committee provided their training needs where appropriate and this was fed into the Member Training programme led by Corporate Governance.

There were some areas of best practice that the Audit Committee can work towards demonstrating in the future:

- Producing a formal Annual Report describing the work of the Audit Committee and the outcomes it has achieved; and
- When necessary determining an induction process for new members.

5. Conclusions

The Audit Committee has continued to effectively meet the requirements of its terms of reference and key elements of the CIPFA *Delivering Good Governance in Local Government Framework*.

Key Findings

Structure and Role

Why is this important?

The Audit Committee has a particular role to play in understanding and reviewing the work of Internal Audit, the work of External Audit, and financial reporting.

The structure and role of the Audit Committee must also be clearly set out within the overall governance framework to prevent misinterpretation of roles. For example, the focus of audit committees should be overseeing financial processes, audit and risk management, whilst standards committees should ensure and promote good ethical conduct.

Is the Audit Committee's structure and role suitably set out to ensure the Committee is able to discharge its responsibilities effectively?

Recommendation 2010-11	Update
The workplan for 2011-12 needs to be devised to ensure that the reports presented to the Committee enable it to discharge its responsibilities appropriately.	<p>Implemented</p> <p>The workplan was significantly reworked to ensure that each element of the terms of reference had a suitable report discharging the Committee's responsibility.</p>
The Audit Committee should produce an Annual Report for full Council to ensure it has fulfilled its role appropriately, met its objectives for the year, and summarises the key issues for the year.	<p>Not Implemented</p> <p>An Annual Report was not produced, however details of the Committee's work has been discussed at Full Council.</p>
Best Practice Recommendations	
Produce a statement of purpose that clearly states their interpretation of the role of the Audit Committee and identifies its position in the overall governance framework, which could also prove a useful reference tool for new members to the Audit Committee.	<p>Partially Implemented</p> <p>The Terms of Reference acts as a statement of purpose, however this would be something the Committee would explore with the addition of new members.</p>

Membership

Why is this important?

The Audit Committee must be independent and non-political. Each member should understand the Council's strategy and objectives to suitably contextualise their work. The Chair of the Audit Committee is responsible for Audit Committee effectiveness, and members should collectively have the necessary business, reporting, auditing and governance skills to fulfil their responsibilities. At least one member should have significant, recent and relevant financial experience.

Is the Audit Committee suitably independent and objective and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?

Recommendations

Recommendation 2010-11	Update
<i>Best Practice Recommendations</i>	
To improve the effectiveness of the Audit Committee the Chairman could consider: <ul style="list-style-type: none"> • timings of agenda items to ensure that all items receive appropriate consideration for decision making; • having an information pack to cascade to new members 	Implemented Timings of the Audit Committee have been addressed in the 2011-12 schedule of meetings, for example CAFT reports have been considered at the start of the agenda to ensure enough challenge has been provided.

Meetings

Why is it important?

Meetings should be held often enough to consider the annual work programme of the Audit Committee and time should be allocated to agenda items according to the level of risk and importance to the Committee. The Audit Committee should be provided with appropriate support to enable it to be effective.

The Audit Committee must be non-political. The role of the Audit Committee is not to review or revisit policy.

Are the Audit Committee meetings suitably structured, supported, and efficient?

Recommendation 2010-11	Update
<i>Best Practice Recommendations</i>	
The Chairman could, within the pre-meetings, discuss with report authors the expected time it should take to consider each item.	Implemented The Chairman meets with report authors prior to each meeting and considers the timing of these reports, however is mindful

	that the debate continues until all members are satisfied with the outcome of the discussions.
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Internal Audit Process

Why is it important?

Internal Audit provides objective assurance that the Council's risk management framework and systems of internal control are operating effectively and efficiently. The Internal Audit plan needs to reflect current priorities and plans to ensure suitable controls are in place to help the Council achieve its objectives.

The Audit Committee should review and understand the role of Internal Audit, its Annual Plan, and overall effectiveness of Internal Audit.

Does the Audit Committee have sufficient understanding of the role of Internal Audit and suitable assurance arrangements in place to ensure that internal audit is operating efficiently, effectively and delivering value for money?

Recommendation 2010-11	Update
<i>Best Practice Recommendations</i>	
The Committee should consider whether the Annual Audit Plan provided the necessary areas for their assurances processes.	Implemented The Committee reviewed the Annual Plan for the 2011-12 year and considered the areas under review.

External Audit Process

Why is it important?

External audit is an essential part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. External auditors in the public sector give an independent opinion on public bodies' financial statements and review, and report on, aspects of the arrangements put in place by public bodies to ensure the proper conduct of their financial affairs and to manage their performance and use of resources.

The Audit Committee should ensure that a professional relationship is maintained between Internal and External audit so that lines of reporting can be used effectively and duplication of effort is avoided.

Does the Audit Committee have sufficient understanding of the role of External Audit and suitable assurance arrangements in place to ensure that external audit is operating efficiently, effectively and delivering value for money?

Recommendation 2010-11	Update
<i>Best Practice Recommendations</i>	
To improve its effectiveness the Audit Committee may want to consider introducing	Implemented The workplan includes the reports that will

similar performance measures surrounding efficiency and effectiveness that are in place for internal audit.	be presented by external audit.
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Fraud and Internal Control

Why is it important?

The Audit Committee has an important role in overseeing the reporting and investigation of suspected or actual fraud or impropriety and that effective whistleblowing arrangements are in place.

In addition, the Council is required to produce a meaningful Annual Governance Statement. **Is the Audit Committee effectively monitoring and reviewing the internal control environment, including fraud and corruption?**

Recommendation 2010-11	Update
The Committee should consider a member briefing on the fraud and whistleblowing arrangements and the internal control environment, this could coincide with its assessment of the Annual Governance Statement. Or if a briefing is not appropriate the CAFT are devising an e learning tool to cascade fraud arrangements to staff which could be extended to Audit Committee members.	Implemented Member briefings were included on CAFT matters to all members in November (non compulsory). The Committee also has access to the e-learning tool incorporating the Counter Fraud framework.

Financial Reporting

Why is it important

The Council's financial statements are an essential means by which It accounts for the stewardship of resources and its financial performance in the use of those resources.

The Audit Committee should review the significant financial reporting issues and judgements made in connection with the preparation of the Council's financial statements and related formal statements (e.g. summary accounts).

It is management's, not the Audit Committee's, responsibility to prepare complete and accurate financial statements and disclosures in accordance with financial reporting standards and applicable rules and regulations. However the Audit Committee should consider significant accounting policies, any changes to them and any significant estimates and judgements.

Management should inform the Audit Committee of the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches. Taking into account the external auditor's view, the Audit Committee should consider whether the Council has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements. The Audit Committee should

review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context.

The Audit Committee should also ensure that the systems for financial reporting to the full Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the full Council and its committees.

The Audit Committee needs to ensure it does not become involved in any details that should be dealt with more properly by the s151 Officer, accountable officers, or other relevant committee.

Does the Audit Committee perform a suitable role in the financial reporting process to ensure that the financial statements of the Council accurately reflect the financial affairs of the Council for the reporting period?

Recommendation 2010-11	Update
<p>The Committee should ensure that it receives assurances from both external auditors and officers regarding estimates and judgments, this may be in the form of a short presentation or inclusion within the External Auditor's report to those charged with governance on those high risk areas and what procedures were carried out to satisfy themselves they are accurately stated.</p>	<p>Implemented</p> <p>The Committee in 2011-12 received assurances from the external auditors and officers regarding estimates and judgments.</p>
<p><i>Best Practice Recommendations</i></p>	
<p>To ensure that the Audit Committee can effectively challenge the Financial Statements there should be a thorough review of the accounting policies at the June meeting alongside presentation of the accounts. Although accounting policies have already been viewed by the Committee at the December meeting, it is important that these are agreed alongside the accounts. This could be a particular area that the independent members will be key strength to the Council, with their experience of the private sector.</p>	<p>Implemented</p> <p>The Committee received the accounting policies alongside the accounts for review and challenge.</p>
<p>Members will also receive the Audit Approach Memorandum from External Audit at the June meeting, which described External Audit's approach to auditing the financial statements of the Council and the areas that they consider high risk. It is important that the Committee reviews the areas of high risk and ensures that it is in line with their understanding of the Council. If members have particular concerns it is important that those are raised and that assurances are received at the September meeting.</p>	<p>Implemented</p> <p>The Audit Committee reviewed high risks areas within the external audit report and challenged the content of this.</p>

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Risk Management

Why is it important?

The role of the Audit Committee should be to provide a source of assurance about the organisation's arrangements for managing risk as well as financial control and reporting.

The Committee should know how to use the risk management arrangements to inform its assurance requirements.

The Audit Committee is responsible for assessing the organisation's risk management, control and governance arrangements, and advising the Council on the effectiveness and outcomes of these arrangements.

Does the Audit Committee receive sufficient assurances on the organisation's arrangements for managing risks? Does it receive enough information on the effectiveness and outcomes of these arrangements?

Recommendation 2010-11	Update
<p>The Audit Committee should:</p> <ul style="list-style-type: none"> • receive quarterly reports on the recommendations not implemented for priority one recommendations of Internal Audit; • have a workplan devised for the upcoming year that includes quarterly updates on arrangements and improvement to risk management; and • it should assure itself when the Internal Audit Plan for the year is presented that the areas for review cover those areas that are considered high risk to the Council. 	<p>Implemented</p> <p>The Audit Committee has received quarterly reports on the effectiveness of risk management arrangements. Risks are linked to the Annual Audit Plan agreed annually.</p>
<i>Best Practice Recommendations</i>	
<p>The Audit Committee should consider whether it requires further information on risk management than what has been provided recently. Also, it will be standing annual requirement that it should review the risk management policy statement and strategy to have sufficient overview of the arrangements within the Council.</p>	<p>Implemented</p> <p>The Audit Committee received the Corporate Risk Register quarterly and an update on improvements made across the Council.</p>

Administration

Recommendation 2010-11	Update
<p>A needs assessment of the training requirements of members should be performed and following this a programme of training should be devised for member agreement.</p>	<p>Implemented</p> <p>Training needs were requested and were fed into the wider member training led by Corporate Governance.</p>

Appendix A: Self Assessment Checklist

Issue	Yes	No	N/A	Comment
Terms of Reference				
Have the Committee's terms of reference been approved by full Council?	✓			This annual effectiveness review also includes a short review of terms of reference.
Do the terms of reference follow the CIPFA model?	✓			
Internal Audit Process				
Does the Committee approve the strategic audit approach and the annual programme?	✓			March each year.
Is the work of internal audit reviewed regularly?	✓			Annually
Are summaries of quality questionnaires from managers reviewed?	✓			Included in effectiveness indicators
Is the annual report, from the head of internal audit, presented to the Committee?	✓			June each year.
External Audit Process				
Are reports on the work of external audit and other inspection agencies presented to the Committee?	✓			
Does the committee input into the external audit programme?	✓			The Committee receives the Annual Plan.
Does the committee ensure that officers are acting on and monitoring action taken to implement recommendations?	✓			There is a programme to update quarterly on progress against priority 1 recommendations.
Does the Committee take a role in overseeing: <ul style="list-style-type: none"> • Risk management strategies • Internal control statements • Anti-fraud arrangements • Whistle-blowing strategies? 	✓			

Issue	Yes	No	N/A	Comment
Membership				
Has the membership of the Committee been formally agreed and a quorum set?	✓			Approved by Council in May 2010.
Is the Chairman free of executive or scrutiny functions?	✓			The 2006 Constitution review introduced the requirement for the Chairman to be from an opposition party. The Chairman has no executive functions. Additionally, the Chairman is not permitted to serve in that role for more than four consecutive years. The Future of Public Audit suggests the move to an independent Chair, this will be dependent on the Bill proposed.
Are members sufficiently independent of the other key committees of the council?		✓		Partially: None of the Audit Committee members have any executive function but some Councillors serve on committees responsible for partly discharging executive functions. Other Committee memberships are non executive and relate to the scrutiny and Council functions. Due to limited number of members available to serve on various Council committees there is little scope for increasing member independence.
Have all members skills and experiences been assessed and training given for identified gaps?	✓			Members were requested to make inputs to the training schedule in 2011-12. Member training was provided by Corporate Governance.
Can the committee access other committees as necessary?	✓			When the Audit Committee was established It was envisaged that it would be informed of all service inspection reports received from the

Issue	Yes	No	N/A	Comment
				perspective of reviewing any internal control weaknesses that these might be highlighting.
Meetings				
Does the Committee meet regularly?	✓			The Audit Committee meets on a quarterly basis and this is standard practice.
Are separate private meetings held with the external auditor and the internal auditor?	✓			Both external and internal audit have met separately with the Chairman during the year.
Are meetings free and open without political influences being displayed?	✓			Meetings are held open to the public, there were no exempt aspects on these meetings for 2011-12.
Are decisions reached promptly?	✓			There is sometimes too much time given to items at the start of the agenda, meaning others do not receive due consideration. However all meetings finish on time.
Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			
Does the committee have the benefit of attendance of appropriate officers at its meetings?	✓			
Training				
Is induction training provided to members?		✓		New members did not receive induction training therefore there is scope to improve this. However there are no new members this financial year.
Is more advanced training available as required?	✓			There has been ad hoc training and briefings provided to members and all members are able to participate in the member training package.
Administration				
Does the authority's s151 officer or deputy attend all meetings?	✓			

Issue	Yes	No	N/A	Comment
Are the key officers available to support the Committee?	✓			

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AGENDA ITEM: 15

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Meeting	Audit Committee
Date	26 April 2012
Subject	Work Programme for 2012/13
Report of	Assistant Director of Finance – Audit and Risk Management
Summary	To propose a work programme for the Audit Committee for the next twelve months.

Officer Contributors	Maryellen Salter, Assistant Director of Finance – Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A – Work Programme 2012/13
Contact for Further Information:	Maryellen Salter, 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the programme of work for the Committee as set out in Appendix A be approved**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee reviews its work plan against its terms of reference on an annual basis, the last decision in relation to this matter was 24th March 2011. Previously the Audit Committee decided that training would be provided as and when requested.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Audit Committee provides the Council with independent assurance and effective challenge and, therefore, the Committee is central to the provision of effective governance.

4. RISK MANAGEMENT ISSUES

- 4.1 The Statement of Purpose for the Audit Committee in the constitution is defined as :-

The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

- 4.2 Without a forward work plan there is a risk that the Audit Committee may not effectively discharge its responsibilities under the Constitution.

5. EQUALITIES AND DIVERSITY ISSUES

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

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

- 6.1 Delivering the core functions of an Audit Committee contribute to effective systems of internal control. The Audit Committee's work includes providing assurance on the council's arrangements for:

- risk management;
- maintaining effective internal control; and
- reporting on financial and other performance.

In addition, by the Audit Committee monitoring progress against any actions to address significant internal control concerns effectively this can lead to better use of resources and a positive culture of improvement within the Council.

7. LEGAL ISSUES

- 7.1 The Accounts and Audit Regulations 2003, impose obligations upon the council to, amongst other things, prepare, approve and publish a Statement of Accounts by the dates indicated in paragraph 9.2, below. The 2007, CIPFA/SOLACE Framework document introduced a requirement upon local authorities to prepare an Annual Governance Statement (“AGS”).

8. CONSTITUTIONAL POWERS

- 8.1 The Audit Committee’s terms of reference are noted in Part 3, Section 4 of the Council’s Constitution.

9. BACKGROUND INFORMATION

- 9.1 There have been no changes made to the Audit Committee’s terms of reference in the current municipal year. It is a requirement of the terms of reference that the Audit Committee should receive a report outlining an annual work programme. This work programme for 2012/13 is based on having the following four meetings to deal with reports:

June 2012
September 2012
December 2012
March 2013

- 9.2 Attached at Appendix A is a summary of the terms of reference, indicating the reports that it is felt appropriate for the Committee to consider to discharge its responsibilities. It also shows the months in which these reports should be considered, some of which are dictated by statutory deadlines, e.g. the statement of accounts must be considered before the end of June and approved in September, and the Annual Governance Statement before the end of September.
- 9.3 Based on this, the Audit Committee should consider the following reports meetings at the appropriate times:-

Meeting	Items
June 2012	Standing Agenda Items: <ul style="list-style-type: none"> • Internal Audit and Risk Management Progress Report • Exception Recommendations Report • External Audit Progress Report (verbal) Annual Reports

	<ul style="list-style-type: none"> • Internal Annual Report • Corporate Anti Fraud Team (CAFT) Annual Report <p>External Audit</p> <ul style="list-style-type: none"> • Audit Approach Memorandum <p>Statutory Requirements</p> <ul style="list-style-type: none"> • Statement of Accounts • Draft Annual Governance Statement
September 2012	<p>Standing Agenda Items:</p> <ul style="list-style-type: none"> • Internal Audit and Risk Management Progress Report • Exception Recommendations Report • External Audit Progress Report (verbal) <p>Statutory Requirements</p> <ul style="list-style-type: none"> • Annual Governance Statement • Report to those charged with Governance (ISA260) Report (External Audit) • Audited Statement of Accounts
December 2012	<p>Standing Agenda Items:</p> <ul style="list-style-type: none"> • Internal Audit and Risk Management Progress Report • Exception Recommendations Report • External Audit Progress Report (verbal) <p>External Audit:</p> <ul style="list-style-type: none"> • Grants Report • Annual Audit Letter <p>Regulatory Framework:</p> <ul style="list-style-type: none"> • CAFT Interim Report
March 2013	<p>Standing Agenda Items:</p> <ul style="list-style-type: none"> • Internal Audit and Risk Management Progress Report • Exception Recommendations Report • External Audit Progress Report (verbal) <p>Internal Audit & Risk Management:</p> <ul style="list-style-type: none"> • Internal Audit Strategy revision • Risk Management Policy Statement and Strategy revision • Internal Audit, Risk Management and CAFT Annual Plan <p>External Audit</p> <ul style="list-style-type: none"> • Annual Audit Plan <p>Other</p> <ul style="list-style-type: none"> • Annual review of Audit Committee's Effectiveness • Setting work plan • Report on annual review of council constitution, including:- <ul style="list-style-type: none"> ○ Audit Committee terms of reference ○ Financial Regulations ○ Contract Procedure Rules
As & When	<ul style="list-style-type: none"> • Matters referred by the Chief Executive, Directors, Chief Finance Officer • Other reports agreed with Internal and External Audit

- 9.4 As previously agreed it would be good practice for the Chairman, Vice-Chairman and key officers to meet between Audit Committee meetings to review the agenda and progress with reports. This would enable the reports to focus on the key issues and not become too detailed. The Chairman and Vice Chair should also meet privately with External and Internal Audit throughout the year.
- 9.5 The Audit Committee agreed at a previous meeting that it should have access to reports from inspection agencies about the Council's financial management and governance, to provide a source of assurance and to compare with any relevant Internal and External Audit reports. It also acknowledged the need to monitor executive and management action arising from such reports. It was agreed, however, that these reports would not ordinarily be considered as agenda items at the Audit Committee other than in exceptional circumstances, and that these reports would just be circulated to Members of the Committee by way of background material.
- 9.6 In the same vein, the Audit Committee accepted its members should maintain an awareness of the work of overview and scrutiny committees, so that they could take account of issues relevant to the Audit Committee's areas of interest.
- 9.7 During the 2011/12 financial year CAFT, Internal Audit and Risk Management provided support to the member training programme and ran two sessions available to all members on matters relevant to internal controls, fraud and corruption and risk management. In addition, e-learning is available to members on fraud, which incorporates risk management elements. Members also had a briefing on the roles of internal and external audit prior to the September Audit Committee. Training needs will also be built into the Member Training Programme for the 2012-13 municipal year, led by Corporate Governance.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH and MGC
Cleared by Legal (Officer's initials)	SCS

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Audit Committee – 2012/13 Work Programme

Terms of Reference		Reports	Report Author	Provisional Date
•	AUDIT ACTIVITY			
1	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Internal Audit Strategy Internal Audit, Risk Management and CAFT Annual Plan Internal Audit Annual Report	ADoF – A & RM ADoF – A & RM ADoF – A & RM	April April June
2	To consider summaries of specific Internal Audit reports as requested.	Internal Audit and Risk Management Quarterly Progress Report Internal Audit Annual Report	ADoF – A & RM ADoF – A & RM	June, September, December, April June
3	To consider reports dealing with the management and performance of the providers of Internal Audit services.	Internal Audit and Risk Management Quarterly Progress Report	ADoF – A & RM	June, September, December, April
4	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Exception Recommendations Report	ADoF – A & RM	June, September, December, April

Terms of Reference		Reports	Report Author	Provisional Date
5	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.	Annual External Audit Plan Quarterly Progress Reports – External Audit Audit Approach Memorandum Report to those charged with Governance (ISA 260 report) Annual Audit Letter	ADoF - FS ADoF – FS ADoF – FS ADoF – FS ADoF - FS	April June, September, December, April June September December
6	To consider specific reports as agreed with the External Auditor.	External Audit Grants Report	ADoF - FS	December
7	To comment on the scope and depth of External Audit work and to ensure it gives value for money.	Annual External Audit Plan	ADoF - FS	April
8	To liaise with the Audit Commission over the appointment of the Council's external auditors.	Annual External Audit Plan	ADoF – FS	March
9	To commission work from Internal and External Audit.	It is envisaged that requests for ad-hoc reports would arise from the consideration of other scheduled reports.	-	At next available meeting (subject to time required to complete work), unless urgent.
•	REGULATORY FRAMEWORK			
10	To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.	To receive reports as part of the annual review of the council's constitution.	DCE or DoCG	April

Terms of Reference		Reports	Report Author	Provisional Date
11	To review any issue referred to it by the Chief Executive or a Director, or any council body.	Ad hoc.	Person or body referring the matter.	At next available scheduled meeting, unless urgent.
12	To monitor the effective development and operation of risk management and corporate governance in the council.	Internal Audit and Risk Management Progress Report	ADoF – A & RM	June, September, December and April
		Revision of Risk Management Policy Statement and Strategy	ADoF – A & RM	April
13	To monitor council policies on ‘Raising Concerns at Work’ and the anti-fraud and anti-corruption strategy and the council’s complaints process.	Internal Audit, Risk Management and CAFT Annual Plan	DoCG	April
		CAFT Interim Report (including whistle blowing)	DoCG	December
		CAFT Annual Report (including whistle blowing)	DoCG	June
14	To oversee the production of the Authority’s Annual Governance Statement and to recommend its adoption	Draft Annual Governance Statement	DoCG	June
		Annual Governance Statement	DoCG	September
15	To consider the Council’s compliance with its own and other published standards and controls.	Annual Governance Statement	DoCG	September
		External Audit Opinion and Internal Audit Annual Report	ADoF – A & RM	
•	ACCOUNTS			

Terms of Reference		Reports	Report Author	Provisional Date
16	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	Draft Statement of Accounts Audited Statement of Accounts Report to those charged with Governance (ISA260)	ADoF – FS ADoF – FS ADoF – FS	June September September
17	To consider the External Auditor’s report to those charged with governance on issues arising from the audit of the accounts.	Report to those charged with Governance (ISA260)	ADoF – FS	September
•	REVIEW OF EFFECTIVENESS			
18	To conduct an annual review of the effectiveness of the Audit Committee	Annual Review of Audit Committee’s Effectiveness	ADoF – A &RM	April
•	OTHER			
	N/A	Annual Work Programme for following year	DoCG/ADoF – A & RM	April

Report Authors:

DCE/CFO

Deputy Chief Executive or Chief Finance Officer

DoCG

Director of Corporate Governance

ADoF – FS

Assistant Director of Finance – Financial Services

ADoF- A & RM

Assistant Director of Finance – Audit and Risk Management

Meeting	Audit Committee
Date	26 April 2012
Subject	Internal Audit Report Contract Procedure Rules – April 2012
Report of	Commercial Director
Summary	Members are asked to note the Audit Report and Appendices.

Officer Contributors	Craig Cooper, Commercial Director Lesley Meeks, Assistant Director of Commercial Assurance
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of Enclosures	Council Internal Audit Report Contract Procurement Rules Appendix A - Statement of Responsibility Appendix B – Guide to Assurance and Priority Appendix C- Achievement against Procurement Controls and Monitoring Action Plan Appendix D - Action Plan
Contact for Further Information:	Lesley Meeks, Assistant Director of Commercial Assurance 020 8359 7535

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report and the actions being taken to address the findings within the internal audit report.**
- 1.2 That the Assistant Director of Commercial Assurance report to the July Audit Committee providing assurance that the actions have been implemented in line with the recommendations.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 As part of the proposed 2012/13 Internal Audit Plan, Internal Audit have conducted a review of progress against the Procurement Controls and Monitoring Action Plan.
- 2.2 A report made in December 2011 to the Audit committee recommended that the Assistant Director of Finance – Audit and Risk Management continue to report to the Audit Committee on the further implementation and embedding of these controls.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

- 4.1 The Audit Report sets out identified risk(s) in relation to the findings.
- 4.2 Without an effective procurement and contract management function there is the risk to the Council of failure to deliver value for money and having uncommercial contracts with suppliers The Procurement Controls and Monitoring Plan were devised to respond to identified risks.
- 4.3 There are also potential safeguarding risks if adequate procurement due diligence has not been followed. It is therefore important that the Contract Procedure Rules are embedded not only within the Corporate Procurement Team but throughout the council. The formation of a working group including representatives from all directorates has been set up and has met weekly to consider practical solutions.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Pursuant to the Equalities Act 2010, the council is under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability,

gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation

5.2 The duty applies to a person, who is not a public authority but who exercises public functions and therefore must, in the exercise of those functions, have due regard to the general equality duty. This includes any organisation contracted by a local authority to provide services on its behalf.

5.3 The Equalities Act 2010 states that:

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

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

5.4 Implementation of the actions coming from the key findings from the Internal Audit will ensure that the Council addresses any non-compliant contracts, taking action to ensure that all contractors comply with the general equality duty set out above.

5.5 The Council's Equalities policy will also form part of the formal evaluation of all future providers' proposals. Any contracts will include explicit requirements fully covering the Council's duties under equalities legislation.

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

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

6.2 The improvements noted in procurement controls supports the delivery of value for money, although it is noted that value for money is an holistic judgement on the Council's arrangements for economy, efficiency and effectiveness. This report notes the progress of the controls designed to improve the control environment relating to Council procurement activity.

6.3 In order that future reporting can become less reliant on manual intervention and be driven from the central SAP database there will be

a need to review how vendor and contract information can best be captured and reported.

- 6.4 There is a high reliance on the IT department to assist with actions associated with key findings. Resource will be required to implement vendor/contract limits and e-training for contract management.
- 6.5 The working group, which includes representatives from all directorates, will continue to meet to drive forward the implementation of actions arising from this audit; continuation of working together to implement actions within the Procurement Controls and Monitoring Action Plan and 'centralisation' of procurement function.

7. LEGAL ISSUES

- 7.1 Section 3(1) of the Local Government Act 1999 imposes a duty on Local Authorities to 'make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.2 The public procurement regulations apply whenever a contracting authority whether by itself, or through a third party, seeks offers in relation to a proposed public 'works' 'supply' or 'service' contract, the value of which exceeds certain financial thresholds. The public procurement regulations make a distinction between two categories of services. Schedule 3 to the Public Contract Regulations 2006 contains two lists of categories of services. The first list, which appears in Part A, contains description of services which are subject to the full application of the rules under the public procurement regulations. If a service in Part A exceeds the relevant threshold, it is subject to the full public procurement regulations, such as the obligation to subject the service to advertisement before an award of contract.

Only limited parts of the Regulations apply in the case of Part B services contracts and do not apply to service concessions or contracts that are below the relevant thresholds. Such contracts are nonetheless caught by general Treaty principles of equal treatment, non-discrimination and transparency.

With respect to contract award, the award decision must comply with procedural rules laid down at the outset and which comply with the general principles of non-discrimination and equal treatment.

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

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

9. BACKGROUND INFORMATION

- 9.1 The Internal audit was carried out during March/April in line with the programme of work that was implemented after an Action Plan was presented to the Committee on 16th June 2011, in response to findings of the 2010-11 Internal Audit Annual Report.
- 9.2 The attached Internal Audit Report Contract Procurement Rules April 2012 (appendix A) sets out the key findings and corresponding actions. The audit noted that there have been improvements made in the processing of transactions in compliance with the Contract Procedure Rules (CPRs). The review carried out against the Procurement Controls and Monitoring Action Plan (Appendix C) found that since the previous report where there were six recommendations rated as amber for control design, there are now three areas rated as amber. For operating effectiveness, there are five areas rated as amber and one as red. There is still some progress to be made but it is also important that recognition is given to the improvements to date of the implementation of the Action Plan over this three month period.
- 9.3 There are six key recommendations noted within the report, of which one is high priority and the other five are medium priority. Comments on the findings and corresponding actions have been made in the attached report (appendix A).
- 9.4 The high priority finding was on implementation of Contract Management Training. Training was carried out during 2011/12 on the use of SAP and the training material is on the e-Portal, however the audit focused on contract management training relating to the CPRs. Training material has been built and was audited. There were some minor amendments suggested by the auditors but the main concern was that it had not been rolled out yet. The aim is to roll out an e-learning tool. The IT solution to enable this is being built. This will be given high priority and work is currently taking place with the IT department to get the solution built and in use. The aim is to have the training commence in May 2012.
- 9.5 The other areas of findings were:
- 9.5.1 New Contracts – two contracts were not uploaded onto the repository area due to scanning issues, however since the audit this has been addressed. Two new contracts were still in draft form, and therefore were not loaded into the repository.
- 9.5.2 Existing Contracts – 5% were not in line with CPRs and had not received a waiver. 80% of the contracts tested were now compliant. Vendors on the SAP system did not have a threshold but it was confirmed that an upgrade to the system has been purchased and this is being applied now.
- 9.5.3 New Vendor authorisation – the protocol for authorisation of new

vendors was reviewed three months ago and improvements were identified. One of the enhancements was the sign-off protocol. Prior to this enhancement the new vendor form was approved via email. The audit was carried out across all new vendor authorisations which meant that some of the audited forms were those that had been approved prior to the changes. This resulted in eight forms identified without the new signature process. Vendor's authorisations now require a physical sign-off and are scanned and filed centrally.

9.5.4 Corporate Oversight – There are now a number of reports that cover spend analysis and contract compliance. The spend analysis report covers a two year period but can easily be changed to review the current financial year only, if needed.

9.5.5 Retrospective Purchase Orders – these had increased during February due to through put of expenditure before year end, however while there are occasionally times when a retrospective purchase order may be needed this should be the exception. The recommendation will be implemented.

9.6 The audit has demonstrated that The Procurement Controls and Monitoring Action Plan have led to improvements and in some cases no findings were noted. However, whilst complying with rules is paramount it does not necessarily make procurement efficient. To ensure value for money and efficiencies in the supply chain we are using the data we have collated through this process to structure contract and supplier management to ensure that relationships with vendors are monitored on performance and alignment against the councils' strategic direction and delivery needs. This will include quality, cost and delivery as well as helping us meet the social and local needs of the communities such as the use of local companies and SMEs plus where applicable the employment of apprentices.

9.7 Procedures are in place Council-wide to monitor the progress against the delivery of corporate priorities through performance reporting, which incorporates measurement of cost, outputs and benchmarking to give us an holistic view on our achievement of value for money. Given the Councils low cost position against a number of its nearest neighbours and the performance of its front line services are confident of the ability to demonstrate value for money. Further improvements to procurement controls will provide assurance that compliance is culturally embedded within services.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	POJ

London Borough of Barnet
Draft Internal Audit Report
Contract Procedure Rules
April 2012

Internal Audit Service

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Appendices:

A: Statement of responsibilities

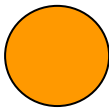
B: Guide to assurances and priority

C: Achievement against Procurement Controls and Monitoring Action
Plan

D: Action Plan

1. Executive Summary

<p>Introduction</p>	<p>As part of the proposed 2012/13 Internal Audit Plan, agreed by the Audit Committee, we have undertaken an internal audit of Contract Procedure Rules, specifically progress against the Procurement Controls and Monitoring Action Plan.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement, in order of priority.</p>
<p>Background</p>	<p>Contract management was identified as a key theme for controls rectification in 2011/12, following the presentation of the Annual Internal Audit Report to the Audit Committee in June 2011. Following this, actions were taken by management to address the deficiencies identified in this area. Actions included:</p> <ul style="list-style-type: none"> • The development of a ‘Procurement Controls and Monitoring Action Plan’ by the Commercial Directorate. • The formation of a working group including representatives from all directorates to consider practical solutions to issues identified. • The continuation of a Member Task and Finish group to discuss progress against strategic procurement. <p>A report made in December 2011 to the Audit Committee identified that progress had been made in improving controls related to procurement. However, there were still non-compliant contracts in place and gaps in the effectiveness of controls. Some areas had been identified as ‘amber’ in the Procurement Controls and Monitoring Action Plan, and will be followed up as part of this review.</p>
<p>Corporate objectives and risks</p>	<p>This area supports the corporate priority of “Sharing Opportunities and Responsibilities’ and ‘Better Services with Less Money’.</p>

	None	Limited	Satisfactory	Substantial
<p>Audit Opinion & Direction of Travel 2010-11 Corporate Procurement (Limited)</p>				

Key Findings

Since the previous review, reported by Internal Audit in December 2011, there have been some improvements made in the processing of transactions in compliance with the Contract Procedure Rules (CPRs). As in December 2011, we have audited procedures against the Procurement Controls and Monitoring Action Plan. In particular, there are now some areas where no findings were noted with the control design and the operating effectiveness of the system. This includes:

- Protocols for monitoring spend and ensuring staff responsibilities are in place across directorates. These were reviewed and are in line with the CPRs.
- No findings were noted in substantive testing of contract extensions in relation to the procedures to ensure that contract extensions are considered in the same way as new contracts, and go through a process to ensure they are appropriately extended for the Council.

However, there is still some progress to be made until the CPRs are fully embedded within the 'business as usual'. Through the testing performed in this review, one high priority finding was noted as below.

- Training Package: Although a training package for contract management has been developed, and there are minor amendments to be made to bring it fully in line with the CPRs, it has not yet been rolled out to relevant staff members. Without consistent training delivered to all staff members who are involved in procurement, the CPRs may not become culturally embedded within the Council. We note however that procure to pay training had occurred to relevant staff, or access turned off, as reported in December.

A further five medium priority issues were noted in the work performed against the Procurement Controls and Monitoring Action Plan. These are summarised below:

- New contracts: 20% of our sample of new contracts tested could not be verified as compliant with CPRs. This was because the contracts could not be obtained/located.
- Existing contracts: 10% of our sample of contracts tested were still non-compliant, despite being recorded as compliant. Additionally, 80% of contracts within our sample were waived in order to become compliant. Whilst the option to waive is in accordance with the CPRs, this should be used as an exception to the rule; the Council should consider whether the CPRs provide the necessary framework to enable compliance, however training should start to address knowledge gaps across services.
- New vendors: In 80% of the sample of cases we tested there was not an appropriate level of authorisation evidenced and recorded on the new vendor form. Of these, 62% were not authorised through the correct form, rather this was achieved by email.
- Corporate Oversight: There are limitations with the reporting in place for the completeness of the contracts register, meaning management cannot easily assess their data spend for the current financial year, it currently covers 3 year historical spend but doesn't indicate where there is current spend. Additionally, there are still some contracts not added to the corporate repository for contracts without valid reasons. We do however note that managers do have access to SAP spend reports, reports extract spend by vendor, year, category which is an improvement from our previous reporting in December. Training is now available on these through the E-portal.
- Retrospective purchase orders: There has been a negative direction of travel, with a high percentage of retrospective purchase orders being raised in February 2012 when compared with the rest of the year.

For more detailed findings, see below and Appendix C: Achievement against Procurement Controls

and Monitoring Action Plan.

Acknowledgement

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

2.1 New Contracts – Compliance with Contract Procedure Rules (CPRs)

P	Detailed finding	Risk	Recommendation	
2	<p>A sample of new contracts entered into since September 2011 was tested to assess if these were processed in line with the CPRs. The following exception was noted:</p> <ul style="list-style-type: none"> In 20% of the cases we sampled, the contracts either could not be found or had been sent to the provided for signature, and so compliance with the CPRs could not be verified. 	<p>A fragmented approach to procurement may result in non-achievement of Value for Money.</p> <p>The Council may not be able to manage its contract effectively if relevant documentation is unavailable.</p>	<p>The CPRs should be reiterated to all procurement staff to ensure new contracts are appropriately drafted and signed.</p> <p>Contracts should be appropriately stored on the central repository where possible, or as a hard copy in each Directorate.</p>	
Management Response			Responsible Officer	Deadline
Agreed. This will form part of the e-training programme.			Assistant Director – Commercial Assurance	July 2012
Agreed. This will continue to be monitored during the weekly working group meeting where all directorates are represented.			Working Group	June 2012

2.2 Existing Contracts – Movement from non-compliant to compliant

P	Detailed finding	Risk	Recommendation
2	<p>Within our sample of contracts, which had previously been non-compliant and now recorded as compliant, was tested to assess if contracts are now compliant with the CPRs. 10% of these contracts were found to still be non-compliant.</p> <ul style="list-style-type: none"> • 5% was still in draft form, and as such should not be recorded on the contract register as compliant. • 5% was not tendered in line with the CPRs, and had not received a waiver to make this compliant. <p>For 80% of the contracts tested, it was noted that the contracts were now compliant as they had received a waiver. Whilst the option to waive is in accordance with the CPRs, this should be used as an exception to the rule.</p> <p>Our sample of vendors was selected from the contract register and reviewed on SAP to assess if vendor thresholds were in place. None of the vendors had a threshold on SAP. Management confirmed that an upgrade had recently been purchased, and that vendor limits will be implemented for each directorate shortly.</p>	<p>The Council may have non-compliant contracts remaining which go unmonitored if they are recorded as compliant but are actually non-compliant.</p> <p>The process of waiving contract procedure rules (CPRs) in order to gain compliance may reduce the impact of the CPRs.</p> <p>There may be overspends on contracts above that authorised and which may exceed EU thresholds.</p>	<p>The Council should reiterate the requirements for compliance, and the need to meet these requirements before a contract is recorded as compliant.</p> <p>The Council should review the CPRs and consider if they are too rigid for achieving their objective of ensuring contracts are procured appropriately.</p> <p>The Council should continue to investigate implementing vendor thresholds on SAP for old and new vendors, and ensure in the interim that mitigating controls are in place to prevent overspend against contracts.</p>

Management Response	Responsible Officer	Deadline
Agreed. This will be reiterated at the working group plus form part of the e-training.	Working Group	July 2012
The CPRs are being reviewed as part of an on-going action and revised documents will be reviewed by the Special Constitution Review Committee in June 2012.	Assistant Director – Commercial Assurance	June 2012
This action is underway. The Vendor threshold limits will be the first phase of the action. Full implementation will require training for Operational Purchasers and a review of ways of working.	Assistant Director – Commercial Assurance and Working Group	Interim controls May 2012 Complete July 2012

2.3 New Vendors - Authorisations

P	Detailed finding	Risk	Recommendation	
2	<p>A sample of new vendors was tested to assess if these were appropriately processed. The following was noted:</p> <ul style="list-style-type: none"> In 80% of the cases tested, the new vendor forms were not evidenced as authorised correctly, by the team manager and by the Assistant Director. Of these, 62% did not have any authorisation through the new form, email authorisation was achieved however. 	<p>The Council may incur costs to a vendor who has not been appropriately authorised before being added to SAP.</p>	<p>All new vendor forms, as an agreed control measure, should be appropriately authorised prior to their addition to SAP.</p> <p>New vendor forms should be centrally stored to ensure ease of review.</p>	
Management Response			Responsible Officer	Deadline
Agreed			Working Group	May 2012
Agreed. This is now the case for new vendors that have final sign off in Corporate Procurement Team (CPT). A copy is taken and saved on the shared drive.			Assistant Director – Commercial Assurance	Complete

2.4 Corporate Oversight – Vendor Spend and Corporate Repository

P	Detailed finding	Risk	Recommendation
2	<p>We obtained and reviewed the Vendor Spend Analysis, a report which details all spend in 2011/12. However, when reviewing the ‘contracts over £25k not included’ tab, this reported spend relating to other years. The current report cannot be manipulated to identify current year spend above £25k which is not included on the contract register.</p> <p>We do however note that managers do have access to SAP spend reports, reports extract spend by vendor, year, category. Training is now available on these through the E-portal.</p> <p>We tested a sample of contracts which are included on the contract register but not included on the corporate repository. 80% of these had a reasonable argument for not being scanned, such as containing sensitive data. Of the exceptions where a reasonable explanation was not found this was due to:</p> <ul style="list-style-type: none"> • The responsible staff member was on annual leave. • Lack of capacity of the scanner used. However, a new scanner has since been purchased and the contract remains unscanned. • The contract being archived and having to be retrieved. 	<p>The Council may not be able to appropriately monitor spend if the reports do not include the functionality to review spend by year.</p> <p>The Council may lose sight of contracts if they are not placed on the central repository when appropriate.</p>	<p>Management should review the information included in the Vendor Spend Analysis report and amend to include spend in current financial year.</p> <p>Management should reiterate to all Directorates the requirement to add all contracts over £25k to the central repository, excluding those which contain sensitive data. All paper contracts should be held with legal services.</p>

Management Response	Responsible Officer	Deadline
<p>Current financial year is available within the report but we will amend the report so management information is easily obtained.</p>	<p>Assistant Director – Commercial Assurance</p>	<p>May 2012</p>
<p>Agreed. This will be monitored by the Working Group. A way of securing sensitive information will be investigated and if possible implemented.</p>	<p>Working Group</p>	<p>June 2012</p>

2.5 Retrospective raising of purchase orders

P	Detailed finding	Risk	Recommendation	
2	<p>We analysed the level of retrospective purchase orders raised as a percentage of the total number of purchase orders (PO) in a given period by department, and found the following.</p> <p>It was noted that in all departments except Corporate Governance increased the level of retrospective raising of purchase orders in February 2012 compared to across the year. A small rise during February may be expected given the requirement to put through expenditure before year end.</p>	<p>There is a risk that there is commitment of expenditure prior to the budget being checked and authorised.</p>	<p>The Council should reiterate to management the requirement to raise and order a purchase order before a purchase is made.</p>	
Management Response			Responsible Officer	Deadline
<p>Agreed. There are some cases when retrospective PO is needed. This should be exception and the working group will action this recommendation.</p>			Working Group	July 2012

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

P	Detailed finding	Risk	Recommendation	
1	<p>We assessed the training package for contract management developed in Powerpoint format, which is largely consistent with the CPRs. However, the following issues were noted:</p> <ul style="list-style-type: none"> The training does not include adequate coverage of CPR Table 5.1, which covers the authorisation and acceptance rules. The training has not yet been launched. <p>We note however that training occurred for all of those staff who carry out functions within the procure to pay process – reported to the December Audit Committee.</p>	<p>Training may not include all aspects of the CPRs which are required in order to embed the procurement culture.</p> <p>Training may not be delivered in a timely manner to all required staff members, to enable the appropriate procurement route to be followed.</p>	<p>The Council should review the training package against the CPRs to ensure its content is appropriate.</p> <p>The package should be delivered to relevant staff members as soon as possible.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			Assistant Director – Commercial Assurance	April 2012
Agreed. The IT solution is being built and training will commence as soon as this is available.			Head of IS Service Delivery and Assistant Director – Commercial Assurance	May 2012





Appendix A: Statement of Responsibility

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

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

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

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

Priorities assigned to recommendations are based on the following criteria:

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

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

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

Appendix C: Achievement against Procurement Controls and Monitoring Action Plan

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

The results of this audit are colour coded based on the testing performed, in line with previous measurement of achievement against the Action Plan. Previously the report issued in December rated the action plan only on Control Design as they had not been in place for a sufficient amount of time to test whether the control were operating effectively. We would expect operating effectiveness to embed over at least a 12 month period. Since the previous report where there were six recommendation rated as amber for control design, there are now three areas rated as amber. For operating effectiveness, there are five areas rated as amber and one as red.

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
Contract Procedure Rules (CPRs) should be followed by all services to procure works, supplies and services.	The Council could be exposed to unnecessary risk, financial loss and likelihood of challenge arising from non compliant tendering activity.	Training has been arranged however low attendance noted and a number of sessions were cancelled due to sickness absence. Mop up sessions have been arranged by CPT covering those staff not previously trained, non attendance to result in functionality in SAP being switched off.	Internal Audit will obtain a listing of new contracts entered into since September 2011 and on a sample basis ensure that Contract Procedure Rules have been adhered to.	No issues noted.	20% of new contracts tested could not be verified as being in line with the CPRs. See Finding 2.1 for detail
A SAP solution should be explored by Corporate Procurement team to enter vendor limits in accordance with the contract procedure rules thresholds.	Non-approved or vetted contractors/suppliers could expose the Council to financial loss and reputation damage.	System improvements not requiring re-programming identified. Logica proposal received for Business Warehouse reporting enhancements.	Internal audit will obtain a listing of contracts that were non compliant in August 2011, and assess if they are now compliant with Contract	There are no vendor thresholds in place on SAP for existing or old vendors.	10% contracts tested were recorded as compliant but were still non-compliant. See Finding 2.2 for

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
		Solution will not be received for another 12 weeks; therefore interim solution needs to be determined. IS has developed reports for use in Services - 1) purchase order report, 2) Block vendor set-up and 3) aggregated spend, these can all be used by services now. How-to guides and training needs to be developed around these reports.	Procedure Rules. We will also select a sample of vendors from the contract register, and review their vendor limits on SAP, to assess if there is a limit in place and if it is compliant with the contract value / contract procedure rules thresholds.	See Finding 2.2 for detail.	detail.
Formal written contracts should be established for all services commissioned by the Council as required by the Contract Procedure Rules.	There is a risk that the Council may not receive the service required or will be unable to recover damages for works not carried out or for breach in the event of the dispute if terms are not formally agreed and clearly defined contracts are not in place The absence of a written contract results in more resource intensive efforts to understand contract arrangements in place.	Institute key control whereby new vendor records cannot be set up without confirmation of Contract Procedure Rules (CPR) compliance. Procurement now authorise and set up all new vender requests	We will obtain a listing of new vendors created since the last review in August 2011. We will select a sample to test if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP.	No issues noted.	80% of new vendor forms tested were not appropriately authorised. See Finding 2.3 for detail.
All directors should maintain a complete register of contracts as	There is a risk that failures to with comply Contract Procedure Rules may not be	All schemes of delegation received from all directorates. As per	As this recommendation was fully implemented in December we will not	Satisfactory Assurance was given in this area previously.	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
<p>required by the current Contract Procedure Rules (CPR). This should assist with the completion of a Corporate contract register, which should be placed on the Council's internet to meet the transparency agenda.</p>	<p>identified, that the Council may not be able to work collaboratively with other local authorities on procurement initiatives and ineffective budget planning.</p>	<p>the financial regulations each Corporate Director is required to maintain a scheme of financial delegation in accordance with the minimum standards as determined by the Chief Finance Officer as Section 151 Officer or Nominated Deputy, and which accords to the financial limits included within the overall scheme of delegation and contract rules. Schemes of delegations were formally approved.</p> <p>Internal audit reviewed 20% of each Directorate's contract register and agreed to a valid contract and that there was an audit trail, i.e. for each contract the contract was either obtained in a central location either in hard copy or soft copy. This would have been collated as part of the quality assurance procedures of each Directorate. All Directorates who were found not to have an</p>	<p>cover this as part of our review.</p>		

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
		audit trail were requested to re-submit quality assurance statements.			
Corporate Procurement should undertake an oversight function to ensure that contracts are in place where expenditure in Services exceeds the stipulated Contract Procedure Rules (CPR) thresholds. Complete and accurate Directorate contract registers should enable this monitoring to take place.	There is a risk that failures to with comply Contract Procedure Rules (CPR) may not be identified, that the Council may not be able to work collaboratively with other local authorities on procurement initiatives and ineffective budget planning.	<p>Completeness checking is still on-going by Corporate Procurement Team. A monitoring role has been established by Corporate Procurement that has been process mapped this is to be rolled out to services so that expectations are clear.</p> <p>Protocol for the repository has been determined and sent to Services as agreed process, some contracts have been sent for inclusion on repository however not entirely complete.</p>	<p>We will review vendor spend on SAP across Directorates to identify any vendors for whom the total spend is over the amount specified in the Contract Procedure Rules, and check to see if they are included on the contract register.</p> <p>We will review the data on the Corporate Repository held in Legal to assess if this is consistent with Directorate information and that all contracts have been uploaded in line with the Chief Executive's request.</p>	<p>The Vendor Spend Analysis report does not have the functionality to report current year spend above £25k which is not included in the contract register.</p> <p>See Finding 2.4 for detail.</p>	<p>20% of contracts tested which were on the contract register but not on the corporate repository did not have acceptable reasons why they were excluded.</p> <p>See Finding 2.4 for detail.</p>
A fit for purpose contract service specification should be developed for tender evaluation purposes and monitoring service delivery.	Complete tendering of corporate security contract in line with Contract Procedure Rules (CPR).	Tender exercise for Security Services underway and progressing. Tenders received and are being evaluated.	As this was confirmed at the last review we will not be reviewing this area.		Satisfactory Assurance was given in this area previously.
The Corporate Procurement Team should	In the absence of an effective monitoring and	There has been guidance issued on how the	We will review the protocol for monitoring	We reviewed the protocols for monitoring spend and responsibilities in	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
<p>establish a process for identifying and monitoring expenditure by category by service across the Council to ensure that current levels do not exceed Contract Procedure Rule limits.</p>	<p>analysis process there is a risk of non compliance with the Council's procurement policies which may then prevent the Council from achieving value for money.</p>	<p>Director of Commercial Services will carry out monitoring expenditure by category in the interim whilst reporting enhancements are pending.</p> <p>However these arrangements are not considered embedded.</p>	<p>spend in each Directorate to confirm whether it is consistently applied and in line with corporate procurements planned approach.</p> <p>We will discuss with management the process for monitoring Commercial Services expenditure, and review evidence of this occurring.</p>	<p>place, and these are considered in line with the CPRs.</p>	<p></p>
<p>Independent checks of amendments to key Vendor Master Data records, such as bank data, should be undertaken routinely for an appropriate number of records.</p> <p>Checks should ensure that appropriate checks are made to confirm details and validity of the requested changes from related parties.</p> <p>Management should retain all supporting data for vendor set-up and amendment checks. In particular, necessary records to confirm the</p>	<p>Without evidencing the checks necessary for setting up new Vendors, and without following the standard practices for verifying change requests, there is a significant risk of inappropriate payments to an invalid vendor resulting in financial losses to the council.</p>	<p>Master file vendor approval form updated to include additional checks. VAT and company details checked for all new vendor requests prior to approval and set up. The Accounts Payable audit included within the scope to review all of these areas to give assurance that this control was implemented, PwC reviewed these processes and confirmed as implemented.</p>	<p>We gave satisfactory assurance during the accounts payable audit and therefore will not be reviewing this area in this audit.</p>	<p>Satisfactory Assurance was given in this area previously.</p>	<p></p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
checks undertaken for amendments for key data fields, such as Bank details, should be retained.					
<p>There should be a review carried out to calculate the exact figure the Council has overpaid VAT on this vendor, and immediately contact HMRC.</p> <p>Officers should, as standard, refer all name changes on supplier's invoices to the Central Procurement Team who should obtain the advice of the VAT officer for confirming compliance with the VAT regulations before a change can be processed.</p> <p>Training provided to officers should focus on the implications of name changes on supplier's invoices and how those should be addressed for the purpose of compliance with the HMRC's VAT requirements.</p>	<p>Non-compliance with the Financial Regulations requirement to pay valid VAT invoices can result in the Council facing penalties for the over-recovery of output VAT.</p>	<p>HMRC were sent all invoices pertaining to the Metpro companies for them to independently review VAT compliance. They confirmed that these were compliant for VAT purposes.</p> <p>Reviewed as part of accounts payable audit and achieved satisfactory assurance.</p> <p>Training was given to Finance staff specifically by the VAT officer. VAT was included within training however as mentioned above overall training needs completion by those in scope.</p>	<p>As satisfactory assurance was given in these areas following the accounts payable audit we will not be reviewing these areas in this audit.</p>	<p>Satisfactory Assurance was given in this area previously.</p>	
Contract extensions should be undertaken in line with Contract Procedure Rules	In the absence of formal extensions to contracts, value for money	All service now have a contracts register, with quality assurance on-	We will review a sample of contract extensions made since August	A sample of contract extensions was tested to assess if each contract was extended in line with the CPRs. No	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
<p>(CPR) requirements.</p> <p>Changes to conditions of service should be formally documented for referral by all parties who may be required to certify delivery and payment.</p>	<p>opportunities may be lost.</p> <p>The lack of formal records of variation to terms increases the risk that incorrect charging may not be identified and addressed.</p>	<p>going and actions plans now in place. All action plans have varying degrees of delivery for compliance; this is subject to weekly reporting.</p>	<p>2011 and assess if they comply with Contract Procedure Rules.</p>	<p>issues were noted in this testing.</p>	
<p>Standard practice should be re-enforced through-out the Council, specifically:</p> <p>Changes to contract terms should be formally approved and documented for referral by those involved in certifying delivery per invoice;</p> <p>Invoices should be initiated as evidence of confirmation of service delivery in line with current terms and calculation check;</p> <p>Supporting documentation should be provided to evidence service delivery;</p> <p>Delivery should be confirmed with officers who are able to comment on delivery as part of their respective role; and</p> <p>Purchase orders should be</p>	<p>There is a risk that invoices may be paid which are not in line with authorised service conditions and that have not been confirmed as being a liability of the Council.</p>	<p>All services were advised of changes in processes for having approval of invoices, requiring a purchase order. We reviewed arrangements prior to, and after, August when the changes took place. Within the Internal Audit sample there was a 33% improvement in retrospective orders from pre to post August. Whilst this Direction of Travel is positive there will need to be focus by Services to reach the desired compliance with Financial Regulations. Reports are prepared for management to investigate non compliant with financial regulations. We will continue reporting back to the Audit Committee on this aspect.</p>	<p>We will inquire as to the procedures in place to review retrospective order reports, the frequency of monitoring these reports, and the compliance of this control across Directorates. We will review current retrospective order reports to assess direction of travel at a Directorate level.</p>	<p>No issues noted.</p>	<p>We analysed the level of retrospective purchase orders raised across directorates over the year, and compared to the level of retrospective purchase orders raised in February 2012. All except one directorate showed a negative trend.</p> <p>See Finding 2.5 for detail.</p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
<p>approved and before delivery of the service to ensure that expenditure is valid and in line with agreed terms.</p>		<p>The goods receipt system is a three way match between order, invoice and goods receipt note. This process negates a need to physically note on invoices service delivery.</p> <p>Invoices cannot be paid on SAP unless there is a three way match between invoice, order and goods receipt note. This was tested satisfactorily in recent review of accounts payable.</p>			
<p>Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts.</p> <p>Tasks:</p> <p>All contracts to be monitored, with arrangements documented in service schemes of delegation.</p> <p>Directors to report compliance with scheme of delegation through monthly performance monitoring process.</p>	<p>The lack of contract monitoring arrangements generally increases the risk that failures in service delivery may not be identified, that service delivery may not be optimised and failures in regulatory compliance which may expose the council to financial and reputation risk may not be identified.</p>	<p>All Services have a Scheme of Delegation in place, however they have only recently received guidance on expectations on contract management and monitoring. Training discussion is taking place on what is expected of Directors and Assistant Directors. Directors and Assistant Directors, since July, are monitoring contracts through their monthly monitor. Reports on spend is currently being</p>	<p>We will review the Contract Management e-learning package, which has been developed to assist in managing and monitoring contracts, to assess if it is meeting its objectives.</p> <p>We will also review the launch status for this package to assess if it is appropriately timed and there is sufficient take-up across the Council.</p>	<p>We assessed the training Powerpoint designed, and noted there was some variation between the training and the CPRs. See Finding 2.6 for detail.</p>	<p>As the package has not yet been launched, we were unable to test operating effectiveness, See Finding 2.6 for detail.</p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Work Performed (April 2012)	Control Design	Operating Effectiveness
<p>Performance monitoring - Format and to whom this should be reported to be determined.</p> <p>Contract monitoring - Guidance and training required for contract monitoring to be put in place</p>		<p>undertaken on a ad hoc basis, guidance has established what is the best practice will be going forward but this has not been in place for enough time for us to sufficiently assure ourselves it is embedded.</p>			

Appendix D: Action plan

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
2	<p>New Contracts – Compliance with CPRs</p> <p>20% of new contracts tested could not be verified as being in line with the CPRs.</p>	<p>Recommendation 2.1</p> <p>The CPRs should be reiterated to all procurement staff to ensure new contracts are appropriately drafted and signed.</p> <p>Contracts should be appropriately stored on the central repository where possible, or as a hard copy in each Directorate.</p>	<p>Agreed. This will form part of the e-training programme.</p> <p>Agreed. This will continue to be monitored during the weekly working group meeting where all directorates are represented.</p>	<p>Assistant Director – Commercial Assurance</p> <p>Working Group</p>	<p>July 2012</p> <p>June 2012</p>
2	<p>Existing Contracts – Movement from non-compliant to compliant</p> <p>10% of contracts tested were recorded as compliant but were still non-compliant.</p> <p>80% of contracts tested were waived in order to achieve compliance. This suggests the CPRs are not appropriately designed.</p> <p>There are no vendor thresholds in place on SAP for existing vendors.</p>	<p>Recommendation 2.2</p> <p>The Council should reiterate the requirements for compliance, and the need to meet these requirements before a contract is recorded as compliant.</p> <p>The Council should review the CPRs and consider if they are too rigid for achieving their objective of ensuring contracts are procured appropriately.</p> <p>The Council should continue to investigate implementing vendor thresholds on SAP for old and new vendors, and ensure in the interim mitigating controls are in place to prevent overspend.</p>	<p>Agreed. This will be reiterated at the working group plus form part of the e-training.</p> <p>The CPRs are being reviewed as part of an on-going action and revised documents will be reviewed by the Special Constitution Committee in June 2012.</p> <p>This action is underway. The Vendor threshold limits will be the first phase of the action. Full implementation</p>	<p>Working Group</p> <p>Assistant Director – Commercial Assurance</p> <p>Assistant Director – Commercial Assurance and Working Group</p>	<p>July 2012</p> <p>June 2012</p> <p>Interim controls May 2012</p> <p>Complete July</p>

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
			will require training for Operational Purchasers and a review of ways of working.		2012
2	<p>New Vendors - Authorisations</p> <p>80% of new vendor forms tested were not appropriately authorised. 63% of these had no evidence of any authorisation.</p>	<p>Recommendation 2.3</p> <p>All new vendor forms should be appropriately authorised prior to their addition to SAP.</p> <p>New vendor forms should be centrally stored to ensure ease of review.</p>	<p>Agreed</p> <p>Agreed. This is now the case for new vendors that have final sign off in CPT. A copy is taken and saved on the shared drive.</p>	<p>Working Group</p> <p>Assistant Director – Commercial Assurance</p>	<p>May 2012</p> <p>Complete</p>
2	<p>Corporate Oversight – Vendor Spend and Corporate Repository</p> <p>20% of contracts tested which were on the contract register but not on the corporate repository did not have acceptable reasons why they were excluded.</p> <p>The Vendor Spend Analysis report does not have the functionality to report current year spend above £25k which is not included in the contract register.</p>	<p>Recommendation 2.4</p> <p>Management should review the information included in the Vendor Spend Analysis report and amend to include spend in current financial year.</p> <p>Management should reiterate to all Directorates the requirement to add all contracts over £25k to the central repository, excluding those which contain sensitive data. All paper contracts should be held with legal services.</p>	<p>Current financial year is available within the report but we will amend the report so management information is easily obtained.</p> <p>Agreed. This will be monitored by the Working Group. A way of securing sensitive information will be investigated and if possible implemented.</p>	<p>Assistant Director – Commercial Assurance</p> <p>Working Group</p>	<p>May 2012</p> <p>June 2012</p>
2	<p>Retrospective raising of purchase orders</p>	<p>Recommendation 2.5</p> <p>The Council should reiterate to management the requirement to</p>	<p>Agreed. There are some cases when retrospective PO is needed. This should</p>	<p>Working Group</p>	<p>July 2012</p>

Priority	Issue	Recommendation	Management Response	Responsible Officer	Deadline
	We analysed the level of retrospective purchase orders raised across directorates over the year, and compared to the level of retrospective purchase orders raised in February 2012. All except one directorate showed a negative trend.	raise and order a purchase order before a purchase is made in order to effectively manage expenditure.	be exception and the working group will action this recommendation.		
1	<p>Contract Procedure Rules (CPRs) Training: Launch status and training contents</p> <p>We assessed the training Powerpoint designed, and noted there was some variation between the training and the CPRs.</p>	<p>Recommendation 2.6</p> <p>The Council should review the training package against the CPRs to ensure its content is appropriate.</p> <p>The package should be delivered to relevant staff members as soon as possible.</p>	<p>Agreed.</p> <p>Agreed. The IT solution is being built and training will commence as soon as this is available.</p>	<p>Assistant Director – Commercial Assurance</p> <p>Head of IS Service Delivery and Assistant Director – Commercial Assurance</p>	<p>April 2012</p> <p>May 2012</p>

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