

**MEETING**

**AUDIT COMMITTEE**

**DATE AND TIME**

**TUESDAY, 29 APRIL 2014**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, NW4 4BG**

**TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)**

Chairman: Councillor Lord Palmer  
Vice Chairman: Councillor Mark Shooter

**Councillors:**

Alex Brodkin	Sury Khatri	Hugh Rayner
Geof Cooke	Graham Old	

**Substitute Members:**

Jack Cohen	Arjun Mitra	Stephen Sowerby
Andreas Ioannidis	Susette Palmer	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.**

**Andrew Nathan – Head of Governance**

Governance Services contact: Chidilim Agada 020 8359 2037 [chidilim.agada@barnet.gov.uk](mailto:chidilim.agada@barnet.gov.uk)

Media Relations contact: Sue Cocker 020 8359 7039

**ASSURANCE GROUP**

## ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Public Question Time (If any)	
5.	Members' Items (If any)	
6.	Annual Report of the Corporate Anti-Fraud Team 2013 - 2014	1 - 18
7.	Audit Plan 2013/14	19 - 40
8.	External Audit Progress Update The External Auditors, Grant Thornton LLP, will give a verbal update at the meeting.	
9.	Internal Audit Exception Recommendations Report and Progress Report up to 31st March 2014	41 - 82
10.	Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management Approach 2014-15	83 - 120
11.	Risk Management Framework	121 - 148
12.	Group Accounts 2013/14	149 - 158
13.	Work Programme for 2014/15	159 - 168
14.	Any item(s) the Chairman decides are urgent	

## **FACILITIES FOR PEOPLE WITH DISABILITIES**

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Meeting	Audit Committee
Date	29 April 2014
<b>Subject</b>	<b>Annual Report of the Corporate Anti-Fraud Team 2013 – 2014</b>
Report of	Assurance Assistant Director
Summary	The Committee is asked to consider and comment on the CAFT Annual Report 2013-14.

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Officer Contributors	Clair Green Assurance Assistant Director
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: CAFT Annual Report 2013 -14
Contact for Further Information:	Clair Green – 0208 359 7791 <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a>

## **1. RECOMMENDATIONS**

- 1.1 That the Audit Committee considers and comments on the Corporate Anti-Fraud Team (CAFT) Annual Report 2013 -14.**

## **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 8 April 2013 - (Decision item 9) – the Audit Committee included in the work programme for 2013/4 that an Annual Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 Audit Committee 8 April 2013 (Decision item 7) – the Audit Committee approved the Internal Audit and Anti Fraud Strategy and Annual Plan and Risk Management approach 2013-2014.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 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's risk management strategy and processes. Where appropriate, outcomes from our investigations are reported to both Internal Audit and Risk Management to support their ongoing work and to assist in either confirming effective anti fraud controls and or suggested areas for improvement.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; promoting good relations between those with a protected characteristic and those without. The, relevant, 'protected characteristics' are age, disability, gender reassignment, pregnancy and

maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination

5.2 Effective systems of anti-fraud 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 The structure and budget that CAFT 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 Council's Constitution under Responsibility for Functions - The Audit Committee's terms of reference, 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 CAFT Annual Report 2013-14.

9.2 The purpose of this annual report is to provide the Committee with a summary on the outcome of all CAFT work undertaken during 2013-14 as set out in the approved 2013-14 annual strategy and work plan.

**10. LIST OF BACKGROUND PAPERS**

10.1 None.

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

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# Corporate Anti Fraud Team (CAFT) Annual Report 2013/14

7<sup>th</sup> April 2014  
Clair Green  
Assurance Assistant Director



## Executive Summary

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.

We continue to offer support and advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures and policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the corporate priorities.

All CAFT work is conducted within the appropriate legislation and the powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution. 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. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2013-14 including the objectives as set out in our annual strategy and plan.

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# 1. What's new in CAFT

## Tenancy Fraud

The responsibility for Tenancy Fraud transferred to CAFT in November 2013. This was because the Government passed a new law that made tenancy fraud a criminal offence for the first time. The introduction of the Prevention of Social Housing Fraud Act 2013 means people illegally subletting their property can now face a prison sentence of up to two years, a criminal record, or a fine of up to £5,000.

**What is tenancy fraud?** Someone commits tenancy fraud if:

- They give false information about themselves or use false documents when applying for housing
- They apply to succeed to a tenancy of someone who has died
- They have a tenancy already but live somewhere else
- They sublet their home to someone else
- They intentionally apply under the 'right to buy scheme' when they are not entitled to do

Immediately prior to the transfer of responsibility for Tenancy Fraud CAFT worked in partnership with Barnet homes to launch a month long '**Key Amnesty**' ahead of the new law coming to force.

**What is a Key Amnesty?** The key amnesty was an opportunity for tenants illegally subletting their homes to hand back their keys to the council or one of our housing partners. It meant that if someone was committing tenancy fraud and they returned their keys and formally ended their tenancy during the amnesty, no further action would be taken against them.

**Why did Barnet have a Key Amnesty?** Tenancy fraud is a serious offence and we are committed to ensuring our housing is for people with a genuine housing need. The amnesty was Barnet's response to a change in the law that means tenants who illegally sublet homes could now face a prison sentence, criminal record and/or a fine of up to £5000. The amnesty was a chance for tenants to hand back the keys, avoid these penalties and to give a home to someone who really needs it.

**What was the result of the Key Amnesty?** The month long tenancy fraud amnesty was a huge success after 14 properties being illegally sublet have been surrendered. Of the 14 sets of keys returned, 12 were Barnet Homes properties. The remaining two were managed by Registered Social Landlords (RSL); Home Group and Tally Ho Co-op.

Further to the Key Amnesty success the Tenancy Fraud Team recovered a further 49 properties throughout the year through investigations, totaling 63 properties recovered of which 3 were RSL's.

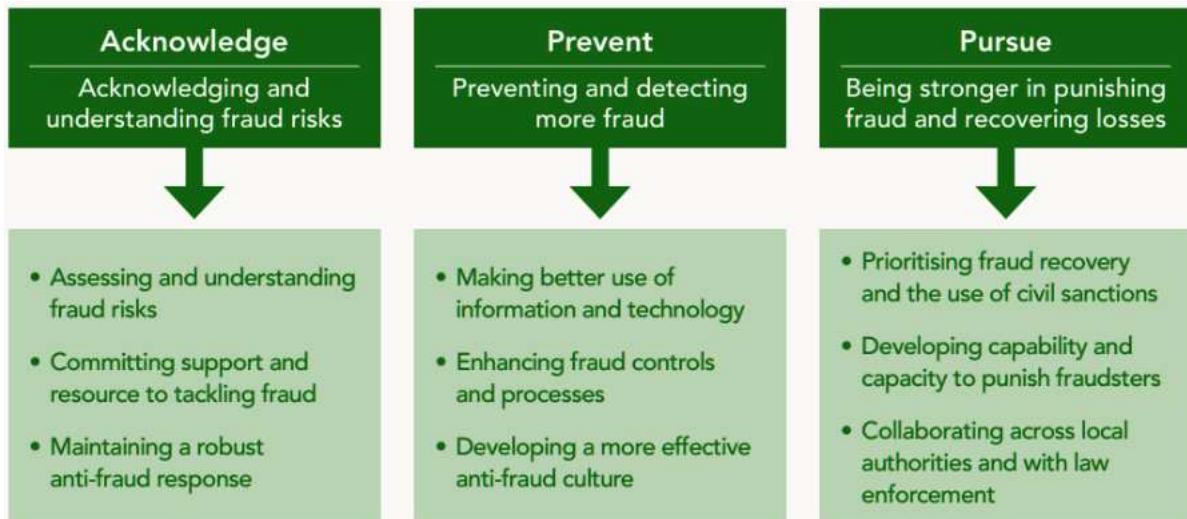
Additional activities of the team to note throughout the year include;

- 11 'Right to Buy' applications stopped as a result of CAFT involvement
- The first successful prosecution relating to a false housing application (details in noteworthy investigations – page 12)
- The first fraudulent tenancy succession prevented

From April 2014 Tenancy Fraud investigation will now form part of CAFT continuous ongoing investigation work and will be reported within the CAFT quarterly performance indicators.

## 2. Annual Anti-Fraud Strategy

Our annual anti-fraud strategy is centred on the strategic approach as outlined in 'Fighting Fraud Locally' (Local Government Fraud Strategy) and provides a blueprint for a tougher response to tackle fraud. Within CAFT we adopted this approach and our work throughout the year compliments the objectives detailed below.



### Acknowledging (and detecting) Fraud

Each year we assess our fraud risks against national fraud risks and local intelligence and develop an annual anti-fraud strategy and annual plan which includes proactive anti-fraud exercises that address those risks.

We continue to work collaboratively with partners ensuring that anti-fraud arrangements are fit for purpose on all aspects of fraud risk. As a result of the change in Council structure over the last year we have developed a working protocol with our CAPITA partners in relation to the contractual arrangements that address anti-fraud responsibilities.

We review and ensure that the team has sufficient resources in order to ensure that we are able to respond to demands and deliver the objectives as set out in the annual plan. We have effective, efficient anti-fraud procedures that ensure that we provide a value for money service. We report our progress against the annual plan as well as any emerging risks throughout the year to senior management and the Audit Committee.

### Preventing (and deterring) Fraud

We recognise that employees are often the first line of defence in preventing fraud. The Financial Regulations within the Council's Constitution places the responsibility for fraud prevention on all employees. Staff are aware that they should therefore be alerted to the possibility of fraud and to report any concerns to CAFT. We have a confidential reporting 'Whistle blowing' policy in place to assist employees in reporting concerns about fraud and other issues without fear of harassment or victimisation. CAFT have a dedicated e-learning training programme which informs staff of their responsibilities and fraud risks.

CAFT work closely with management in high fraud risk area's to ensure that working procedures and practices include robust fraud preventative measures. CAFT also conduct targeted proactive anti-fraud

activity throughout the year across the council as well as re-active investigation work. Where appropriate, outcomes from our investigations are reported to Internal Audit, Risk Management and/or management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

CAFT often use data matching techniques to identify possible fraudulent activity and centrally co-ordinate the Audit Commission National Fraud Initiative (NFI) data matching exercises to ensure that it is given high priority within services.

We have a communications strategy, whereby press releases are issued on all successful prosecutions to act as a deterrent factor to the community. During the last year we have taken part in a television production 'Saints and Scroungers' in which officers from CAFT presented the facts of complex and noteworthy benefit fraud investigations that the Council had successfully prosecuted.

All management and employees must abide by the Council's Employee Code of Conduct, which sets out requirements on personal conduct. Barnet also has in place comprehensive disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter must be referred to the CAFT team for investigation and possible prosecution, in accordance with the Counter Fraud Framework. In addition, recompense will be sought from all who are found to have carried out fraudulent acts. A key preventative measure in that fight is the effective recruitment of employees. Employee recruitment is undertaken in accordance with the council's Recruitment and Selection Policy.

### **Pursuing Fraud (and seeking redress)**

Within CAFT we ensure that each investigation is carried out in compliance with our policies and appropriate legislation, consistently a 'Zero Tolerance' approach reinforcing our policy that we take action against anyone who commits fraud whether they are members of staff or members of the public.

To this end we have developed a financial investigation team dedicated to this area of work. They liaise closely with other internal departments and external partner's (including the Police) that prosecute offenders in order to raise awareness around POCA and ensure that where possible financial investigations are undertaken by CAFT so that we can assist in the recovery of losses to the public purse and obtain where possible compensation and/or confiscation under the Proceeds of Crime Act (POCA).

### 3. Joint pro-active fraud plan with Internal Audit and Risk Management

Table 1 provides an update against all pro-active activity as set out within the 2013/14 joint pro-active fraud plan and annual strategy with Internal Audit and Risk Management.

Area of review	Description of Work	Outcome
The London Fraud Hub - Cross Boundary LA - Data Matching collaboration.	London Councils have joined together to share various data sets such as benefit claims, council tax, electoral role and housing data with credit reference agencies in the aim of identifying and tracking existing fraudsters as well as providing authorities with a tool to identify and prevent fraud before it happens.	This partnership and data matching collaboration now forms part of our continuous anti-fraud work.
Audit Commission - NFI data matching co-ordination	On-going NFI co-ordination and support including data uploading, training, assistance and investigation of relevant matches in accordance with Audit Commission timelines.	The NFI for 2012/13 produced a total of 16,528 matches for the London Borough of Barnet. 5,771 of these were identified as high quality matches of which 4,692 have been processed with a further 316 currently under investigation and 763 still being assessed for investigation. These were prioritised and are being dealt with in order of priority. To date £132,365.75 of fraud and or error has been identified through the 2012/13 exercise.
UK Border Agency (UKBA) Partnership	Continuing to work in partnership with UKBA tackling issues regarding Right to Work and recourse to public funds. Combined Partnership working with Barnet Homes in relation to Social Housing Fraud by immigration offenders. Continued work to ensure that anti-fraud measures and controls at the Council's registry office are fit for purpose ensuring that immigration offenders do not illegally utilise services.	Due to change in UKBA policy and priorities' the UKBA embedded officer within LBB/CAFT was withdrawn in summer 2013 as a result of a restructuring within the Home Office. This meant that targeted UKBA pro-active work in this area ceased. However CAFT officers established new links with the Home Office and Local Immigration Teams who are currently working with council services to ensure that re-active requests continue to be dealt with appropriate.

Area of review	Description of Work	Outcome
Social Housing Fraud Partnership	Continuing to work in partnership with Barnet Homes and Registered Social Landlords (RSLs) in relation to all aspects of Housing Tenancy Fraud – creating a new strategy for dealing with the Prevention of Social Housing Fraud Act 2013 whilst ensuring maximum recovery of properties where appropriate.	<p>The Tenancy Fraud Team recovered 14 properties through the key amnesty project and a further 49 properties throughout the year through investigations, totaling 63 properties recovered of which 3 were RSL's.</p> <p>Additional activities of the team to note throughout the year include;</p> <ul style="list-style-type: none"> <li>• 11 'Right to Buy' applications stopped as a result of CAFT involvement</li> <li>• The first successful prosecution relating to a false housing application (details in noteworthy investigations – page 12)</li> <li>• The first fraudulent tenancy succession prevented</li> </ul>
Commissioning – Procurement Fraud and Purchase (P) Cards	Proactive work in this area ensuring that anti-fraud measures and controls are in place, effective and adhere to relevant good practice standards.	This review consisted of working jointly with the Procurement Service in order to enhance anti -fraud controls within the new P Card Policy. Recommendations for further anti-fraud enhancements were made by CAFT and will have been implemented within the new Policy
Street Scene – Anti-Fraud Controls and Measures and Conflicts of Interest	Proactive exercise working with the Delivery Unit to ensure effective anti-fraud measures and controls are in place and that they manage conflicts of interest effectively during the letting process.	This review has identified that there were sufficient anti-fraud measures and controls in place to manage conflicts of interest. However, our sample identified that there were some issues around the payment of duplicate invoices that will require management to enhance controls to prevent fraud and error occurring.



Area of review	Description of Work	Outcome
Council Tax and National Non Domestic Rates (NNDR)	Continuous proactive targeted anti-fraud work in this area to ensure that the exemptions and discounts given are valid and appropriate maximising income to the Council.	<p>Continuous anti-fraud work in relation to Council Tax Single Person Discount fraud has identified <b><u>£120,286.55</u></b> of discounts that residents were not entitled to. This is an increase on the previous year's figure of £96,323.</p> <p>The National Non Domestic Rates review has been completed. Recommendations were made in respect of cases where rates were being paid with fraudulent credit cards and where premises were being used for activities other than those stated by the landlords but no criminal action has been taken at this time.</p> <p>These findings and recommendations will be passed to management for action.</p>
Adults – Personal Budgets / Direct Payments	To follow up on previous proactive work with dedicated training and directed analysis of high risk cases.	<p>This follow up was completed in June 2013 and reported in the CAFT Annual Report 2012-13.</p> <p>Throughout 2013/14 CAFT worked closely with the service in relation to direct payment fraud and suspected cases of financial abuse. CAFT was also involved in 'Safeguarding' month in November 2013 and presentations were delivered to social workers to raise awareness of the potential for fraud and financial abuse in this area.</p>
Children's – Single Customer View	Proactive exercise around the around funding for high needs children's and the anti-fraud measures and controls in this new process.	A new procedure manual is being drawn up by children's services with regards to the new guidelines set out by Central government. This manual will be completed in 2014-15 when CAFT will assist with the assessment and installation of robust anti-fraud measures within this process

Area of review	Description of Work	Outcome
Employee remuneration	Proactive targeted exercise in order to identify any fraudulent / non valid employee expenses claims.	The review identified a number of issues in relation to the guidance and controls in place to prevent and detect fraud during the claiming of expenses and mileage. Management are required to implement a number of recommendations to improve the overall control environment and enhance controls in place to detect and prevent fraud in this area.

## 4. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2013/14 Joint proactive fraud plan and annual strategy with Internal Audit and Risk Management.

*No targets are set against each of these indicators, as they are the result of CAFT re-active and continuous investigation work. Therefore the indicators, outcomes and direction of travel is reported for comparative statistical information only and not for benchmarking purposes.*

Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
<b>Benefits Compliance Team</b>				
Total amount of Fraud overpayments identified in Benefits system	£1,195,154	£744,619	↑	There has been a 67% increase in combined fraud and error identified within the benefits system in the last year. This is predominately due to having more investigations with high overpayments combined with higher quality data matches from the DWP.
Total amount of Error overpayments identified in Benefits system	£790,085	£444,453	↑	
Combined amount Fraud and Error identified within the Benefits System	£1,985,239	£1,189,072	↑	

Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
<b>Benefits Investigations Team</b>				
Number of completed investigations	201	255	↓	There has been an overall reduction in number of completed investigations in 2013/14 due to rise in more complex lengthy cases. However at the beginning of 2014/15 we have 360 on-going investigations.
Number of cautions issued	14	16	↑	There has been a slight increase in the amount of cautions issued compared to the previous year despite a lower amount of investigations.
Number of administration penalties issued	56	56	↔	The quality of referrals received and investigations has allowed the number of successful sanctions to remain at a steady level.
Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
Number of Guilty Verdicts	29	21	↑	There has been an increase in the amount cases prosecuted and guilty verdicts compared to the previous year despite a lower amount of investigations.
Total number of Sanctions	99	93	↑	Overall there has been an increase in the total amount of sanctions despite an overall lower amount of investigations.
Number of sanctions per investigations officer	31	31	↔	Benchmarking results against London Benefit Investigations (2011/12) shows Barnet continue to be placed within the top three performances within London for the number of sanctions per Investigator. This demonstrates that our investigation procedures continue to be efficient, effective and demonstrate value for money.

Performance Indicator	Outcome 2013/14	Outcome 2012/13	Direction of Travel	Narrative
<b>Corporate Team</b>				
Number of completed Fraud investigations	70	98	↓	There has been a 24 % reduction in referrals to CAFT. However of those referrals received we have noted higher quality referral that has resulted in an increased number of cases that were deemed to be suitable for investigation and /or to be pursued as Financial Investigations. At the beginning of 2014/15 we have 25 on-going investigations.
Number of completed Financial investigations	8	4	↑	
Number of prosecutions	5	4	↑	The quality of referrals received has allowed the number of successful prosecution to remain at a steady level.
Number of dismissals as a result of CAFT investigations	5	11	↓	Due to the changes in the make-up and of the LBB workforce the number of dismissals has reduced in line with the staffing levels.
Number of Requests for surveillance	0	2	This is reported for information purposes in accordance with our statistical return to the Office of Surveillance Commissioners.	

## 5. Noteworthy investigations summaries:

### Operation Premier

This case relates to an investigation into a Nursery owner who fraudulently falsified children's details on paperwork so she could claim more than £37,000 in Council funding. Investigation into the claims established that children's dates of birth were amended to make them eligible for the Early Years Provision funded by the council. The owner was prosecuted and ordered to repay £37,191.00 in funding back to the council as well as costs – all of which have now been repaid.

### Operation Viper

This case relates to an investigation into an employee within the Benefits Service who manipulated the Housing Benefit computer system in order to fraudulently obtain payments of Housing Benefit. The investigation established that he had in fact manipulated the system to directly pay Benefit amounting to £26,965.37 into his own personal bank accounts as well as accounts belonging family members. The employee was dismissed and prosecuted, he pleaded guilty to all charges. .

### AA65

This case relates to an investigation into a care worker in a Barnet care home who systematically removed cheques from the cheque book of a vulnerable adult who he was caring for. He would then complete the cheques and pay them into his own bank account. This happened on 11 occasions. The

care homes financial officer noticed some anomalies in the clients finances and informed CAFT and the Police. After a joint investigation the care worker was dismissed, arrested and prosecuted and pleaded guilty to all charges.

### **Operation Mustang**

This case was highlighted in last year's annual report and relates to a criminal and financial investigation into various payments frequently obtained through the Rent Deposit Scheme. The scheme allows Housing Supply Team to locate private rented accommodation for those in need of housing and assist them with the initial deposit in order to secure the tenancy. CAFT Investigators identified 41 fraudulent payments totalling £132,629. There were 3 main suspect 2 of which were located and arrested in 2012 and were given prison terms. The third suspect had fled the UK and was believed to be living in Portugal. Information was received by the Corporate Anti-Fraud Team which suggested that the suspect was returning to the UK in the summer of 2013. The investigation was reopened, intelligence was compiled and arrangements were made for the suspect to be arrested and brought before the Crown court. He pleaded guilty to all charges and was sentenced to 21 month imprisonment.

### **Operation Stealth**

This case relates to a referral from adults social care. CAFT were asked to investigate the loss of funds from number vulnerable adults. Financial Investigators within the team were able to utilise enhanced powers under the Proceeds of Crime Act to trace where funds had been transferred to and then further investigate those linked to accounts where money had been received. The evidence obtained pointed to 3 residents of a property in East London. On further scrutiny it was discovered that one of these residents was a care worker who was employed through a temporary contract and had cared for all the victims. CAFT presented this evidence to the police and the suspect was arrested. He is currently being held on remand until his trial at crown court.

### **Operation Sun**

This relates to an on-going CAFT operation into identification of employees who have obtained employment by using false documents. In this instance an employee within Street Scenes service that was found to be using a Counterfeit French passport containing the details of his personal friend who was legally living in the UK. During a systematic checking process carried out by CAFT the False document was identified and arrangements were made to have the employee arrested for offences contravening the Identity Document Act 2010. The employee pleaded guilty at Wood Green Crown court where he was sentenced to 4 month imprisonment and fined £800.

### **Mr William Tasconi**

Relates to a joint prosecution between CAFT and the DWP's Organised Counter Fraud Investigation Service (CFIS) . The allegation was the claimant was using an identity card that was a blank document stolen from Naples in 1997. Mr Tasconi was arrested at his place of work and his home was searched. A Columbian ID card was found in the name of Ibarido Gomez Lopez with Mr Tasconi's image on it from 1993. Mr Tasconi was remanded in custody until he appeared in court and pleaded guilty to 4 counts under the Fraud Act 2006. He was sentenced to 6 months imprisonment on each count, to run concurrently. Gatwick immigration is looking to deport him upon his release from custody. As a result of the investigation, the housing and council tax benefit was cancelled with an overpayment amounting to £16,996.50. In addition there were DWP overpayments of £8767.15.

### **Miss Shia Khobbakht**

Relates to an investigation into the benefit claim of Miss Shida Khobbakht. The allegation was that she had never lived at the property. Investigations established that the tenancy agreement was fake. Miss Khobbakht was interviewed under caution, she stated she had found the property through the internet, she said she paid a man £800 rent per month outside the letting agents shops in cash. The claim was cancelled which created an overpayment of £9,187.33. Miss Khobbakht was arrested and prosecuted; she pleaded guilty and was subsequently sentenced to a community order of 150 hours unpaid work and ordered to pay £1000 costs.

### **Davina Gopala**

This investigation relates to a homeless application that was passed to CAFT following checks made by Barnet Homes. Ms Gopala had made an application on the basis she and her young daughter were in need of a council home as she was living with her mother in an overcrowded property. However investigations established that she was the owner of another property. She had claimed on the application form that she had rented the property in the past, but admitted when interviewed under caution that she did own the property. She was prosecuted and pleaded guilty to making a false homeless application and was sentenced to a 12 month community punishment order and to undertake 50 hours of unpaid work.

### **Manzoor Qader**

Relates to a joint investigation involving CAFT, DWP and Enfield Council into the benefit claim of Mr Manzoor Qader and his partner Miss Hannah Grigson. Investigations established that the owner of the property that he was claiming housing benefit from in Barnet was Miss Grigson, who was actually the Mother of Mr Qader's four children. Further investigations showed that he actually owned another property in Enfield. The benefit claim was cancelled and the housing and council tax benefit overpayment in Barnet amounted to £27,359.06, with a DWP overpayment of £19,506.64. Both parties were prosecuted and pleaded guilty to all charges and were both subsequently given 12 months in prison. POCA proceedings are currently taking place to recover the benefit overpayments.

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Meeting	Audit Committee
Date	29 April 2014
<b>Subject</b>	<b>Audit Plan 2013/14</b>
Report of	Chief Operating Officer
Summary	This report advises the committee of Grant Thornton's Audit Plan for 2013/14 and provides an update on results of interim audit work to date
Officer Contributors	Paul Thorogood – Head of Finance, Financial Services
<b>Status (public or exempt)</b>	Public
Wards affected	Not applicable
Key decision	No
Enclosures	Appendix A – Audit Plan 2013/14
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable
Contact for further information:	Paul Thorogood – Head of Finance, Financial Services 07725 652910

## **1. RECOMMENDATIONS**

- 1.1 The Audit Committee are asked to note Grant Thornton's Audit Plan for 2013/14.**
- 1.2 The Audit Committee are asked to note the audit fee of £224,100 for 2013/14 as set out in paragraph 9.14.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Grant Thornton's Audit Plan for 2012/13 was noted at the Audit Committee of 8 April 2013.
- 2.2 The indicative audit fee of £224,100 for 2013/14 was noted at Audit Committee on 24 July 2013.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Audit Plan 2013/14 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 2013/14 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 2013/14 has the potential to cover the inspection and assessment of all services within the authority that, in turn, impacts on all members of the community.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, ICT, Property, Sustainability)**

- 6.1 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 None in the context of this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to consider the external auditor's annual letter" and "to 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 is to highlight the key elements of Grant Thornton's 2013/14 external audit strategy for the Council. It is compiled based on their audit risk



assessment and discussions of key risks with management. It is reported to the Audit Committee as those charged with governance for consideration in accordance with International Standard on Auditing (UK & Ireland) 260.

9.2 The audit plan identifies that Grant Thornton are responsible for performing the audit in accordance with ISAs (UK and Ireland) and to give an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance.

9.3 The Audit Plan 2013/14 includes details on the audit approach to be followed by Grant Thornton as well as an update on their response to key risks from the results of interim audit work carried out.

9.4 The Audit Plan 2013/14 sets out a number of challenges and opportunities that Grant Thornton have identified and taken into consideration in planning their audit. These challenges and opportunities are as follows:

#### 9.4.1 Managing the Council's Finances

Grant Thornton will monitor the Council's progress in developing a balanced budget for 2014/15 and responding to financial challenges as part of their value for money conclusion as well as reviewing progress against the planned capital programme.

#### 9.4.2 One Barnet Transformation Programme

Grant Thornton will consider the accounting treatment in relation to both the CSG (Customer Support Group) and RE (Regional Enterprise) contracts and consider the performance monitoring arrangements in place around the CSG contract and refuse contract as part of their value for money conclusion.

#### 9.4.3 The Better Care Fund

Grant Thornton will review the progress made by the Council to agree the Better Care Fund with its partners and confirm arrangements are in place to manage the funding moving forward.

#### 9.4.4 Welfare Reform Act

Grant Thornton will continue to monitor progress against the Welfare Reform Act, recovery rates and the impact on the medium term financial plan as part of their value for money conclusion.

9.5 The Audit Plan 2013/14 also details key developments and other requirements that Grant Thornton have identified and considered in planning their audit. These are as follows:

#### 9.5.1 Financial Reporting

Grant Thornton will ensure that:

- The Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and substantive testing.
- Schools are accounted for correctly and in line with the latest guidance.

## 9.5.2 Legislation

Grant Thornton will discuss legislative changes with Council officers and those charges with governance, providing a view where appropriate.

## 9.5.3 Corporate Governance

Grant Thornton will review:

- The arrangements the Council has in place for the production of the Annual Governance Statement.
- The Annual Governance Statement and the explanatory foreword to consider whether they are consistent with their knowledge.

## 9.5.4 Pensions

Grant Thornton will review how the Council dealt with the impact of the 2013/14 changes through their meetings with senior management.

## 9.5.5 Financial Pressures

Grant Thornton will review:

- The Council's performance against the 2013/14 budget, including consideration of performance against the savings plan.
- Financial resilience as part of their value for money conclusion.

## 9.5.6 Other Requirements

Grant Thornton will:

- Carry out work on the whole of government accounts pack in accordance with requirements.
- Certify grant claims and returns in accordance with Audit Commission requirements.

9.6 Grant Thornton will undertake a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts. Grant Thornton have identified the following risks that the audit approach will focus on:

### 9.6.1 Significant Risks Identified

These risks are not specific to Barnet and are applicable to all audits under Auditing Standards. They are:

- The revenue cycle includes fraudulent transactions
- Management override of controls

### 9.6.2 Other Risks Identified

Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous year's audit.

The interim audit work completed by Grant Thornton in January 2014 has focussed on the majority of these areas, where no issues have been identified as a result of the work and tests completed.

- 9.7 Grant Thornton are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- 9.8 As part of the interim audit work and in advance of the final accounts audit fieldwork, Grant Thornton:
- Considered the effectiveness of the Internal Audit function
  - Considered Internal Audit's work on the Council's key financial systems
  - Carried out walkthrough testing to confirm whether controls are implemented according to their understanding in areas where they have identified a risk of material misstatement
  - Carried out a review of information technology controls
  - Undertook some early substantive work to help reduce the testing burden at the final accounts stage
- 9.9 Grant Thornton have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment for the Council.
- 9.10 No issues were noted and in year internal controls were observed to have been implemented in accordance with documented procedures. Grant Thornton intends to gain further assurance in this area through substantive audit testing of year end balances.
- 9.11 The substantive work undertaken for the first nine months of the financial year on the following areas did not result in any significant issues, inconsistencies or errors being identified:
- Operating expenses
  - Employee remuneration
  - Welfare expenditure
  - Housing rent revenue account
  - Property, plant and equipment
- 9.12 Grant Thornton are required 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 to provide a conclusion on the Council's Value for Money. The 2013/14 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
- 9.13 Grant Thornton will do this by undertaking the following risk based work focussing on the Council's financial governance, strategic financial planning and financial control. Specifically they will focus on:

- Reviewing and updating their risk assessment to reflect the up to date position on arrangements relating to key indicators of financial performance, financial governance, strategic financial planning and financial control.
- Considering the performance monitoring in place around the Capita CSG contract, comparing this to the monitoring in place around the new refuse contract. This will include particular consideration of how value for money is intended to be achieved and measured.
- Considering the response made to the elector objections raised in 2012/13 and the progress made against improvement plans.

9.14 The audit plan confirms the indicative audit fee of £224,100 for 2013/14 which was presented at Audit Committee on 24 July 2013. The audit plan fee is set by the Audit Commission under Section 7 of the Audit Commission Act 1998 and is therefore not negotiable by the Council.

## 10. LIST OF BACKGROUND PAPERS

10.1 None.

<b>Cleared by Finance (Officer's initials)</b>	<b>AD</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>CE</b>



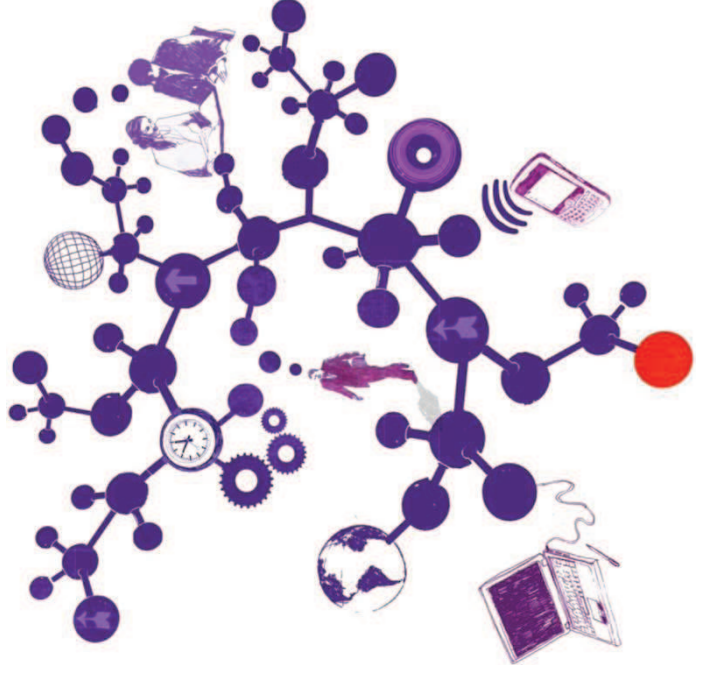
# The Audit Plan for London Borough of Barnet

**Year ended 31 March 2014**  
29 April 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Managing the Council's finances

- The Council's financial performance remains sound but is subject to continuing financial pressure, with the quarter 3 finance report projecting a revenue budget overspend of £2.2m
- Financial pressure will continue over the medium-term, with the Council required to make savings of £39m over the next two years to enable a balanced budget to be set
- The Council must continue to align its finances closely with agreed priorities if it is to meet the financial challenges ahead while maintaining the quality of its services
- The Council continues to maintain a large capital programme and must ensure that arrangements in place to monitor progress remain appropriate

### 2. The Council's transformation programme 'One Barnet'

- The Council's transformation programme was delivered with the Capita contract for the Customer and Support Group (CSG) signed on 5 August 2013. The joint venture to deliver development and regulatory services through RE (Regional Enterprise) Ltd was also signed on the same date
- The transformation programme provides an opportunity for the Council to work in collaboration with its partners to improve services and productivity and harness external expertise
- Now that the contracts are live, the Council must continue to manage the key risks to transformation effectively to ensure cost-effective, high-quality, responsive services continue and the long-term benefits of the contracts are realised

### 3. The Better Care Fund

- The Better Care Fund is a single pooled budget for health and social care services to work more closely together in local areas providing integrated solutions for the community.
- There is a requirement that the Health and Wellbeing Board sign off on the Better Care Fund Plan, with agreement of all partners, to take effect from 1 April 2015. The final plan should be submitted to NHS England by 4 April 2014.

### 4. Welfare Reform Act

- The Welfare Reform Act 2012 introduces major changes to the benefits system with the implementation of Universal Credit and the benefits cap.

## Our response

- We have maintained a watching brief on the Council's financial performance during 2013/14 and understood the key risks to achieving a balanced budget through frequent discussions with key officers
- We will monitor the Council's progress in developing a balanced budget for 2014/15 and in responding to financial challenges as part of our VfM conclusion
- We will review progress against the planned capital programme as part of our work on the VfM conclusion

- We will consider the accounting treatment in relation to both the CSG and RE contracts to ensure that they are appropriately recorded in the financial statements
- We will consider the performance monitoring in place around the CSG contract as part of our VfM conclusion. In addition, we will also consider the performance monitoring in place around an in-house contract, using the refuse contract as our example

- We will continue to discuss with the Council its progress with the Better Care Fund plan, including ensuring agreement with its partners.
- We will review the impact of the funding on the MTFP.
- We will discuss the requirements of the plan with the Council and confirm arrangements in place to manage it going forward.

- We will continue to monitor progress against the Act through discussions with senior officers.
- The recovery rates and the impact on the MTFP will be considered as part of our work to inform our value for money conclusion.



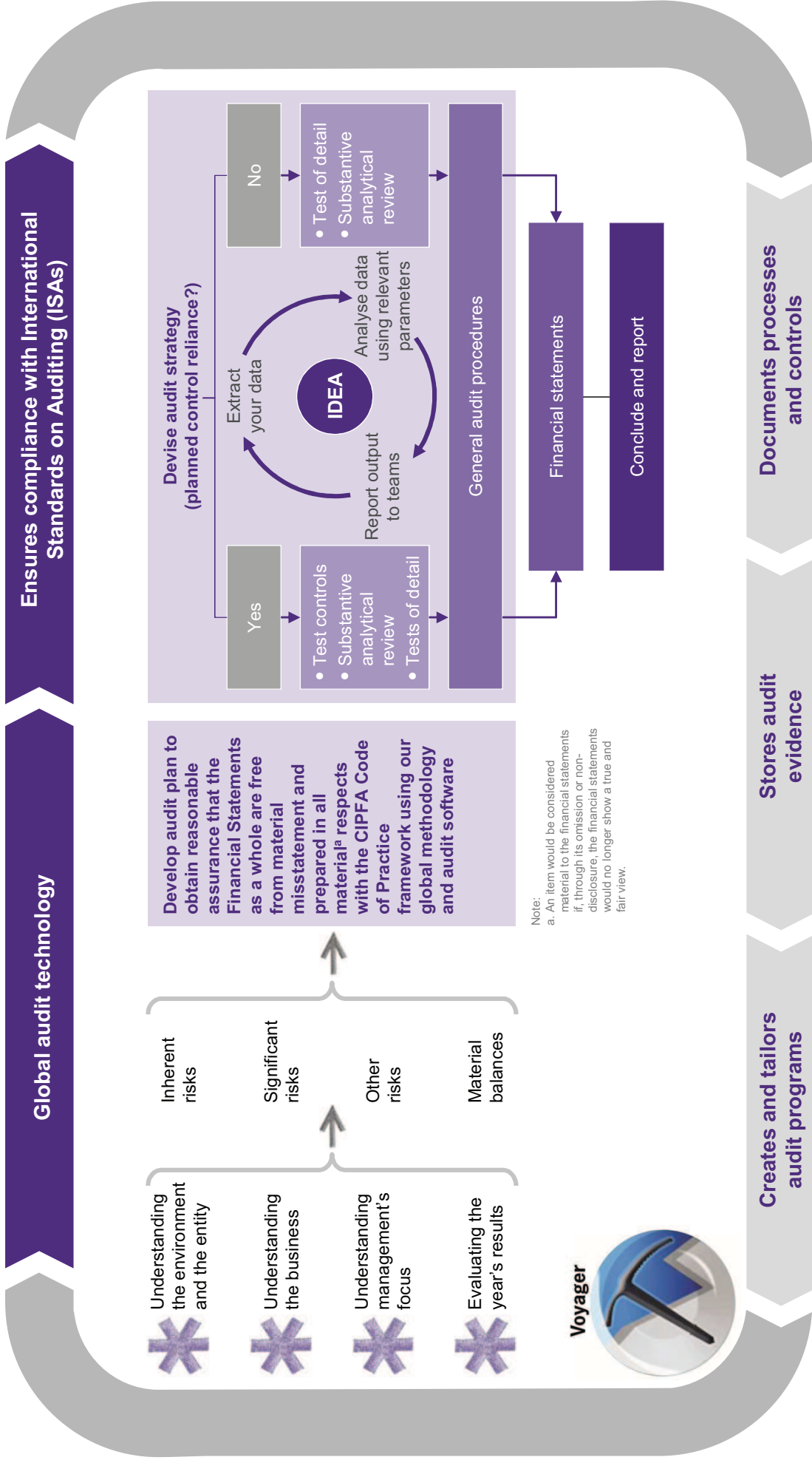
# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>Changes to the CIPFA Code of Practice</li> <li>Clarification of Code requirements around PPE valuations</li> <li>Changes to NDR accounting and provisions for business rate appeals</li> <li>Transfer of assets to Academies</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>Local Government Finance settlement</li> <li>Welfare reform Act 2012</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>Annual Governance Statement (AGS)</li> <li>Explanatory foreword</li> </ul>	<p><b>4. Pensions</b></p> <ul style="list-style-type: none"> <li>The impact of 2013/14 changes to the Local Government Pension Scheme (LGPS)</li> </ul>	<p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>Managing service provision with less resource</li> <li>Progress against savings plans</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li> <li>The Council completes grant claims and returns on which audit certification is required</li> </ul>

Our response			
<p>We will ensure that</p> <ul style="list-style-type: none"> <li>the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing</li> <li>schools are accounted for correctly and in line with the latest guidance</li> </ul>	<ul style="list-style-type: none"> <li>We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>We will review the arrangements the Council has in place for the production of the AGS</li> <li>We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li> </ul>	<ul style="list-style-type: none"> <li>We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management</li> </ul>
<ul style="list-style-type: none"> <li>We will carry out work on the WGA pack in accordance with requirements</li> <li>We will certify grant claims and returns in accordance with Audit Commission requirements</li> </ul>	<ul style="list-style-type: none"> <li>We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan</li> <li>We will undertake a review of Financial Resilience as part of our VFM conclusion</li> </ul>		

# Our audit approach



## Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Agreed approach with finance team to testing of material revenue streams</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Review and testing of revenue recognition policies</li> <li>Performance of testing on material revenue streams</li> </ul>
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Review of journal controls and testing of journal entries (months 1-9)</li> <li>Review of unusual significant transactions (months 1-9)</li> <li>Early discussion of accounting estimates, judgments and decisions made by management</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Review of accounting estimates, judgments and decisions made by management</li> <li>Testing of journal entries (months 10-12)</li> <li>Review of unusual significant transactions (months 10-12)</li> </ul>

## Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	<p><b>Creditors understated or not recorded in the correct period</b></p>	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work</li> <li>We have set out our detailed testing requirements to enable selection of an early sample at the outset of our audit visit</li> </ul>	<ul style="list-style-type: none"> <li>We will reconcile the subsidiary system interfaces and general ledger control accounts</li> <li>We will complete attribute testing on a sample of goods received notes or other confirmations to ensure that expenditure has occurred and has been correctly classified</li> <li>We will complete cut off testing (both before and after year end)</li> </ul>
Employee remuneration	<p><b>Employee remuneration accrual understated</b></p>	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work</li> <li>Through the use of attribute testing for months 1-9 (involving sample testing pay run data against individual payslips and contracts of employment) we have gained assurance that employees have been remunerated at correct rates during 2013/14</li> </ul>	<ul style="list-style-type: none"> <li>We will reconcile the subsidiary system interfaces and general ledger control accounts</li> <li>Through the use of attribute testing for months 10-12 we will test a further sample of payroll payments to gain assurance that employees have been remunerated at correct rates during 2013/14</li> <li>We will complete monthly trend analysis of payments recognised</li> <li>We will complete cut off testing (both before and after year end)</li> <li>We will complete sample testing on starters and leavers to verify that transactions for all appropriate entitlement periods have been recognised</li> </ul>

## Other risks identified (continued)

Other reasonably possible risks	Description	Work completed to date	Further work planned
Welfare Expenditure	<b>Welfare benefit expenditure improperly computed</b>	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work</li> </ul>	<ul style="list-style-type: none"> <li>We will reconcile the subsidiary system interfaces and general ledger control accounts</li> <li>We will complete initial DWP certification testing of Housing Benefits, including analytical review and verification of benefits awarded on a sample basis</li> <li>We will complete testing on a sample of Council Tax support payments</li> </ul>
Housing Rent Revenue Account	<b>Revenue transactions not recorded</b>	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work</li> </ul>	<ul style="list-style-type: none"> <li>We will perform detailed analytical review procedures in order to gain assurance over the completeness of rental income</li> <li>We will perform testing from a sample of properties listed to verify the completeness of rental income</li> </ul>
Property, Plant & Equipment	<b>PPE activity not valid</b>	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work</li> <li>We have discussed with the Council the arrangements in place to value property, plant and equipment for 2013/14</li> </ul>	<ul style="list-style-type: none"> <li>We will complete substantive testing of in-year additions and disposals</li> <li>We will perform existence testing on a sample of assets</li> <li>We will review the work carried out by the valuer, including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards</li> </ul>

# Value for money

## Value for money

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.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake risk based work focussing on arrangements relating to financial governance, strategic financial planning and financial control. Specifically we will:

- review and update our risk assessment agreed during our 2012/13 financial resilience review to reflect the up to date position on arrangements relating to key indicators of financial performance, financial governance, strategic financial planning and financial control.
- consider the performance monitoring in place around the Capita CSG contract (an outsourced contract), comparing this to the monitoring in place around the new refuse contract (an in-house contract). This will include particular consideration of how value for money is intended to be achieved and measured
- consider the response made to the elector objections raised in 2012/13 and the progress made against improvement plans.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

## Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

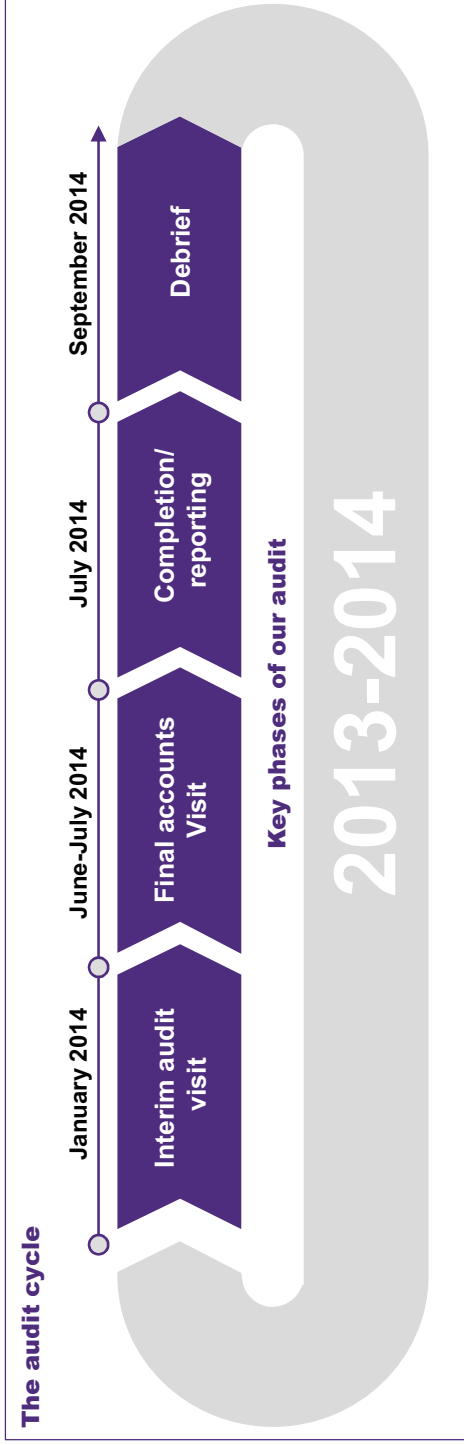
	<b>Work performed and findings</b>	<b>Conclusion</b>
<b>Internal audit</b>	<p>As part of the interim audit we have reviewed internal audit's overall arrangements. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.</p> <p>We have reviewed all reports issued by internal audit up to the point of the interim audit visit. This review has not highlighted any instances of material control weaknesses that would impact on our assessment.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>No issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding. We will gain further assurance in this area through substantive audit testing of year-end balances.</p>
<b>Review of information technology controls</b>	<p>Our information systems specialist is currently performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This will include a follow up of any issues that have been raised in the previous year.</p>	<p>Work is on-going and any findings will be reported to the Audit Committee as part of our Audit Findings Report (Annual Report to Those Charged with Governance).</p>

## Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year by extracting 'large and/or unusual' entries for further review. No issues have been identified from the testing to date.</p>	<p>No significant issues were identified in the review of journal policies and procedures.</p> <p>Our testing of journals at the interim audit has not identified any errors or inconsistencies. We have not identified any instances of fraud or potential fraud. No risk of material misstatement has been identified.</p> <p>Our interim testing covered the period of months 1-9. As part of our accounts audit we will complete the testing by reviewing journals from months 10-12.</p>
<b>Employee remuneration testing</b>	<p>We have reviewed a sample of 36 payments to employees between April 2013 and December 2013. To date we have confirmed that payments are correct for all records tested.</p>	<p>No errors have been identified in the records tested to date. We will test further records for months 10-12 when we complete our final audit procedures.</p>
<b>Income testing</b>	<p>We have reviewed the Council's income breakdown and identified individually significant income streams. From these streams we have selected 'large and/or unusual' items from months 1-9 for further review.</p>	<p>No errors have been identified from the review performed to date. We will consider any further 'large and/or unusual' items for months 10-12 when we complete our final audit procedures.</p>



# Key dates



<b>Date</b>	<b>Activity</b>
<b>December 2013</b>	Planning
<b>January 2014</b>	Interim site visit
<b>29 April 2014</b>	Presentation of Audit Plan to Those Charged with Governance
<b>June – July 2014</b>	Year end fieldwork
<b>July 2014</b>	Audit findings clearance meeting
<b>July 2014</b>	Report Audit Findings Report to Those Charged with Governance
<b>July 2014</b>	Sign financial statements opinion and value for money conclusion
<b>September 2014</b>	Issue Annual Audit Letter
<b>December 2014</b>	Issue Certification Work report

# Fees and independence

## Fees

	£
Council audit (2013/14)	224,100
Grant certification (2013/14)	38,400
<b>Total fees (excluding VAT)</b>	<b>262,500</b>

## Fees for other services

Service	Fees £
None	Nil

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- Following the outsourcing of the finance function, both the Council and Capita will make available management and accounting staff to help us locate information and to provide explanations

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

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

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

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Meeting	Audit Committee
Date	29 April 2014
<b>Subject</b>	<b>Internal Audit Exception Recommendations Report and Progress Report up to 31st March 2014</b>
Report of	Head of Internal Audit
Summary	Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2013-14 and high priority recommendations.
Officer Contributors	Caroline Glitre, Head of Internal Audit
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Internal Audit Progress Report (up to 31st March 2014) Appendix B: Work completed in Q4 to 31st March 2014 Appendix C: Work in progress at 31st March 2014 Appendix D: Internal Audit Effectiveness Indicators Appendix E: Internal Audit Recommendations quarter 4 (end of March)

## **1. RECOMMENDATIONS**

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

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 11 March 2010 (Decision Item 10) - the Committee accepted that there would be progress reports to all future meetings of the Committee and, that for all "limited" or "no assurance" audits, there should be a brief explanation of the issues identified.
- 2.2 Audit Committee 21 September 2010 (Decision Item 8) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.
- 2.3 Audit Committee 17 February 2011 (Decision Item 7) – the Committee (i) agreed that a report would be prepared quarterly regarding those internal audit recommendations not implemented (ii) requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

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

## **4. RISK MANAGEMENT ISSUES**

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

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

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

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

## **7. LEGAL ISSUES**

7.1 None in the context of this report.

## **8. CONSTITUTIONAL POWERS**

8.1 The Council's Constitution under Responsibility for Functions – The Audit Committee's terms of reference includes "to consider the annual audit opinion".

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

## **9. BACKGROUND INFORMATION**

9.1 The Internal Audit Service has continued to deliver work in accordance with its plan reported to the Audit Committee in April 2013. This is the final period of reporting for the 2013-14 year end. Over the current period since the Committee last met in January 2014 the service has issued 25 reports, all but 8 were rated as satisfactory. Information has been presented in Appendix A on those reports issued as 'No' or 'Limited' assurance.

9.2 All (100%) of the recommendations that were due at the end of March have been implemented. A summary of those recommendations which were due in Quarter 4 has been included for the Audit Committee to review (appendix E).

9.3 The risk management arrangements are reviewed annually and are considered elsewhere on the Audit Committee agenda.

9.4 The final performance report for Quarter 3 can be found via the link below and includes the Quarter 3 corporate risk register. Quarter 4 performance will be published at the end of April.

<http://barnet.moderngov.co.uk/mgAi.aspx?ID=6286#mgDocuments>

## **10. LIST OF BACKGROUND PAPERS**

10.1 None.

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

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## **Appendix A**

**London Borough of Barnet**  
**Internal Audit & Risk Management**  
**Progress Report 2013-14 – Quarter 4**

**Caroline Glitre, Head of Internal Audit**


## **1. Introduction**

The Internal Audit Plan was accepted by the Audit Committee on the 8th April 2013. This report follows the principles previously requested by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

## **2. Final Reports Issued**

This report covers the period from 1<sup>st</sup> January 2014 to 31<sup>st</sup> March 2014 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 25 reports in accordance with the 2013-14 Internal Audit Plan. The full list of completed audits during this period is included within Appendix B. The majority of reports issued in the current period were given Satisfactory assurance, with 2 reports given No assurance and 6 reports given Limited assurance. The summary detail of those reports issued as No or Limited assurance is included within section 3.

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

Title	IT Access Controls			
	No	Limited	Satisfactory	Substantial
Assurances				
Audit Opinion				
Date of report:	February 2014			
Previous reviews (context)	<p>2012/13 – SAP Access Controls – management letter identified issues around users having excessive access to the system.</p> <p>2011/12 – Integrated Children’s System – Limited Assurance. High priority issues identified around password security and User Access procedures.</p>			
Background	<p>This review focussed on the ownership and accountabilities of the Identity and Access Management processes in operation across both the in-house Business application support team(s) within delivery units and the Third Party IT provider – Capita. Four areas were chosen for testing IT Access: ICS (Children’s social care database); Integris (Schools management information database); shared drives; and shared mailboxes.</p> <p>We noted three high priority recommendations, summarised as follows:</p> <ul style="list-style-type: none"> <li> <b>Policies and Procedures</b> - there is a lack of documented Council-wide policies relating to IT user access management. Within the four areas examined, only ICS had any form of specific documented access policy, the other three areas rely entirely on ad hoc processes. </li> </ul>			
Summary of				



### **Recommendation 2 – Ownership & Accountabilities**

- a) A formal agreement should be developed between Barnet and Capita detailing the responsibility for user management across the Council.
- b) An up to date listing of all Council applications should be developed and maintained and include details concerning responsibility for administration and managerial roles between Capita and Barnet.
- c) For every application within Barnet, there should be a named individual who is responsible for user management. This listing should be maintained centrally and updated when appropriate.

### **Management Comment 2:**

- a) The IT User Access Policy (described in Comment 1 above) will include a definition of the split of responsibilities between the council, Capita and any other third parties for managing user access.  
**(ICT Director (CSG) and Head of Information Management (LBB) – as above)**
- b) and c) The Application Register will document the detailed responsibilities for each application.  
**(IT Transformation Team Leader (CSG) – as above)**

### **Recommendation 3 – Access to Council Systems and Data:**

- a) A Council wide formal process to remove all users from all systems should be developed and agreed between the Council and Capita. Barnet should seek assurance that Capita remove staff access in a timely basis.
- b) Regular user reviews should be undertaken across all systems with follow up actions where relevant to remove users, evidence of these reviews should be retained.
- c) An exercise to review all users with access granted prior to 2010 should be undertaken and the appropriateness of their access confirmed.
- d) Management should obtain ongoing assurance that policies and processes introduced are being followed in practice, including the retention of authorisation provided for IT access.

### **Management Comment 3:**

- a) A new 'Starter – Mover – Leaver' process is currently being developed and implemented by the HR Service, which includes notification to the IS Service at each stage. Note that this does not include contractors.

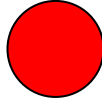
**(IT Transformation Team Leader (CSG), 30/6/14)**

Capita and Barnet will work together to determine the most effective way of controlling contractor access to systems, which will then be implemented alongside the employee controls.

**(ICT Director (CSG) and Head of Information Management (LBB) - Agree by 30/6/14;  
Implement by 30/9/14)**

- b) – d) The IS Service is implementing internal procedures in line with ISO20000-1 best practice, which include a review and continuous service improvement element to each process. This will be used to validate the success of the new procedures. The outcome of these reviews will be reported to the IM&T Working Group after 6 months and annually thereafter.

**(IT Transformation Team Leader (CSG), 30/9/14)**

<b>Title</b>	<b>SWIFT and Wisdom</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion</b>				
<b>Date of report</b>	March 2014			
<b>Previous reviews (context)</b>	2011/12 – Integrated Children’s System – Limited Assurance. High priority issues identified around password security and User Access procedures.			
<b>Background</b>	<p>This review looked at Swift and Wisdom within the Adults and Communities delivery unit. They are IT applications used to manage both client information (Swift) and client documentation (Wisdom) in order to deliver services appropriately to meet the needs of service users. The applications have been used since 2007 and are due to be replaced within the next 12 – 18 months.</p> <p>Upon being replaced it is envisaged that the use of IT within the directorate to deliver services will be revised, however, there is recognition by management that there are risks relevant to both the current applications, hence why this audit was commissioned.</p>			
<b>Summary of Findings</b>	<p>We have noted four high priority findings during our review, summarised as follows:</p> <ul style="list-style-type: none"> <li>• <b>Governance:</b> No documentation exists for the administration of either application and the responsibility for oversight of the applications is unclear. There are currently significant operational issues with the system in that it ‘freezes’ limiting its use for operational staff. This has been reported however calls to the helpdesk regarding issues with Swift have remained unresolved and senior management within the delivery unit have not escalated the matter to ensure its resolution. During</li> </ul>			

the audit it was apparent that the working relationship between Adults and IT needs to be more collaborative.

- **Back-ups:** Management have no oversight of the backup process for Swift and there is overarching uncertainty over whether the bespoke elements of the system are backed up at all. Backups for Wisdom have never been tested. Northgate, the provider of Swift, have stated that they will be unable to restore Swift in the event of a system collapse; this could result in all client information in Swift being lost.
- **User Administration:** The Swift system records only a very limited audit log and does not record when users have accessed a file, therefore it is not possible to identify which users are accessing and editing client records. We also noted inconsistencies in password parameters between SWIFT servers, a lack of definition of access levels and system user audits not being complete and documented.
- **Information Governance:** Data is currently held outside of Swift due to system limitations caused by frequent 'freezing' of the system that result in operational staff removing data from the Swift application to allow them to perform their day to day roles. Management have no oversight of this including whether this information is stored securely. Furthermore, we noted that there are no formal data classification levels defined or used across the Council, it was therefore not possible to determine whether or not SWIFT and Wisdom are configured to align with data protection requirements. Classification levels are not used within these systems and once access to Wisdom is granted all users are able to access all information, regardless of whether it is specific to their role.



<p><b>Priority 1 recommendations, management responses and agreed action date</b></p>	<p><b>Recommendation 1 – Governance and Oversight:</b></p> <ul style="list-style-type: none"> <li>a) Documentation surrounding application administration, including detailed roles and responsibilities for staff members, should be developed and agreed across the business.</li> <li>b) The escalation process for issues with Swift and Wisdom should be clearly documented. Additionally, a reporting framework between the helpdesk and the business unit managers should be devised to enable management to identify recurring issues.</li> <li>c) The process for systems procurement, including upgrades to existing systems, should be formalised and communicated to all relevant stakeholders.</li> <li>d) Barnet/Capita should review where application ownership lies under the outsourced IT arrangement and ensure they reach agreement on responsibilities.</li> </ul> <p><b>Management Comment 1:</b></p> <ul style="list-style-type: none"> <li>a) Agreed, existing documentation to be updated to address recommendation. <b>(Programme Manager, Adults &amp; Communities, 30/06/2014)</b></li> <li>b) The escalation process is informal at present; the process will therefore be clearly documented, and the reporting framework developed and confirmed. <b>(ICT Director (CSG) and Head of Information Management (LBB), 30/6/14)</b></li> <li>c) The process will be formalised and communicated <b>(Head of Information Management and Programme Manager, Adults &amp; Communities, 30/6/14)</b></li> <li>d) These discussions are already in progress, and will be confirmed and communicated <b>(ICT Director (CSG) and Head of Information Management (LBB), 30/6/14)</b></li> </ul> <p><b>Recommendation 2 – Back-ups:</b></p>
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- a) Management should ensure that back-up providers are performing back-ups to cover the entire data set supported by SWIFT and should get assurance of the success of these on an on-going basis.
- b) Backups for Wisdom should be tested.
- c) Roles and responsibilities for data restoration should be defined and documented. This should be communicated to all stakeholders.

**Management Comment 2:**

- a) Upgrade of SWIFT to new infrastructure and latest software level approved and due by end of June 2014.

**(Programme Manager, Adults & Communities and ICT Director (CSG), 30/6/14)**

- b) Agree. A project to refresh the WISDOM infrastructure and move to a new data centre will include testing on restore and implement a periodic test. This is due to go live by October 2014

**(IT Transformation Team Leader (CSG), 1/11/14)**

- c) As part of the Data Centre Move, responsibilities for restoring WISDOM to an agreed Disaster Recovery plan will be implemented formally.

**(IT Transformation Team Leader (CSG), 1/11/14)**

**Recommendation 3 – User Administration**

- a) Logical access controls should be consistent between policy and application settings.
- b) Swift should be updated to enable audit trails of file access and changes to data.
- c) Access levels and groups for Swift and Wisdom should be formally defined and documented dependant on job role, so that at the point of requesting access staff are easily able to articulate and request the levels required in line with job roles.

- d) System audits should cover all users of the systems and be fully documented with agreement for ownership between Barnet and Capita.

**Management Comment 3**

- a) Northgate have confirmed that the existing Password policy is in place and we have tested against it. We were unable to recreate the issue identified by Internal Audit. It will be included as a regular test in the IT controls policy.

**(IT Transformation Team Leader (CSG), resolved)**

- b) and d) We will discuss the standardisation of approach to Swift and Wisdom system/user administration as part of the implementation of the new A&C Adults Social Care system. In the meantime, we will agree and implement system audits for the current system.

**(Programme Manager, Adults & Communities and ICT Director (CSG), 30/6/14)**

- c) As part of the roll out of the SWIFT upgrade, available roles will be documented and communicated as part of the Project.

**(IT Transformation Team Leader (CSG), 30/6/14)**

**Recommendation 4 – Information Governance**

- a) Data classification definitions (such as normal, restricted, elevated) should be developed and agreed across the Council. Staff should be trained accordingly.
- b) Access to case information on Wisdom should be restricted according to business need.
- c) Appropriate SWIFT system upgrades need to be implemented to ensure that staff do not need to resort to removing data from applications to work efficiently

**Management Comment 4**

- a) Under the Information Management Strategy, the Council will implement a workstream to implement the Government's Security Classifications Policy (formerly the Protective Marking Scheme). This policy has been substantially changed, and came into force in April 2014. An initial assessment of the requirements of the new Government classification scheme will be undertaken by end of June 2014 with the full programme to conclude by January 2016.


**(Head of Information Management, 31/01/2016)**

- b) As part of the Information Management Strategy, we are implementing a project to look at underlying problems with Wisdom and to evaluate its business purpose. We will look at the access controls in Wisdom at this point.

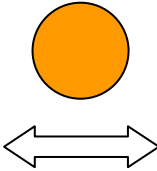
**(Head of Information Management, 31/7/14)**

- c) A Swift upgrade project is currently in progress which will help to alleviate the system problems that have led to this issue.

**(Programme Manager, Adults & Communities and IT Transformation Team Leader (CSG), 30/6/14)**

<b>Title</b>	<b>Financial Management</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion</b>				
<b>Date of report</b>	March 2014			
<b>Previous reviews (context)</b>	2013/14 - Key Financial Systems – Satisfactory Assurance 2012/13 – Budget Management – Satisfactory Assurance			
<b>Background</b>	<p>Financial management is a core part of successful management. It is central to the Council’s decision-making process and effective corporate governance arrangements.</p> <p>The Financial Management review covered the following areas of scope:</p> <ul style="list-style-type: none"> <li>• Budgetary Control</li> <li>• Budget Management</li> <li>• Journals Authorisation</li> <li>• Roles and Responsibilities</li> <li>• Charges for Legal Services</li> </ul>			

<p><b>Summary of Findings</b></p> <p><b>Priority 1 recommendations, management responses and agreed action date</b></p>	<p>We noted one high and six medium priority recommendations. The key issue was as follows:</p> <p><b>Charges for Legal Services</b></p> <p>We found an overspend on the Harrow &amp; Barnet Public Law (HBPL) contract, with uncertainty noted in Delivery Units regarding the charging process. Further, it is unclear what income will be achieved on the HBPL contract from the provision of legal services to Re and the Barnet Group and how that will be accounted for.</p> <p><b>Recommendation 1 - Harrow &amp; Barnet Public Law charges for legal services:</b></p> <p>The Commercial Team HBPL contract manager should communicate the legal services charging basis to budget holders and formalise the process of recharging with Delivery Units. Uncertainty around the treatment of income from Re and the Barnet Group should be resolved by reference to the contract and without further delay.</p> <p><b>Management Comment 1:</b></p> <p>Agreed. The Commercial Team has written to all Delivery Unit leads and provided them with a breakdown of costs to date and projections for year-end for 2013/14. They were also advised of the arrangements for 2014/15 whereby all hours for the Delivery Units (outside of Re and Barnet Homes) are to be paid for centrally through the bulk purchased core hours. All costs of disbursements will be re-charged to the service areas. A face to face meeting was offered, and ongoing monthly reviews. All Delivery Unit leads have agreed the process for 2014/15.</p> <p>Liaison with Re Contract Manager to broker a SLA between HBPL and Re is ongoing and will be in place for 1 April 2014.</p> <p>The Commercial Team HBPL Contract Manager has also liaised with Barnet Homes to re-charge all appropriate costs for 2013/14, and to broker an agreement with HBPL for Housing HRA legal services for 2014/15.</p> <p><b>(Commercial &amp; Customer Services Director - April and On-going)</b></p>
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Title	People Management			
Assurances	No	Limited	Satisfactory	Substantial
<p><b>Audit Opinion &amp; Direction of Travel</b></p> <p>An Assurance Level of “Limited” was provided to reviews of HR Data Quality and Establishment List (2011/12) and Safer Recruitment and Criminal Records Bureau (2010/11)</p>				
<b>Date of report</b>	March 2014			
<b>Background</b>	<p>The People Management review covered the following areas of scope:</p> <ul style="list-style-type: none"> <li>• Policies &amp; Procedures</li> <li>• Recruitment of Agency Staff</li> <li>• Risk Management</li> <li>• Workforce Strategy &amp; Development</li> </ul> <p>To undertake our testing we looked at activity within a sample of delivery units and the support function of Human Resources, part of CSG.</p> <p>We noted two high, three medium and five low priority recommendations. The key issues were as follows:</p>			

<p><b>Summary of Findings</b></p>	<ul style="list-style-type: none"> <li>• <b>Recruitment of agency staff – approval:</b> There is no requirement for the order of agency staff on the Comensura system to be approved by a more senior officer. There is therefore a risk that agency staff may be appointed without appropriate approval. This may not be in-line with the Council’s scheme of delegation and lead to inappropriate use of the Council’s resources.</li> <li>• <b>Recruitment of agency staff – Disclosure and Barring Service (DBS) checks:</b> There are no checks performed by the Council to ensure that all pre-employment checks have been completed on agency staff by Comensura, in particular, the Disclosure and Barring Service (DBS) checks. There is therefore a risk that agency staff may be inappropriately employed, leading to breaches of procurement policy, potential safeguarding issues, increased fraud risk and reputational damage.</li> </ul>
<p><b>Priority 1 recommendations, management responses and agreed action date</b></p>	<p><b>Recommendation 1 - Recruitment of agency staff – approval:</b></p> <p>Evidence of the approval for the use of agency staff should be retained to demonstrate that agency staff levels are being monitored. Approval should ensure that agency staff are used where appropriate and when a valid business need arises.</p> <p><b>Management Comment 1:</b></p> <p>We are investigating the link between the established posts held on the Council’s payroll system and introducing controls that include the use of the establishment number to cross reference all assignments to vacancies (or filled posts) to have greater control. As part of this, authorisation limits will be prescribed within policy as to the length of assignments and cost. CSG have provided an additional resource to manage the Comensura activities and implement new controls. New-style management information reports for Delivery Units will monitor agency usage and trends.</p> <p><b>(Human Resources Director (CSG) - June 2014 - Post implementation of new HR system)</b></p> <p><b>Recommendation 2 – Recruitment of agency staff – Disclosure and Barring Service (DBS) checks</b></p> <p>In all instances line managers should confirm that DBS checks have been undertaken prior to agency staff commencing work at the Council. Request access to Comensura’s internal audit reports on a periodic basis for review by management to provide assurance that pre-employment checks are being completed</p>

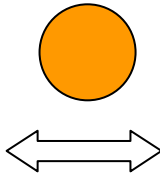


in a timely manner. Monthly sample checks of agency staff employed in high-risk roles should be selected and evidence obtained to confirm that the appropriate DBS clearance has been obtained prior to commencing work.

**Management Comment 2:**

Comensura is a managing agent and not the supplying agency. However, new regulations from the Disclosure and Barring Service (DBS) allows portability of status (through the Update Status) lists that the Council should identify and ask individuals provided through agencies to bring with them to provide assurance. The HR team has a number of short term priorities that need to be covered such as Payroll switch to the new system which will prevent the above approach being implemented until June 2014. Therefore, a short term mitigating control in the highest risk areas of Children's and Adult's Services will be introduced to address the safeguarding concern that the current situation represents - at the transfer of the system to CoreHR, an audit and compliance report will be taken off the new system and verified to provide an assurance as to compliance for DBS checks and validity.

**(Human Resources Director (CSG) – June 2014)**

Title	Business Continuity			
	No	Limited	Satisfactory	Substantial
<b>Assurances</b> <b>Audit Opinion &amp; Direction of Travel</b> An Assurance Level of “Limited” was provided in 2012-13 for business continuity.				
<b>Date of report</b>	March 2014			
<b>Background</b>	<p>The objective of the Business Continuity process is to enhance business resilience by ensuring that the core/critical activities of the Council can continue functioning in the event of an unforeseen adverse event which would impact on the ability of the Council to maintain service delivery. This necessarily means that information and resources are available and accessible to the relevant officers to facilitate operation in response to the event.</p>			
<b>Summary of Findings</b>	<p>We noted four high, six medium and two low priority recommendations. The key issues were as follows:</p> <ul style="list-style-type: none"> <li>• <b>Overarching Council Business Continuity Strategy:</b> There is no corporate business continuity strategy, and this is recognised as a risk on the Council's risk register. Without a current and comprehensive strategy, there is no clear Council approach for Delivery Units. This could result in Delivery Unit approaches to business continuity which do not enable efficient recovery following an incident.</li> <li>• <b>Accessibility of Delivery Unit Business Plans:</b> Delivery Unit business continuity plans are not held centrally. Business continuity for the Council as a whole may be limited as there are risks that: business continuity plans will not be accessible when needed; and that not all possible service delivery will be optimised in the event of disruption.</li> <li>• <b>Testing of Business Continuity Plans:</b> There has been no testing of business continuity plans, other than by live events. Plans may not be effective in a live incident unless they are tested by a</li> </ul>			

<p><b>Priority 1 recommendations, management responses and agreed action date</b></p>	<p>variety of hypothetical scenarios.</p> <ul style="list-style-type: none"> <li>• <b>Previous Incidents:</b> Previous business continuity incidents are not formally recorded and there is no lessons learned log. If previous incidents and lessons learned are not captured, then improvements to the business continuity process will not be made, resulting in a less effective process.</li> </ul> <p><b>Recommendation 1 – Overarching Council Business Continuity Strategy:</b></p> <p>A business continuity strategy should be developed as soon as is practicable and approved by senior officers and Members. The strategy should be reviewed annually at a minimum, to confirm that it reflects best practice and organisational structure. The business continuity strategy should specifically address accommodation. The risks and costs of the strategy should be set out clearly for Members, so that they can decide on the Council’s risk appetite with regards to business continuity.</p> <p><b>Management Comment 1:</b></p> <p>As part of the business continuity project we have now started, a business continuity strategy will be created, and review mechanisms put in place as part of this.  <b>(Head of Information Management – June 2014)</b></p> <p><b>Recommendation 2 – Accessibility of Delivery Unit Business Plans:</b></p> <p>All Delivery Unit business continuity plans must be held centrally, so that they can be accessed readily during a business continuity event. Delivery Units should ensure that they supply updated business continuity plans &amp; contact lists every six months or more frequently if needed.</p> <p><b>Management Comment 2:</b></p> <p>As part of the business continuity project we have now started, we will ensure that a process is put in place for holding DU business continuity plans centrally.  <b>(Head of Information Management - June 2014 and on-going)</b></p>
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Delivery Unit business continuity champions agree that they will supply updated business continuity plans & contact lists every six months or more frequently if needed.

**(Delivery Unit business continuity champions - June 2014 and on-going)**

**Recommendation 3 – Testing of Business Continuity Plans:**

Business continuity plans should be peer-challenged and tested regularly by discussion, table-top and live exercises. Testing should be led by the corporate business continuity lead, and Delivery Units should send an appropriate representative to ensure that all plans would work together in the event of an incident.

**Management Comment 3:**

As part of the business continuity project we have now started, we would put in place a process for challenging and testing BC plans.

**(Head of Information Management - Process – June 2014; Testing – first tests by December 2014)**

Delivery Unit business continuity champions agree to send an appropriate representative for challenging and testing BC plans.

**(Delivery Unit business continuity Champions – Ongoing)**


**Recommendation 4 – Previous Incidents:**

There should be a record of previous incidents so that lessons can be captured and used to inform the Council's business continuity arrangements.

**Management Comment 4:**

As part of the business continuity project we have now started, we will ensure that a record is kept of previous incidents and their lessons learned.

**(Head of Information Management – June 2014)**

<b>Title</b>	<b>Parking Contract Review</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b> N/A There has been no previous review in this area.				
<b>Date of report</b>	March 2014			
<b>Background</b>	<p>NSL were awarded the contract to manage and operate the parking enforcement, appeals and representations service for the Council from 1st May 2012. The £14m contract will run for a five year period with potential for a two year extension.</p> <p>This review looked at elements that underpin Contract Management Excellence, namely Benefits Realisation, Performance and Reporting, Payments and Risk &amp; Issue management.</p>			
<b>Summary of Findings</b>	<p>We noted two high and four medium priority recommendations. The key issues were as follows:</p> <p><b>Benefits Realisation</b> - We identified areas where the Parking contract's ongoing benefits realisation processes should be improved. The Parking Project's business case listed 13 financial and non- financial benefits to be delivered to the Council throughout the five year contract period, which included income generation, service quality and savings targets. We found that controls were not in place to ensure that the future realisation of these planned benefits was monitored and managed, for example roles and responsibilities for benefit management and planned timelines for benefit reporting. The Benefits Realisation Plan produced at the end of the project had not been reviewed since the project handed over to the Clienting team in May 2012.</p> <p><b>Issue Management</b> - An issue management strategy was not in place for the contract and as a result we were unable to identify how the Clienting team intended to manage and escalate issues with the</p>			

<p><b>Priority 1 recommendations, management responses and agreed action date</b></p>	<p>contractor. In particular we were unable to identify what constituted an issue that NSL would be required to raise with the Council; defined roles and responsibilities for those involved in issue management; and documented thresholds or escalation routes for issues.</p> <p>We identified several significant issues that the Clienting team were currently managing, for example the Council's dispute with NSL over their current performance level and the associated performance payments. The Parking contract however did not have an issues log in place to capture and monitor issues and the minutes of meetings held did not include sufficient information to effectively manage issues.</p> <p><b>Recommendation 1 – Ongoing Benefits Realisation – control design</b></p> <p>Management should ensure that processes are put in place to effectively monitor and regularly review the realisation of financial and non-financial benefits. This should include:</p> <ul style="list-style-type: none"> <li>• A review of the current targets for planned benefits to re-assess their validity;</li> <li>• Identifying baselines (where possible) for existing levels to demonstrate delivery of benefits;</li> <li>• Agreeing where the realisation of planned benefits will be monitored and issues escalated;</li> <li>• Defining the roles and responsibilities of those involved; and</li> </ul> <p>Refreshing the information contained within the Benefits Realisation Plan to monitor and report on the realisation of planned benefits.</p> <p><b>Management Comment 1</b></p> <p>Street Scene will review each of the 13 benefits and make appropriate changes to ensure that these are meaningful, measurable and deliverable. Once a revised Benefits Realisation Plan is in place, resource requirements can be assessed and resources put in place and allocated appropriate responsibility for on-going monitoring and reporting.</p> <p><b>(Infrastructure and Parking Manager, June 2014)</b></p>
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
**Recommendation 2 – Issue Management – control design**

- a) An issue management strategy should be introduced to ensure that issues which occur are consistently and effectively recorded, monitored, escalated and resolved in a timely manner; and
- b) Management should create a formal issues log for the Parking contract. As a minimum this should include:
  - Description of the issue;
  - Potential impact of the issue;
  - Agreed actions;
  - Owners of agreed actions;
  - Target dates for resolution.
- c) This information should then be regularly monitored and updated.

**Management Comment 2**

Street Scene accept that this is an important aspect of good contract management and the recommendation is accurate and confirms our view of what actions need to be implemented to improve the management of the contract and as such this will be implemented as recommended.

**(Infrastructure and Parking Manager, April 2014)**

<b>Title</b>	<b>Beis Yaakov School</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b> N/A Previously schools were not given comparable assurance ratings.				
<b>Date of report</b>	February 2014			
<b>Background</b>	Beis Yaakov Primary School is a voluntary aided school with places for 525 pupils aged between 3 and 11 years of age. The School budget for 2013/14 is £2,056,016 with employee costs of £1,688,551 (82% of the delegated budget). The School was assessed as 'Outstanding' by OFSTED in June 2011.			
<b>Summary of Findings</b>	<p>We noted four high and seven medium priority issues as part of the audit. The high priority areas of concern were:</p> <ul style="list-style-type: none"> <li>• Contracts</li> <li>• Banking</li> <li>• Budget Monitoring</li> <li>• Payroll</li> </ul>			



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

**Recommendation 1 - Contracts:**

The School should ensure compliance with the LBB Contact Standing Orders document when procuring or renewing contracts for goods and services and ensure 'Best Value ' principles are adhered to.

It is recommended that minutes of meetings include visible evidence of consideration by governors of quotations etc. for the renewal/procurement of any relevant contract/service, in order to ensure that a fair and transparent selection process by a quorate of governors exists and that there is no over reliance on any one individual.

**Management Comment 1:**

Agreed – The school agrees that more rigorous tendering and contracting arrangements needed to be in place in the past.

**(Head Teacher, Immediate – applies to all recommendations)**

**Recommendation 2 - Banking:**

The School should:

- a) Review and up-date its current Authorised Signatories mandate ensuring it is consistent with the School's bank mandate and Financial Management and Procedures Policy, and;
- b) Review the school signatories to ensure that there is adequate cover in school in order to sign cheques on a daily basis in the event of absence of one or more of the designated signatories;
- c) That responsibilities are adequately separated and no one individual is able to sign in all areas;
- d) Bank Reconciliations are checked to ensure that no income remains outstanding from the previous month's reconciliation and that any cheque which remains outstanding for over 6 months is investigated and dealt with appropriately.

**Management Comment 2:**

Agreed:

- a) A new mandate is in place and states that 2 people must sign all cheques. The mandate now matches what is stated in the policy.
- b) The Governors are happy with this arrangement as they can be in school at any time.
- c) This has now been addressed.
- d) LBB finance team has addressed this. Our policy states all cheques are to be signed by one Governor.

**Recommendation 3 – Budget Monitoring:**

Any expenditure paid on behalf of the Trustees through the School's budget share account should be processed as follows:

- The gross expenditure posted to E19AMN;
- Claim the VAT as normal;
- Governors to pay in to the Co-op account the net amount only. This receipt should then be credited to E19AMN, instead of a contribution/donation of income.

**Management Comment 3:**


Agreed – The school followed procedures agreed with the LA traded services team employed by us at the time. The school is happy to accept the recommendation.

**Recommendation 4 – Payroll:**

The School should ensure that only staff authorised on the School's Authorised Signatories mandate, to approve claims for additional hours sign time sheets.

**Management Comment 4:**

Agreed – The school is comfortable with line managers signing time sheets, but following this recommendation they are now countersigned by an authorised signatory.

<b>Title</b>	<b>Hollickwood School</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b> N/A Previously schools were not given comparable assurance ratings.				
<b>Date of report</b>	March 2014			
<b>Background</b>	Hollickwood Primary School is a community school with places for 245 pupils aged between 3 and 11 years of age. The School budget for 2013/14 is £1,462,896 with employee costs of £1,026,170 (70% of the delegated budget). The School was assessed as 'Good' by OFSTED in November 2012.			
<b>Summary of Findings</b>	<p>We noted one high and four medium priority recommendations.</p> <p>The high priority issue related to <b>Income</b>:</p> <ul style="list-style-type: none"> <li>Income collected for educational visits; breakfast club and additional nursery provision by teaching staff/teaching assistants is not returned to the school office for recording and placing in the school safe on the date of receipt. This income was reported to be held in a locked draw /cupboard until transferred to the office and therefore not covered under the School's insurance in the event of theft.</li> <li>A final income and expenditure analysis is not prepared for all major trips. A review of budget monitoring reports for 2013/14 found a large deficit balance in relation to the 'School Journey 2013' which does not appear to have been noted/reported by/to the Head or to Governors: Income: £2090; Expenditure: £5423.</li> <li>Paid pupil and staff meal arrears were found to be high.</li> <li>The 'Cash in Hand' figure recorded on the computerised meals income accounting records was</li> </ul>			

<p><b>Priority 1 recommendations, management responses and agreed action date</b></p>	<p>found to be incorrect due to a software error which has not yet been rectified even though this was a finding from the previous audit.</p> <ul style="list-style-type: none"> <li>• Uniform stock records are not maintained in order to facilitate a regular reconciliation to sales</li> </ul> <p><b>Recommendation 1 - Income:</b></p> <p>Robust income controls and procedures should be in place to ensure effective financial management;</p> <p>a) All income not received directly into the office but through other members of staff, should be returned to the School office on a daily basis for processing and placed in the School safe until ready for banking;</p> <p>b) Regular monitoring and chase-up procedures should be introduced to ensure meals are paid for in a timely manner, i.e. staff should clear their outstanding balance on a weekly basis; pupils arrears should not exceed 10 school days;</p> <p>c) The School should contact the software provider with immediate effect with regards to the ‘Cash in Hand’ errors which continue to be encountered;</p> <p>d) An income and expenditure analysis should be prepared for all major school trips in order to determine the final surplus or deficit. Significant losses (as per the loss identified for ‘Journey 2013’) should be reported to the Head Teacher and governors, i.e. to investigate/ approve write-off etc;</p> <p>e) Uniform stock records should be maintained and a regular reconciliation carried out to sales.</p> <p><b>Management Comment 1:</b></p> <p>Agreed – To implement the recommendations.</p> <p><b>(Head Teacher, Immediate)</b></p>
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#### **4. Work in progress and effectiveness review**

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

#### **5. Liaison with Officers and External Audit**

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be used by them as part of their financial accounts audit. Quarterly meetings, as a minimum, occur between external and internal audit.

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

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

Officers within the Assurance Group work closely with CAPITA in line with an agreed protocol that both clarifies and puts in place practical arrangements around the relevant Audit, Fraud and Risk contract clauses. This working protocol supports the 'external assurance' quadrant of our annual plan.

## 6. Changes to our plan

Since the Internal Audit Plan was approved there have been some changes within the quarter made to the original audit plan agreed in April 2013 in respect of timing and additional audits requested from Directorates.

Type	Audit Title	Reasons
Additional	SAP data migration	Assurance letter issued over the controls around the data migration from SAP to Integra (finance) and Core (HR)
Deferred	Health & Safety	Deferred to 2014/15 due to addition of SAP data migration assurance review

## **7. Reports and assurance projects for management purposes**

There were two assurance projects undertaken by internal audit that are not considered assurance reports (i.e. they do not give an assurance rating) but none the less aid management in assessing the effectiveness of their control environment. Within these reports if a significant issue has been identified as part of that review it has been included within this progress report:

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

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

We subsequently worked with the service in January and February 2014 to prepare for the February 2014 submission. We reviewed a sample of the troubled families where improvements were claimed to supporting documentation to test both eligibility and that improvements have been made, in line with the guidance set out by the DCLG. No exceptions were noted from our testing.

We have agreed with the service that internal audit assurance over the quarterly submissions in 2014/15 will be provided as part of the 2014/15 Internal Audit Plan.

- **SAP Data Migration review**

We reviewed key monitoring controls in the following areas of the data migration process from SAP to Integra (Finance) and Core (HR):

- Governance;
- Process and Plan design; and
- Testing plans.

No exceptions were noted during our audit testing and we did not identify any significant areas of weakness in monitoring controls in any of these three areas.

It should be noted that the review did not verify the validity and completeness of the data being transferred and no qualitative testing of data was undertaken as part of our review.

## **8. Risk Management**

The risk management arrangements are reviewed annually and are considered elsewhere on the Audit Committee agenda.

The final performance report for Quarter 3 can be found via the link below and includes the Quarter 3 corporate risk register. Quarter 4 performance will be published at the end of April.

<http://barnet.moderngov.co.uk/mgAi.aspx?ID=6286#mgDocuments>



## Appendix B: 2013-14 work completed during quarter 4 including assurance levels

### Audit Opinions on Completed Audits during the period

	<b>Systems Audits</b>	<b>Assurance</b>
1	Information Management and Governance	Satisfactory
2	Equalities	Satisfactory
3	Data Quality	Satisfactory
4	Waste – project assurance	Satisfactory
5	Transformation Q4	Satisfactory
6	Legislative changes – Education and Skills	Satisfactory
7	Procurement Board - Internal Governance Q4	Satisfactory
8	Customer & Information Management Board - Internal Governance Q4	Satisfactory
9	Workforce Board - Internal Governance Q4	Satisfactory
10	Assets & Capital Board - Internal Governance Q4	Satisfactory
11	Performance Management Framework	Satisfactory
12	Financial Management:	
	General (budgetary control, budget management, journals authorisation, roles & responsibilities)	Satisfactory
	Charges for Legal Services	Limited
13	People Management	Limited
14	Business Continuity	Limited
15	Parking contract	Limited
16	IT Access controls	No
17	SWIFT and Wisdom	No
	<b>Assurance Projects</b>	
18	Troubled Families payment by results	N/A
19	SAP data migration	N/A

	<b>School Audits</b>	<b>Assurance</b>
1	Sacred Heart	Satisfactory
2	St. Paul's N11	Satisfactory
3	Holy Trinity	Satisfactory
4	Goldbeaters	Satisfactory
5	Beis Yaakov	Limited
6	Hollickwood	Limited

## Appendix C: Work in progress

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

### Work in progress

	<b>Systems Audits</b>	<b>Status</b>
1	Public Health	End of Fieldwork

## Appendix D: Internal Audit Effectiveness Indicators

Performance Indicator	Annual Target	End of Quarter 4
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	100%
External Audit evaluation of Internal Audit (previous year)	Reliance On IA	Achieved
Average client satisfaction score (above 3)	90%	93%
% of Plan delivered	95%*	99%
% of draft reports completed within 10 days of finishing fieldwork	90%	93%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By April	Achieved
Preparation of Annual Report (previous year)	Prior to A.G.S.	Achieved
Staff with professional qualifications	70%	75%
Staff development days	5 days	Achieved

\* Quarter 4 target equated as 95% of quarter 1, 2, 3 and 4 activity

## Appendix E: Quarter 4, 2013-14: Priority 1 Recommendations due

### Code to ratings:

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

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment March 2014
<p><b>Street Lighting PFI Contract</b></p> <p><b>Recommendation</b></p> <p>Any changes to performance metrics should be formally approved at Senior Management level and should include a consideration of whether more fit for purpose performance measures should be included.</p> <p>The Annual Service Report should be provided and should contain all relevant information in terms of the contract to allow for an effective assessment of overall service</p>	<p>Infrastructure &amp; Parking Manager</p>	<p>No formal change has been made to the contract via the approved mechanism, the change control procedure.</p> <p>The service provider has not provided data relating to two of the LP's and has not provided the annual report at the appropriate time and as such the performance reports are not wholly complete. This has been allowed by the contract manager on following basis:</p> <ul style="list-style-type: none"> <li>- The two PI's are not significant as the information</li> </ul>	<p><b>Implemented</b></p> <p>A formal fit for purpose change request process for the contract has been introduced and approved by Street Scene senior management. The process requires that changes to performance metrics are formally approved at Senior Management (Director) level.</p> <p>Contract KPI performance for the period January to December 2013 was reported and reviewed in March 2014 at Senior Management level.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment March 2014
<p>delivery for the year. The Annual Service Report should be reviewed and challenged at Senior Management level in the Delivery Unit to assess and confirm overall performance by the contractor.</p>		<p>can be viewed by accessing the data held in the Management Information system to which the Client monitoring team have access. In respect to LP2 this was only relevant within the Core Investment period (first 5 years) as at the end of this period all columns in excess of 25 years of age would have been replaced. Therefore at the end of the CIP this figure was 0%. In respect to LP8 requests for improved lighting are recorded as potential complaints and these are reported within the monthly performance reports.</p> <p>The Annual Report includes a range of different data much of which is also included in the monthly reports. The purpose of the annual report is to show the trends in combining the monthly data, however the parties had agreed that this information would be useful and as such it was not desirable to wait 12 months to review trends and therefore the parties agreed that</p>	<p>Management also indicated that the Annual Service Report, due May 2014, reporting KPI contract performance in terms of the contract would be provided to Senior Management for review.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment March 2014
		<p>such information would be provided within the monthly report, thereby increasing visibility of performance trends and allowing performance issues to be identified and addressed more quickly. This is a positive improvement.</p> <p>Management can confirm that arrangements are in place to ensure that where the Change Control process is instigated this will not be instigated without the formal approval of senior management. Therefore should the PFI Contract Manager consider in the future that a change is desirable this will be instigated through the Change Control process but only after this has been formally agreed by the Infrastructure and Parking Manager, who has overall responsibility for the Street Lighting PFI Contract.</p> <p>It is accepted that these changes have not been formally reviewed and agreed by Senior Management. It is also accepted that the inherent risk is low.</p>	

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Meeting	Audit Committee
Date	29 April 2014
<b>Subject</b>	<b>Internal Audit and Anti-Fraud Strategy &amp; Annual Plan and Risk Management Approach 2014-15</b>
Report of	Assurance Assistant Director and Head of Internal Audit
Summary	The Committee is asked to consider and approve the Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach for 2014-15
Officer Contributors	Clair Green, Assurance Assistant Director; Caroline Glitre, Head of Internal Audit and Courtney Davis, Risk Assurance Manager
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 and Anti-Fraud Strategy & Annual Plan and Risk Management Approach for 2014-15
Contact for Further	Clair Green 0208 359 771 / Caroline Glitre 020 8359 3721

## **1. RECOMMENDATIONS**

- 1.1 That the Audit Committee endorses the Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach for 2014-15.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 8 April 2013 (Decision item 7) – the Audit Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2013-2014

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 All internal audit, anti-fraud and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2013-2016, and thus supports the delivery of those objectives by ensuring the internal control environment is underpinned by a strong risk management processes and procedures and giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 3.2 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. Each internal audit will be mapped to the corporate priority that it supports.
- 3.3 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, effective value for money anti-fraud activity.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The Plan is based upon the risks of the organisation and supports the Council's risk management system and processes as each internal audit or pro-active anti-fraud exercise 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 internal audits / pro-active anti-fraud 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 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; promoting good relations between those with a protected characteristic and those without. The, relevant, 'protected characteristics' are age, disability, gender reassignment, pregnancy and



maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination

- 5.2 Effective systems of audit, internal control, anti-fraud, risk management 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 and CAFT exercises 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, assurance and anti-fraud activity.
- 6.2 In addition, the follow up of priority one audit/CAFT recommendations will ensure that a positive culture of internal control and anti-fraud improvement is achieved.

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's Constitution, 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."

"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 proposed Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach for 2014-15 prepared after discussions with a range of stakeholders: Strategic Commissioning Board members, Lead Commissioners, Commissioning Strategy Assistant Director, all Delivery Units Directors, internal audit and Corporate Anti-Fraud Team (CAFT) colleagues and external audit. Further to that consultation and engagement further processes ensured that our corporate risks are covered in terms of assurance either by our plan or by other forms of assurance. We also reviewed Delivery Unit risk registers and considered high or medium-high risks for adequate coverage, as well as considering local and national emerging issues. The final draft plan

represents an independent view of those risk areas that need evaluation for the coming year.

9.2 This is the second year of the Commissioning Council and the Council is undergoing a period of rapid change, with numerous significant change projects underway or planned for the coming year which requires our plan to be more agile and adaptable. Therefore we have a contingency resource included within the plan that enables us to be responsive to changes in risks throughout the year.

During the year, if changes are required to the plan in response to this or any new local or national risks, this will be communicated to the Audit Committee in a timely manner.

9.3 The plan will form the basis of bi-monthly reporting to the Strategic Commissioning Board (SCB) and quarterly reporting to the Audit Committee.

9.4 The plan also incorporates performance indicators of the functional areas of assurance and will be reported quarterly to the Audit Committee for scrutiny and challenge.

9.5 The Head of Internal Audit is satisfied that the Plan will provide assurance on the adequacy of the internal control environment, anti-fraud and risk management arrangements and therefore an annual opinion will be produced at the end of the year summarising the assurances obtained.

## 10. LIST OF BACKGROUND PAPERS

10.1 None.

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

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# Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach 2014-15

Clair Green, Assurance Assistant Director

Caroline Glitre, Head of Internal Audit

Courtney Davis, Risk Assurance Manager

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# Introduction

This document presents the Council's strategy and operational internal audit, risk management and anti-fraud plan for the period 2014-15. The plan covers the work of both the combined in-house teams for Internal Audit and Anti-Fraud and Risk Management working with the Council's current supplier – Price Waterhouse Coopers (PwC).

Within this plan is the acknowledgment that the Council is required to make £72.5m savings between 2011 and 2015. This plan summarises the assurance framework and work to be undertaken in 2014-15.

## Risk-Based Plan

In line with the Public Sector Internal Audit Standards, the 2014-15, fully risk-based plan, has been formulated by:

- Reviewing the updated corporate and group 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 order to understand strategic and operational plans for 2014-15 that are likely to have a significant impact on the control environment;

- Asking officers for confirmation of any grant payments that require internal audit oversight;
- Asking officers for information that would help to inform our plan, for example regarding self-assessments, recovery or action plans, projects, contracts or IT issues; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support achievement of the Council's overall objectives.

## Corporate Objectives

This strategy and plan demonstrate how Internal Audit, the Corporate Anti-Fraud Team (CAFT) and Risk Management support the Council in achieving its overall aims and objectives whilst maintaining the necessary professional standards.

The focus for the upcoming year for the Council is the following strategic objectives:

- Create the right environment to promote responsible growth, development and success across the borough;

# Introduction - Continued

- Support families and individuals that need it – promoting independence, learning and well-being; and
- Improve the satisfaction of residents and businesses within the London Borough of Barnet as a place to live, work and study.

These objectives will be reviewed as part of each audit, as applicable.

## **Independence**

The Assurance Group is organisationally independent from the Strategic Commissioning Board.

## **Officer and Management Responsibilities**

For the Assurance Group 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 the Group. The expectations are that there is:

- Strategic level involvement to inform the annual plan;
- Operational level involvement with individual reviews;
- Being open and honest with audit and CAFT staff;
- Making staff and records available when requested;
- Responding to draft reports in the agreed timescale;

- Only accepting recommendations with which they agree, and providing timescales for implementation that are achievable; and implementing the agreed actions (by the agreed date) arising from the reviews.

The responsibility for a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management. Work performed by the Assurance Group 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.

## **Managed Audit Approach**

Internal Audit, CAFT and Risk Management are 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 preparation of this Annual Plan thereby ensuring coverage of the corporate risks.

# Introduction - Continued

## Emerging issues

There is a contingency in place to enable this plan to be responsive to changes in risks throughout the year. The Council is undergoing a period of rapid change, with numerous significant change projects underway. The contingency will allow internal audit and anti-fraud to respond as required.

During the year, if changes are required to the plan in response to this or any new local or national risks, this will be communicated to the Audit Committee in a timely manner.

## Internal Audit

Internal audit will provide independent and objective assurance to the Council, its Members, the Strategic Commissioning Board (including the Chief Operating Officer) to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Internal Audit will ensure a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Committee.

## Corporate Anti Fraud Team

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.

All CAFT investigation staff are fully qualified and internal investigation procedures are efficient, effective and demonstrate value for money.

CAFT operate in accordance with appropriate legislation, powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution and the Counter Fraud Framework.

This strategy demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity by applying the appropriate sanction.

The strategy and plan detail and demonstrate CAFT's response to the local fraud risks facing the Council as well as national fraud risks identified within various public sector good practice guidance.

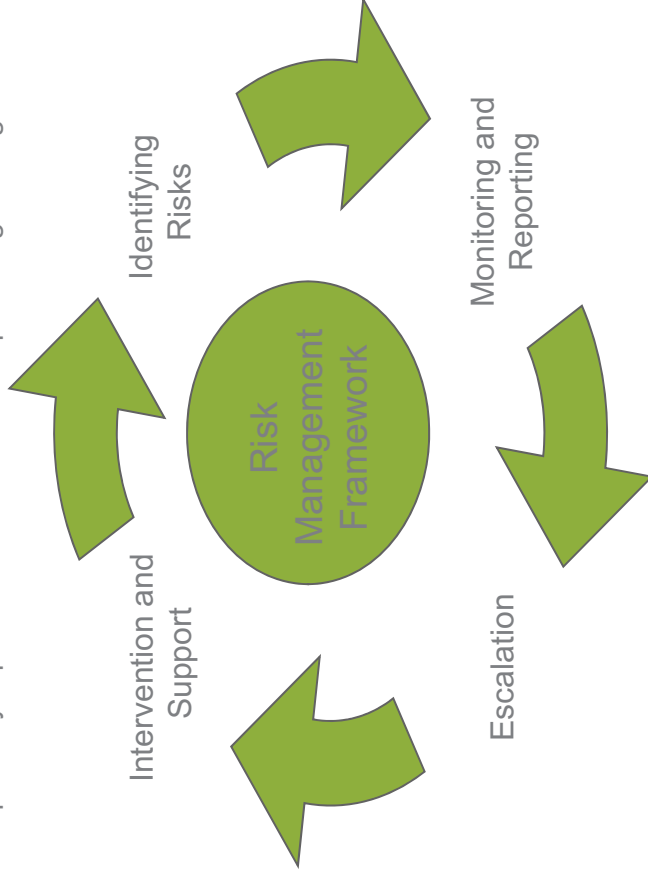
CAFT will provide progress reports to the Council's Senior Management and Audit Committee on a quarterly and Annual cycle.

# Risk Assurance

The Council's Risk Management Policy is to proactively identify, understand and manage risks inherent in the delivery of our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking. Risk Assurance focuses on enabling the organisation to identify, monitor, report and escalate risks as well as playing an intervention and support role as required.

Risk Assurance is responsible for delivering a robust risk assurance function through the risk management framework that ensures the Council meets the highest standards of risk management. Risk management should be a central part of strategic management and business planning; it is the process whereby the organisation methodically addresses the opportunities and threats attached to their activities with the goal of achieving sustained benefit across the portfolio of all activities.

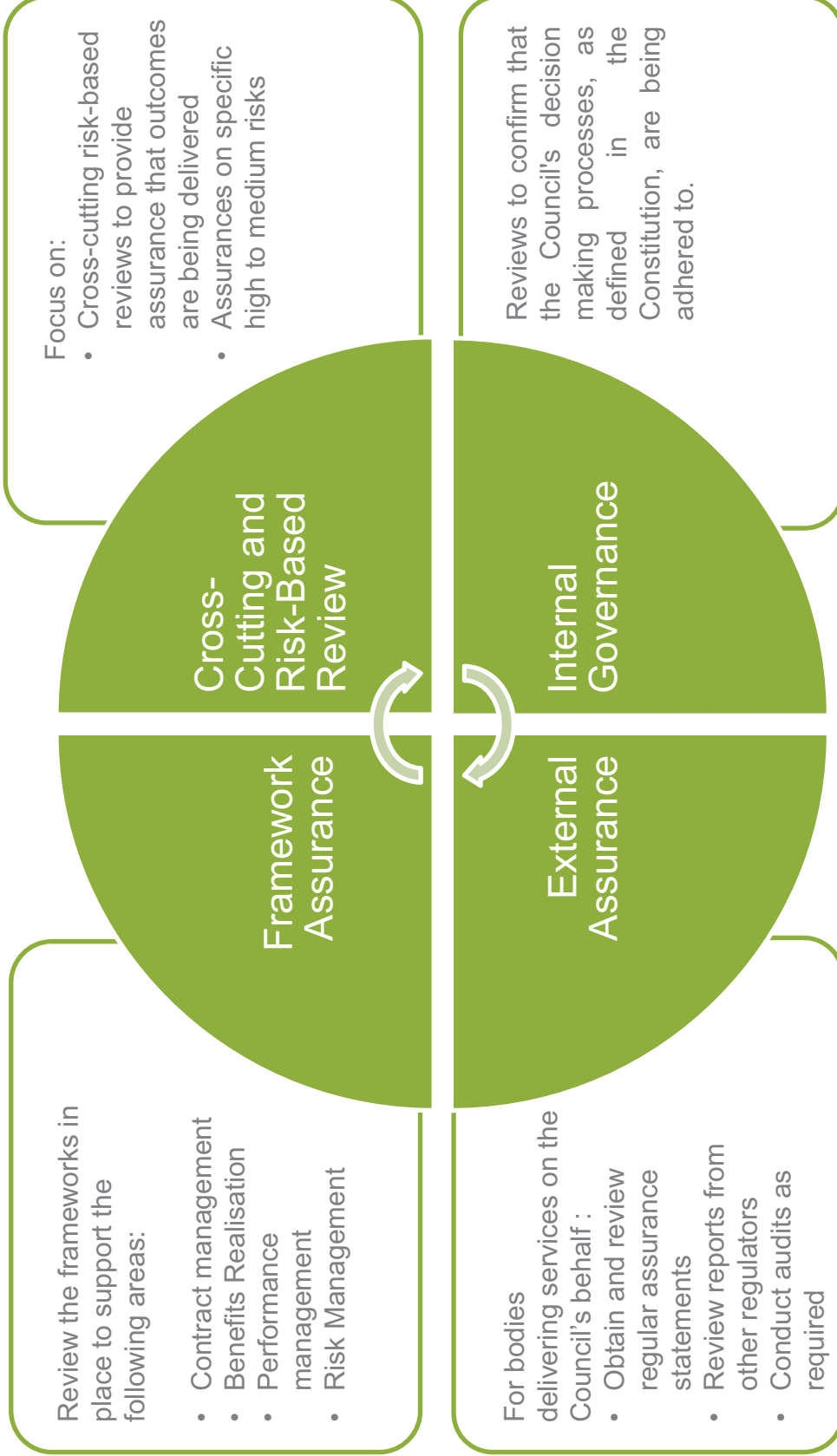
The Risk Assurance function provides challenge, ensures consistency of approach, advises on joint risks, cross cutting risks, risk conflicts and responds to serious incidents. Risk Assurance plays a role in the development and management of the SCB Risk Register, Quarterly Performance reports (which include risks that have been challenged by the risk assurance function and delivery board prior to submission to SCB and Cabinet for publishing) and quarterly reports to Audit Committee providing oversight of SCB risks and level of mitigating actions taken by officers





# Overall Approach

The following four quadrants underpin the Audit and Anti-Fraud programme:



# Overall Summary

As summarised in the tables below Internal Audit, CAFT and Risk Management will deliver 1050 audit, 3520 corporate anti-fraud and 180 risk management days in 2014-15. The following pages detail the assurance plan for each aspect of the Council.

The budget and resources allocated to the service are deemed sufficient to enable an annual audit opinion to be prepared and reported. In deriving this plan the resources have been considered in terms of the skills of both the in-house team and the strategic partner, PwC. During the course of the year, if the Head of Internal Audit believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, this will be brought to the attention of the Audit Committee.

Area	Days 2014/15	Days 2013/14
Cross-Cutting	80	124
Internal Governance	40	82
Internal Delivery Units	210	169
External Delivery Units & Support Services	215*	245
Commissioning Group	305	205
Management, Follow-up and Reporting	200	215
Risk Management	180	85
CAFT proactive work	165	395
CAFT reactive and continuous investigation	3355	2125**
<b>Total Days</b>	<b>4750</b>	<b>3654</b>

\* Please note that in 2014/15 external delivery units will also be considered, where appropriate, in cross-cutting reviews and within some Commissioning Group reviews.

\*\* Please note that in 2014/15 we have included all the chargeable days for CAFT proactive and reactive work, whereas in previous years we only included an estimate for CAFT proactive work within the plan.

# Detailed Plan: Cross-cutting reviews

Delivery Units will have the objective of delivering outcomes within the resources available. Assurance will review on a risk basis whether the appropriate governance structures are in place to deliver outcomes efficiently and effectively; and also that key risks are being mitigated according to risk appetite. As such there will be a number of cross cutting reviews that will be undertaken across internal and external delivery units where appropriate.

Other common themes of good governance will be assessed as part of the scope of a variety of audits, as appropriate:

- Consultation
- Equalities
- Customer Services
- Transparency
- Legal Issues
- Information Technology
- Risk Management

Cross Cutting Reviews	Audit Days	Quarter
Health and Safety	15	1
People Management	15	2
Financial Management	15	2
Project Management	15	3
Data Quality	20	1,2,3,4
<b>TOTAL</b>	<b>80</b>	

# Detailed Plan: Internal Governance

The Strategic Commissioning Board and Members will want independent assurance that decisions are being made within the powers delegated to officers and that there are effective governance processes and controls in place.

The reviews will also consider the governance structures across the Council and whether these are functioning in line with the new Committee system from June 2014. Officer understanding of the new systems and officer-member engagement will be assessed.

Reviews will be undertaken to confirm that the Council's decision making processes, as defined in the Constitution, are being adhered to.

Internal Governance Reviews	Audit Days	Quarter
A sample of boards and their working groups will be reviewed against governance best practice. To include a review of the speed of implementing decisions.	40	2 & 4
<b>TOTAL</b>	<b>40</b>	

# Internal Delivery Unit – Adults & Communities

In addition to the Cross-cutting and Commissioning Group audits being undertaken, each delivery unit will require assurance on other key risk areas within its own service. The planned reviews in Adults & Communities are below:

Area of Audit Review	Risk being addressed	Audit Days	Quarter
<p><b>Your Choice Barnet – contract review</b>  <i>(Joint review with CAFT)</i>            A review of the contract management controls over the Your Choice Barnet contract.</p> <p>CAFT review to analyse a sample of cases (7.5 proactive days).</p>	<p>If performance against this high value contract is not appropriately managed then value for money and quality of service may not be achieved.</p> <p>If checks are not carried out on care workers in day centres then eligibility or right to work issues could occur leading to reputational damage.</p>	10	1
<p><b>Mental Capacity Act</b>            A review of the service's compliance with the requirements of the Mental Capacity Act and its processes and authorisations.</p>	<p>If the requirements of the Act are not complied with then the Council may not meet its statutory duties and duty of care.</p>	15	2
<p><b>The Care Bill</b>            A review of the service's Statement of Readiness in advance of the legislative changes being introduced from April 2015.</p>	<p>If the requirements of the Bill are not properly prepared for or supported then the Council will not be able to meet its statutory duties leading to financial consequences.</p>	20	3

# Internal Delivery Unit – Adults & Communities

In addition to the Cross-cutting and Commissioning Group audits being undertaken, each delivery unit will require assurance on other key risk areas within its own service. The planned reviews in Adults & Communities are below:

Area of Audit Review	Risk being addressed	Audit Days	Quarter
<b>Residential Care Homes</b> <i>(Joint review with CAFT)</i> Audit review of controls in place to check the private resources of customers whilst the Council funds the place.  CAFT review to analyse a sample of cases (7.5 proactive days).	If the Council continues to fund placements when there is no longer a need then scarce financial resources will be wasted.  If checks to cross reference funding eligibility are not done then the burden of financing falls to the Council impacting the public purse.	5	2
<b>TOTAL</b>		<b>50</b>	

# Internal Delivery Unit – Children’s Service

In addition to the Cross-cutting and Commissioning Group audits being undertaken, each delivery unit will require assurance on other key risk areas within its own service. The planned reviews in Children’s are below.

The Children’s service is considered as two separate delivery units: Education & Skills and Families.

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<b>Joint review across Education &amp; Skills and Families</b>			
<p><b>Children and Families Act</b> A review of the service’s preparedness for the proposed legislative changes as the Bill passes through Parliament.</p> <p>To include IT review of the access controls within Tribal, which is due for roll-out in Education &amp; Skills in Summer 2014.</p>	<p>If the requirements of the Bill are not properly prepared for or supported then the Council will not be able to meet its statutory duties leading to financial consequences.</p> <p>If access controls and known issues around data and records are not appropriately considered for the new system then implementation timescales could be delayed or known issues could continue.</p>	15	2
<b>TOTAL</b>		<b>15</b>	

# Internal Delivery Unit – Children’s Service

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<b>Education &amp; Skills</b>			
<b>Special Educational Needs</b> A review of the SEN service to include a review of SEN placements and a sample of the contracts in place to support them.  <i>Link to Children &amp; Families Bill review</i>	If SEN support contracts are not properly managed then: <ul style="list-style-type: none"> <li>the Council may not be providing the services as specified by the statement of educational need.</li> <li>the Council may not achieve the best possible outcomes through its SEN Placements.</li> </ul>	15	2
<b>School Improvement</b> A review of the use of data within the service.	If data is not analysed appropriately then the Council may not be aware at an early stage of schools that are showing signs of poor performance.	15	3
<b>TOTAL</b>		<b>30</b>	



# Internal Delivery Unit – Children’s Service

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<b>Families</b>			
<b>Ofsted Framework action plan</b> Review preparations for Ofsted inspection through detailed audit of action plans and supporting evidence.	If there is non-compliance with the Ofsted framework then Children within the borough may not achieve the level of outcomes expected.	15	2
<b>Children’s Centres</b> Review of controls in place at Council-run Children’s Centres to provide assurance over: <ul style="list-style-type: none"> <li>• Financial Management</li> <li>• Information Management</li> <li>• Data Protection</li> <li>• Management of safeguarding issues</li> </ul>	If Children’s Centres do not have a consistent approach to the way services are delivered then there could be weaknesses in their control environment leading to financial or data loss or safeguarding issues.	15	1

# Internal Delivery Unit – Children’s Service

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<b>Families</b>			
<p><b>Permanency Routes</b>            A review of the processes in place regarding the options being considered for children. To include:</p> <ul style="list-style-type: none"> <li>• Foster Carers</li> <li>• Adoptions</li> <li>• Residential Orders</li> <li>• Special Guardianship</li> </ul> <p><i>Review will also include assurance required by the Department for Education over the Adoption Grant received by the Council.</i></p>	<p>If the processes in place for taking decisions on permanency are not robust then what is best for the child may not be considered in a consistent manner. From this, there is a secondary risk that special guardianship spend leads to budget overspend.</p>	15	1
<p><b>Troubled Families – Payment By Results</b>            Audit assurance to be given over the quarterly submissions being made to CLG during 2014/15.</p>	<p>If audit assurance is not provided on submissions then requirements of the Department for Communities and Local Government will not be met.</p>	20	1-4
<b>TOTAL</b>		<b>65</b>	

# Internal Delivery Unit – Street Scene

In addition to the Cross-cutting and Commissioning Group audits being undertaken, each delivery unit will require assurance on other key risk areas within its own service. The planned reviews in Street Scene are below.

Area of Audit Review	Risk being addressed	Audit Days	Quarter
<b>Recovery plans</b> Reviews of the Street Scene and Parking recovery plans to assess data quality and whether action plans are being adhered to.	If key assumptions are not robust or information on which they are based properly tested then recovery plans will not rectify the financial impact of the budget overspend.	25	2
<b>Special Parking Account – Penalty Charge Notice (PCN) deletions</b> Follow-up of the audit undertaken in June 2013 to give assurance over the service's planned own internal 6 month reviews	If the process for deleting PCN's is not properly followed then the Council could incur a loss of income.	10	3

# Internal Delivery Unit – Street Scene

In addition to the Cross-cutting and Commissioning Group audits being undertaken, each delivery unit will require assurance on other key risk areas within its own service. The planned reviews in Street Scene are below.

Area of Audit Review	Risk being addressed	Audit Days	Quarter
<p><b>Transport contracts</b>  <i>(Joint review with CAFT)</i>            Audit review of the processes and controls in place around third party contracts to provide transport services.</p> <p>CAFT review to analyse a sample of cases (15 proactive days).</p>	<p>If the drivers of children and vulnerable people have not been CRB checked then this is a safeguarding issue.</p> <p>If the drivers of children and vulnerable people do not have valid driving licences then this is a Health &amp; Safety issue.</p> <p>If proper validation of invoices does not take place then there is a risk of duplicate or fraudulent invoicing resulting in loss to the public purse.</p>	15	1
<b>TOTAL</b>		<b>50</b>	

# Detailed Plan – External Delivery Units & Support Services

**External Delivery Units** are focused on delivering outcomes for local people, whilst having freedom on how they deliver those outcomes. External Delivery Units have their own governance and internal assurance models and therefore our External Assurance quadrant involves liaison with their assurance functions. In particular, receiving and reviewing reports to identify any potential impact on the achievement of the Council's strategic objectives.

**Support Services** have the objective of supporting the Commissioners and Delivery Units to deliver outcomes. Assurance is required that there are the appropriate frameworks in place to monitor the performance of these services. We will review this under the Commissioning Group through our Framework Assurance.

Our External assurance quadrant will also involve obtaining and assessing assurances over the Support Services' internal control environments.

**Schools** are also considered external delivery units and a programme exists to support the Chief Finance Officer in discharging his responsibility for the use of school funding.

# Detailed Plan – External Delivery Units & Support Services Cont'd

Area of review	No. of Audit Days	Quarter
<b>Review of assurance statements</b> - Review other auditors' annual plans, reports and assurance statements. Regular liaison with providers. Consider other sources of assurance from inspectorates, ISO accreditations, management, advisors etc.	20	Continuous
<b>Verification of assurance statements</b> and reports from providers or partners to ensure they can be relied upon e.g. confirmation of compliance with the new Public Sector Internal Audit Standards where appropriate.	10	Continuous
<b>Recommendation tracker</b> – review of recommendations being raised by providers' internal and external auditors to ensure potential risks being addressed.	5	Continuous
<b>Schools</b> – continuous auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations. To include review of Pupil Premium.	100*	All terms

\* Will be dependent on number of schools audited in any one year

# Detailed Plan – External Delivery Units & Support Services Cont'd

Area of review	No. of Audit Days	Quarter
<p><b>Contingency</b>            Audit clauses of contracts may need to be invoked.            Contingency also needed whilst arrangements are agreed with CSG around internal audit assurance over the Key Financial Systems of:</p> <ul style="list-style-type: none"> <li>• Treasury Management</li> <li>• Pension Fund Management</li> <li>• Payroll</li> <li>• Cashbook</li> <li>• Fixed Assets / Capital Programme</li> <li>• Income &amp; Debt Management</li> <li>• Accounts Payable</li> <li>• Housing Benefit</li> <li>• Council Tax</li> <li>• NNDR</li> </ul> <p>Where Capita are not undertaking their own internal audit reviews we will review CSG's governance standards compliance checklist and undertake any further audit work as required. We will liaise with External Audit to ensure the work undertaken will be sufficient for their purposes when auditing the Council's financial statements.</p>	80	As required
<b>TOTAL</b>	<b>215</b>	

# Detailed Plan – Commissioning Group - Frameworks

Commissioners will want to ensure that the outcomes agreed at a strategic level are being delivered as planned. Their ability to understand whether Commissions are being delivered is based on information flows throughout the Commissioning cycle based on:

- Formal and informal contract information
- Relationship management
- Performance management information
- Risk management

As a result, the assurance programme will focus on the Frameworks in place to manage this information.

Frameworks	No of Audit Days	Quarter
<b>Performance Management Framework</b> – review arrangements to collect, monitor, report and escalate matters in relation to internal and external delivery units for delivery of outcomes. Ensure action plans are in place to address poor performance against targets.	15	3
<b>Contract Management Framework</b> - review arrangements to ensure effective contract and relationship management.	20	3
<b>Benefits Realisation Framework</b> – review arrangements to ensure that the intended benefits of projects and contracts are monitored against and ultimately realised.	20	3
<b>Risk Management Framework</b> – review arrangements in place to identify, monitor, escalate and manage risks across the Council and its joint risks attributable to its relationship with partners.	15	3
<b>TOTAL</b>	<b>70</b>	



# Detailed Plan – Commissioning Group - Other

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<p><b>Commissioning Council - Review of Effectiveness</b> Review to provide assurance that the benefits envisaged from becoming a Commissioning Council are being monitored against and are being achieved. To include review of 2014/15 Management Agreements and how these drive delivery unit business plans, and review of the support arrangements to ensure that the Commissioning Council model is operating effectively.</p>	<p>If there is not an appropriate post-implementation review then the Commissioning Council model may not achieve outcomes in line with its overall corporate objectives.</p> <p>If lines of accountability and responsibility are not clear then there could be issues in delivery.</p>	15	2
<p><b>Priorities and Spending Review (PSR)</b> Review of a sample of PSR projects 2014-2020 at the Outline Business Case (OBC) stage. To consider whether adequate support is in place to deliver the projects.</p>	<p>If adequate support to deliver projects is not in place then the project may not be successfully delivered.</p> <p>If options are not consistently appraised and risk assessed in regards to the impact on the control environment then the control environment may be weakened.</p>	15	4

# Detailed Plan – Commissioning Group - Other

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<p><b>Transformation</b> Review of Transformation programmes to ensure the design is subject to robust scrutiny and challenge through the appropriate governance arrangements.</p>	<p>If transformation projects do not consistently appraise and risk assess the impact on the control environment then the control environment may weaken.</p> <p>If transformation projects do not properly consider the impact on residents then the Council may be in breach of its statutory duties.</p>	40	1 & 3
<p><b>Public Health follow-up</b> Follow-up of 2013/14 review of arrangements to support the Shared Public Health Service with Harrow. To include consideration of benefits realisation.</p>	<p>If arrangements to support the Shared Public Health Service are not robust then the intended benefits of entering into a Shared Service for Public Health may not be realised.</p>	15	3
<p><b>Regeneration</b> Review of a sample of regeneration projects being undertaken by <b>Re</b> on behalf of the Council.</p>	<p>If regeneration projects are not appropriately managed then the level of regeneration in Barnet may not be delivered in line with the Council's requirements.</p>	15	4

# Detailed Plan – Commissioning Group - Other

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<p><b>Information Management Strategy</b> Review of a sample of the work streams underpinning the Council's new IM Strategy and the Council's response to risks that are identified through those work streams.</p>	<p>If the Information Management Strategy is not embedded across the Council and there is not sufficient understanding of the legal requirements regarding the safety and security of information then non-compliance or data breaches may occur.</p>	15	3
<p><b>Decommissioning of SAP</b> IT review of the project to decommission SAP once the transfer to Integra (finance), Core (HR) and Lagan (Customer Services) has been completed.</p>	<p>If the SAP decommissioning project is not appropriately managed then the quality of data to inform decision making may be poor or information may be lost.</p>	15	2
<p><b>Complaints</b> Review of progress against the Council's complaints improvement plan. Review of compliance with the Council's complaints policy and the training provided to officers to enable them to deal with complaints swiftly and appropriately.</p>	<p>If the Council does not utilise information and learn lessons from the customer complaints process then poor service may continue. If complaints are handled poorly then the reputation of the Council may be impacted.</p>	15	1
<b>TOTAL</b>		<b>145</b>	

# Detailed Plan – Commercial & Customer Services

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<p><b>Barnet Homes contract management</b> Follow-up of the No Assurance rating given to the contract in January 2014.</p>	<p>If the contract is not managed effectively there may be a failure to realise the outcomes within the management agreement.</p>	10	1
<p><b>Re governance arrangements</b> Review to provide assurance over the retained Council responsibilities under the Joint Venture, joint risk management and invoicing arrangements.</p>	<p>If the governance arrangements are inappropriate or are not clearly understood there may be inappropriate authority to make decisions by the Council representatives on the Joint Venture board and the Council may not benefit from the arrangement in the long term.</p>	20	2
<p><b>Conflicts of Interest</b> Review to confirm that conflicts of interest are being managed in line with contract schedule requirements.</p>	<p>If conflicts of interest are not appropriately managed then either party may stand to make a gain or a loss as a consequence of not indicating the conflict.</p>	15	3

# Detailed Plan – Commercial & Customer Services

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<p><b>Disabled Blue Badges</b>  <i>(Joint review with CAFT)</i>            Audit review of the controls in place across the services that administer and manage disabled blue badges. The review will cover applications, renewals, cancellations and misuse.</p> <p>CAFT review of sample of current blue badges to confirm legitimacy (15 proactive days).</p>	<p>If controls in place to administer and manage blue badges are not effective or in line with relevant Department for Transportation guidance then they may be issued in error, and/or non legitimate or fraudulent applications may not be prevented.</p> <p>Valid parking income is not maximised and collected as a result of non valid and/or fraudulent blue badges remaining in circulation and being misused.</p>	10	1
<b>TOTAL</b>		<b>55</b>	

# Detailed Plan – Chief Operating Officer (COO)

Area of Audit Review	Risk being addressed	No of Audit Days	Quarter
<b>Capital Programme</b> To include review of the profiling process underpinning the Capital Programme, and diagnostic review of a sample of capital projects to assess progress.	If there are weaknesses in the controls and monitoring of capital profiling then there could be slippage, non-delivery of projects or corporate priorities.	15	1
<b>Revenues &amp; Benefits</b> Review of the retained Council function and the compliance checks they are undertaking.	If benefits assessments are not appropriately scrutinised then there may be an increase in errors and overpayments.	15	3
<b>Bus Subsidy Grant</b> Assurance required by Department for Transport over the Bus Subsidy grant received by the Council.	If audit assurance is not provided on submissions then requirements of the Department for Transportation will not be met.	5	2
<b>TOTAL</b>		<b>35</b>	

# Management, Follow-up, and Reporting

There will be various mechanisms in place to report findings for assurance work. Reporting will occur quarterly to members. 200 days of the assurance programme are allocated to this area of work to ensure accurate monitoring of recommendations, and reporting to senior officers and members on assurance and risk activity.

Area of review	Description of Work	No. of audit days
Management, Audit Risk Assessments and planning	Updating risk assessment, strategy and preparation of operational plans. Management of contractor and liaison with external audit.	50
Assurance Reports	Regular reporting to SCB and other boards as appropriate; quarterly summaries to Audit Committee. Includes preparation of the annual audit opinion for inclusion within the Annual Governance Statement.	55
Follow-up	Continuing approach to following up audits with high priority recommendations.	50
Contingency	To enable plan to be responsive to emerging risks during the year.	45
<b>TOTAL</b>		<b>200</b>

# Risk Assurance Plan

Risk management is a continuous and developing process that systematically addresses risks surrounding the organisation's activities past, present and future, therefore, Risk Assurance supports the on-going improvement of risk management practice across the organisation; objectives this year are described below.

Objective	Description
Risk Management Approach	A document describing the way the risk management framework is implemented in internal delivery units and for specific organisational activities like contract management and internal governance boards.
Assurance Mapping	Map assurance coverage of the key process which support the Annual Governance Statement to enhance the self assurance process and ensure there is no duplicated effort or gaps and to understand where the assurance roles and accountabilities reside and the key sources of assurances that they provide.
Board Assurance	Effective risk management is essential to the role of internal governance boards and risk assurance will support the Board's in embedding this requirement.
Implement Training and Development Plan	Training and development plays an important role in ensuring risk management roles and responsibilities are understood and risk management is properly embedded into processes and culture through awareness raising, challenge and promoting best practice through continuous improvement and learning. A priority will be a refresh of risk management training for risk champions and risk owners.
JCAD, Corporate Risk Management System	Assess JCAD effectiveness against business requirements; consider functional improvement as required. Review and cleanse users in the system



# Corporate Anti-Fraud Proactive Plan

This table details joint CAFT reviews within and across Delivery Units. The level of proactive anti-fraud work will be dependent on how much reactive work is received by CAFT. As a result not all areas may be reviewed in 2014-15. Any areas that are still relevant will be carried forward to 2015-16.

Service	Area of Review	Risk Being Addressed	CAFT DAYS
Adults	Personal Budgets / Direct Payments Proactive anti fraud work in this area that will ensure validity and legitimacy of high risk elements within the scheme.	Funds are misused, adequate care services are not obtained by the budget holder.	20
Children's	Schools Admissions Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.	Those fully entitled to placement at desirable schools within the borough are being deprived of place due to fraudulent applications	20
Cross Cutting	Employee remuneration schemes Proactive anti fraud review of all the various types of employee remuneration claims	Fraudulent / improper claims have been made / authorised impacting the public purse	40
Cross Cutting	Validation of vendor account details. Pro-active anti fraud review of the compilation of vendor details and accounts	Unauthorised / fraudulent payments being released impacting the public purse resulting in potential reputational damage	40

# CAFT continuous and reactive work streams

This table details the continuous and re-active investigation work of the team. The number of days allocated days has been calculated on the current and anticipated apportion of staff working in each area. However this is continuously assessed, prioritised and resources redirected if appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Description of work	Number of CAFT Days
To investigate all suspected frauds committed against the Council and effectively pursue fraudsters, by risk assessing and reacting accordingly to all instances of internal and external fraud, corruption or bribery. Ensuring that we seek appropriate penalties in accordance with the law, the counter fraud framework and relevant council policies whilst actively recovering any losses and obtaining compensation by utilising our in-house Financial Investigation Officers.	422
To continue to effectively deal with the prevention, detection, identification, deterrence and investigation (and prosecution where appropriate) of Housing and Council Tax Benefit and Council Tax Support, Fraud and Error, in partnership and in accordance the Department of Work and Pensions (DWP) guidelines and Fraud and Error Strategy and changes in legislation due to welfare reform including the single investigation service.	1690
To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud including maximising the recovery of properties where Tenancy Fraud is proven. Strengthening partnership work with Barnet Homes including raising awareness of the varying aspects of tenancy fraud risks.	1200
To further enhance our Fraud Awareness Training Programme aligned to the commissioning council structure.	15
CAFT will continue to liaise and advise where appropriate with our with human resources on staff policies and procedures for anti-fraud purposes.	5
To continue to provide the Audit Commission National Fraud Initiative co-ordination and support including data uploading, training, assistance and investigation of relevant matches in accordance with Audit Commission timelines.	23

# Performance Indicators – Internal Audit

The service has a number of performance indicators in place to assess whether performance is effective and efficient. Performance against these indicators will be reported to the Audit Committee on a quarterly basis.

Performance Indicator	Target
% of recommendations accepted	98%
% of recommendations implemented	90%
Average client satisfaction score (above 3)	90%
% of Plan delivered	Based on 95% complete of those due in quarter
% of draft reports completed within 10 days of finishing fieldwork	90%
Staff with professional qualifications	70%

# Performance Indicators – CAFT

The service has a number of performance indicators in place to assess whether performance is effective and efficient. Performance against these indicators will be reported to the Audit Committee on a quarterly basis as well as detail's of outcomes on noteworthy investigations.

<b>Performance Indicator</b>	
<b><u>Benefits Compliance Team</u></b>	<b><u>Corporate Investigation Team</u></b>
Total amount of Fraud overpayments identified in Benefits system	Number of Fraud investigations
Total amount of Error overpayments identified in Benefits system	Number of Financial investigations (under Proceeds of Crime Act)
Total amount of combined Fraud and Error overpayments identified in Benefits system	Number of prosecutions
<b><u>Benefits Investigations Team</u></b>	Number of dismissals as a result of investigations
Number of Benefit Fraud investigations	Number of requests for surveillance in accordance with the Regulation of Investigatory Powers Act 2000
Number of cautions	Number of Whistleblowing referrals received
Number of administration penalties	<b><u>Tenancy Fraud Team</u></b>
Number of prosecutions	Number of Tenancy Fraud investigations
Total number of benefit sanctions	Number of properties recovered
Number of sanctions per investigations officer	Number of Right to Buys applications denied as a result of CAFT intervention
Total amount of Single Person Discount council tax benefit / support fraud identified*	Number of Homeless Applications denied as a result of CAFT intervention

\*Joint PI across compliance and investigations teams

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Meeting	Audit Committee
Date	29th April 2014
<b>Subject</b>	<b>Risk Management Framework</b>
Report of	Assurance Director
Summary	The Risk Management Framework is reviewed on an annual basis. This report seeks to inform the Audit Committee of the minor revisions to the risk management framework.

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Officer Contributors	Courtney Davis, Risk Assurance Manager
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 Framework
Contact for Further Information:	Courtney Davis 020 8359 4901

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note minor amendments made to the Risk Management Framework.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee March 2011 - That the revised Risk Management Policy Statement and Strategy be accepted as the policy and procedure by which the Authority will monitor and manage risk.
- 2.2 Audit Committee in April 2012 -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.
- 2.3 Audit Committee July 2013 - That the Committee note minor amendments made to the Risk Management Strategy, and to note the change in the arrangements from a Risk Management Strategy to a Risk Management Framework.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2013-2016, and thus supports the delivery of those objectives by ensuring the internal control environment is underpinned by a strong risk management processes and procedures and 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 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 framework 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 Effective systems of audit, internal control and governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

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

- 6.1 When used appropriately risk management 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.

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

- 8.2 The Constitution Part 3 Responsibilities for Functions - the Audit Committee terms of reference 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 Risk Management Framework is reviewed annually to ensure it remains aligned with current best practice and to demonstrate that risk management evolves with the organisation. There have been no significant changes; however, some changes to note are as follows:

- Language amended to align with the Committee System
- Includes Board Governance in the roles and responsibility section.
- A description of the key documentation comprising the risk management framework.
- The commissioning service section, within the subject specific guidance has been updated as follows:
  - Refers to commissioning more broadly, rather than specifically relating to the major outsource projects.
  - Clarifies points around transferring, retained and joint risks.
  - Duplication removed
- Made financial impact guidance more clear
- Introduces the training and development plan as part of the intervention and support role of the risk assurance function.

- 9.2 The Risk Management Framework is available to all officers and management through the intranet alongside other key documents on the use of JCAD, the corporate risk management system.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

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# LB Barnet Risk Management

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## Risk Management Framework: Policy Statement and Procedures

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<b>Document Prepared for:</b>	<b>Strategic Commissioning Board/Cabinet Member for Resources and Performance /Audit Committee</b>
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**Author: Courtney Davis – Risk Assurance Manager**

## DOCUMENT CONTROL

<b>Document Description</b>	To define the approach to managing risks across the Council		
<b>Reference</b>	LB Barnet – Risk Management Framework		
<b>Version</b>	V1.7		
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<b>Filename</b>	Held on “S” drive LB Barnet – Risk Management Frameworkv1.7		
<b>Authorisation</b>	Name	Signature	Date
<b>Prepared By:</b>	Courtney Davis		2 April 2014
<b>Checked By</b>	Maryellen Salter		2 April 2014
<b>Distribution To</b>	<b>Name :</b> Cabinet Member of Resources and Performance Strategic Commissioning Board		<b>Date(s) Distributed:</b> 7 April 2014 15 April 2014

### Version History

<b>Version number</b>	<b>Date</b>	<b>Author</b>	<b>Reason for New Version</b>
Version 0.1	30.5.13	Courtney Davis	1st Draft document
Version 0.2	18.06.13	Maryellen Salter	Review document
Version 0.3	19.06.13	Courtney Davis	Amendments
Version 0.4	20.06.13	Courtney Davis	Amendments
Version 0.5	26.06.13	Courtney Davis	Incorporated comments from SCB
Version 0.6	02.07.13	Courtney Davis	Minor Health and Safety Amendments
Version 1.0	4.07.13	Courtney Davis	Updated version control as final
Version 1.5	2.4.14	Courtney Davis	Revisions as part of annual review of document.
Version 1.6	2.4.14	Maryellen Salter	Complete review of changes
Version 1.7	4.4.14	Courtney Davis	Modification based on MS review

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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 risks inherent in the delivery of our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking.

Risk Management is a fundamental part of best management practice for Directors, Assistant Directors, Lead Commissioners, Heads of Service and other managers when planning and setting objectives, assessing adequacy of 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 (but not limited to):

Strategic and financial planning	Performance management
Service design and delivery	Information Management
Policy making and review	Change management/transformation
Project management	Business continuity planning

The Risk Assurance function sits within the Assurance Group and focuses on enabling the organisation to identify, monitor, report and escalate risks as well as playing an intervention and support role when required, depicted below:

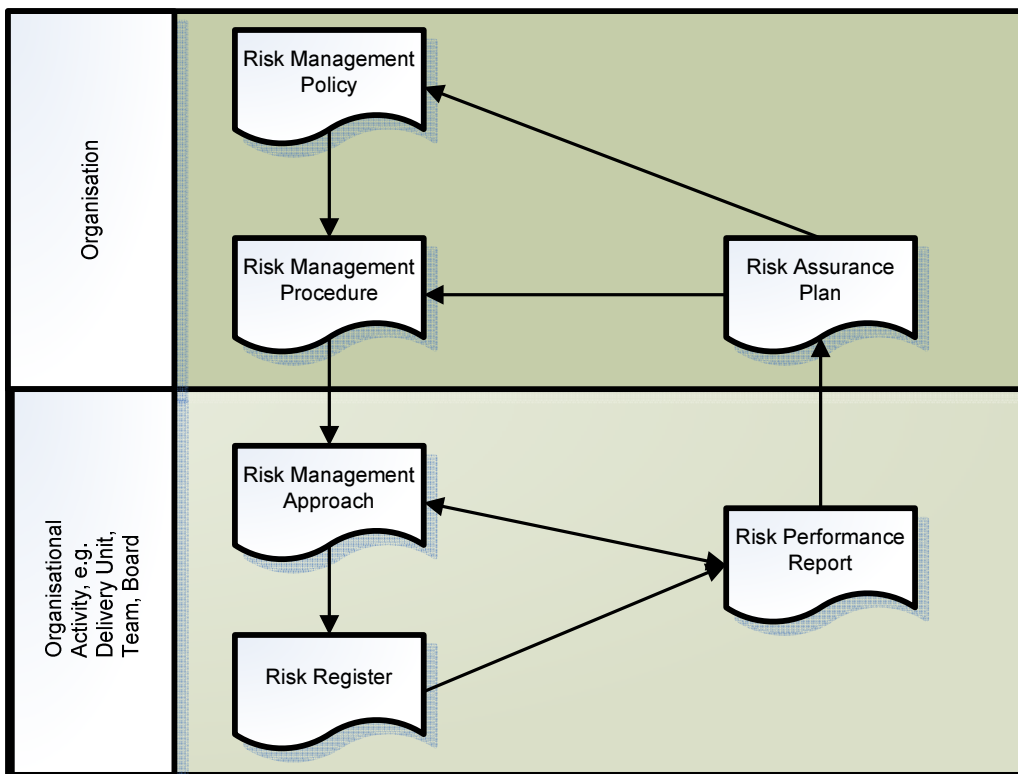


The function will support and enable groups to assess their risks, assist in devising action plans and undertake gap analysis on controls. Risk management forms part of the

quarterly performance management framework where risks identified (internally or joint risk with external providers) are reported quarterly and escalated as appropriate between the quarterly reporting cycle.

The Risk Management Framework, at the Strategic Organisational level, is comprised of this document, which incorporates the policy statement and procedure and the Risk Assurance plan <sup>1</sup> which set's the year's objectives to support the on-going improvement of risk management practice across the organisation. At organisational activity level (Delivery Unit, Team, Board) there is a risk management approach which describes how the risk management policy will be carried out for that area. Risk registers and quarterly risk performance reports also support risk management at this level and are reported at the strategic level through the quarterly performance cycle. Risk performance across the year then forms the basis of the risk assurance plan.

### Risk Management Framework



At the highest level within the Council, the Performance and Contract Management Committee will approve any major changes to the Risk Management Policy. The Council's Strategic Commissioning Board (SCB) is responsible for approving this Risk Management Framework at an officer level and ensures it is reviewed annually to remain aligned with current best practice and to demonstrate that risk management evolves with the organisation. The Council participates in the Alarm CIPFA Risk Management Benchmarking Club annually as a performance assessment tool and to understand areas where standards can be improved.

<sup>1</sup> Internal Audit, CAFT and Risk Management Plan 2014/15

## 2. Risk Management Policy

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### 2.1. Aims and Objectives

Our overarching aim is to improve the Council's ability to deliver its strategic objectives by managing threats and opportunities, creating an environment that adds value to ongoing operational activities and achieves sustained benefit across the portfolio of activities. This framework supports Barnet's strategic objectives:

1. Promote responsible growth, development and success across the Borough.
2. Support families and individuals that need it – promoting independence, learning and well-being.
3. Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

The risk management framework supports achievement of strategic objectives by ensuring:

- Risk management is aligned with corporate and operational business planning and service delivery
- Risks are appropriately reviewed by the Performance and Contract Management Committee and the risk management arrangements reviewed on a quarterly basis by the Audit Committee through the inclusion of a narrative in respect of risk activity within the quarterly Internal Audit and Risk Management progress report
- Risks are regularly monitored and reviewed to ensure the risk treatment by officers and management is effective, including those risks managed by third parties
- There is a sustained effort on developing a risk aware culture and resources are appropriate to carry out effective risk management
- That the risk management framework continues to be fit for purpose and remains relevant.

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.

The Council's risk management framework is intended to support an active learning culture in which people can learn from, and respond positively to, incidents and identified weaknesses as well as recognise and take advantage of opportunities. The Council has a dedicated risk assurance function to ensure that this culture is embedded.

These aims and objectives and broad statements of approach start to define the organisation's risk appetite. Risk Appetite is a method to help guide an organisation's approach to risk and risk management; it describes the level of risk an organisation is prepared to accept before action is deemed necessary to reduce it. In conjunction with the policy statements risk appetite is gauged through the risk assessment process. By assessing the impact and probability of risks and using the guidance which provides category based examples (e.g. Finance, Health and Safety - see appendix 6.1 for guidance) people are guided on the level of risk permitted and a consistent approach

across the organisation is encouraged. The Council's risk appetite should be set with reference to the corporate plan and relevant Service strategies; it is also important to involve the relevant Committee Chair when determining the risk appetite for a given risk.

## **2.2. Roles and Responsibilities**

All Members, managers, employees and partners must proactively engage with risk management and the potential impact of risks on achieving objectives. 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).

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 practice of the Council and are formalised by means of this policy.

### **Performance and Contract Management Committee**

*Specific Responsibilities for Risk Management.* The Committee is responsible for ensuring that the risk management framework is in place and aligned to Council policy.

### **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 Framework.

### **Strategic Commissioning Board (SCB)**

SCB is responsible for approving the risk management framework at an officer level and for ensuring that it is reviewed and updated on a regular basis. It is also responsible for reviewing strategic risks of the Council, and overseeing the management of business and delivery unit risks against performance on a quarterly basis.

SCB "Assurance" receives reports from Risk Assurance regarding the adequacy of the risk management arrangements on a quarterly basis. In addition, on a bi-monthly basis it receives reports from Internal Audit on the outcomes from internal audit reviews and the status of any action plans to mitigate the identified risks.

### **Delivery Board**

Delivery Board is an officer forum designed to focus on the collective delivery of strategic outcomes and the delivery of best practice across the Council's major internal and external delivery partners. Delivery Board provides scrutiny, oversight and challenge to the activities of the delivery units to ensure that outcomes are achieved in a collaborative manner. Central to the role of the delivery board is monitoring and managing performance and risk. The Board meets quarterly to review draft quarterly performance summaries, review progress against delivery of Management Agreements and the Corporate Plan including targets, finance, programmes, and risk.

### **Board Governance**

Internal Governance Boards (enabling, programme, project) play an important role in risk management and, where available (e.g. enabling), the terms of reference will set out the risk management responsibility. Additional information on Programme and projects can be found in section 4.6.

### **Risk Assurance**

Risk Assurance is responsible for delivering a robust risk management framework that ensures the Council meets the highest standards of risk management. Risk Assurance is responsible for updating the policy, providing training and support to teams dealing with risks. Risk Assurance will support SCB monitor risks in the Council through using JCAD reports and any other information available, for example from Internal Audit reviews.

Risk Assurance is supported by a network of Risk Champions, representatives from each area of the business and/or major programmes of work and associated risk management disciplines such as Health & Safety, Information Governance and Business Continuity. Therefore, the Risk Assurance function is a network of people working to embed risk management into processes and culture through awareness raising, challenge and promoting best practice through continuous improvement and learning.

The function plays a central role in the quarterly performance process whereby risks are reviewed for escalation from the business and delivery units to Delivery Board and SCB. It challenges on the efficacy of steps being taken to manage risks, considers cross cutting risks, emerging “hot spots”, common risks, and potential clashes of risk. Risk Champions also play a super user role in terms of the JCAD risk management system.

### **Service Directors and Managers**

Service Directors and Managers monitor their Service specific risks and ensure an appropriate response has been implemented. Risks are reviewed against performance on a quarterly basis for reporting to Delivery Board and SCB and include on the monthly performance monitor. Service Directors and Managers have oversight of risk management and seek the involvement of the relevant Committee Chair in determining the risk appetite for the Service in general and for discussion on specific risks with a medium-high or more rating.

### **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.

### **Internal Audit**

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 on an exception basis for 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).



## 2.3. Reporting and Monitoring

Day to day monitoring and escalation of risks is described in section 3.3; when a risk is identified a risk assessment is carried out; a medium high rating triggers a discussion with Manager/Risk Champion on the level of the organisations most appropriate to manage the risk. Once assigned, the risk owner is responsible for the management and control of all aspects of the risk including the implementation of the measure taken to control the risks; risk response actions can be delegated but ownership resides with the risk owner.

### 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 as well as ensuring the performance interventions and risk escalations are appropriately aligned. The quarterly performance report will be reported to Delivery Board, SCB, Performance and Contract Management Committee.

### 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 updates on risk management within the Internal Audit and Risk Management progress report.

### Assurances on the effectiveness of key controls

The annual programme of internal audit work dedicates resources to test the key controls specified within the risk registers noted to mitigate level of risk the Council is exposed to. Internal audit test both the design of the controls and the effectiveness of these controls. Reports are issued to management that note, where appropriate, action required if there are some deficiencies noted within the internal control environment. It is management that is primarily responsible for the internal control environment and the effectiveness of it, where internal audit make recommendations management should have due regard to those recommendations in order to prevent fraud and/or error. In addition, external audit base their plan on the key risks of the Council and this independent source of assurance should be noted within the risk registers where relevant.

### Annual Governance Statement

The Council has to produce an Annual Governance Statement every year, which is an assessment of the governance system in place and the sources of assurance obtained during the year, internal and external. The risk management framework will provide assurance to SCB and Members that risks are being properly managed.

## 3. Risk Management Procedure

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The following provides guidance and instruction on how to implement the risk management policy. The primary components of the risk management process are:

1. Risk Assessment
2. Recording and Managing
3. Monitoring and Reporting
4. Intervention and Support

### 3.1. Risk Assessment

Risk assessment is the process of identifying risks, assessing the impact, probability and appropriate response to the risk with control actions/mitigations.

Risk assessment should be carried out, at a minimum, on an annual basis at team, service 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 inspections and audits or through workshops and brainstorming throughout the year.

Risk assessments should be carried out as early as possible in the life cycle of any new commission, project, programme or partnership. The resultant risk register should be shared as appropriate and/or signed off by the relevant board.

The following are examples of risk assessment techniques:

- Workshop and brainstorming (PESTEL, SWOT, Horizon Scanning)
- Flowcharts and dependency mapping
- Inspections and audits
- Research and review, e.g. lessons learned documents

See section four for additional subject specific guidance.

### 3.2. Recording and Managing

When a risk has been assessed it should be entered into JCAD, the Corporate Risk Management Tool, to ensure a consistent approach to recording, managing and reporting on risks and their associated controls and actions plans. See section five for additional information on JCAD.

The following risk categories apply and define the risk perspectives of the organisations.

- Strategic: concerned with ensuring overall business success, vitality and viability
- Operational: concerned with maintaining appropriate levels of business service
- Project: concerned with delivering defined outputs to an appropriate level of quality within agreed scope, time and cost constraints. This category also includes Programme level risks which sets the scene for the management of risk within the programme and projects and operational activities that form part of the programme.
- Joint: are concerned with shared risks between two parties (commercial, partners) where the Council retains some risk exposure and/or where both parties have a role in managing the risk.

The following table is similar in format to the risk form in JCAD and provides descriptions of the fields and drop down menu's which need to be completed.

Corporate Plan	Select from the drop-down list the objective from the corporate plan the risk is impacting	
Category	Choose one of the following:	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/issue: are those risks/issues which affect the intended outputs or benefits of the project
		Joint Risk: shared risks between two parties (commercial, partners) where the Council retains some risk exposure and/or where both parties have a role in managing the risk
Nature of Risk	Choose one of the following:  <i>If more than one applies please choose the one which will have the greatest impact on the council or project.</i>	Business Continuity: a risk that has an impact on the ability to deliver services during an event of a significant disruption that threatens/effects the ability of the organisation to deliver its services.
		Compliance: a risk that prevents compliance with legislation, policy or strategic guidance
		Financial: a risk that has a financial impact on the project and / or council.
		Health & Safety: a risk that has a detrimental effect on the wellbeing of staff or contractors of the Council
		Information Governance: a risk which will have a detrimental effect on the council or a member of the public due to the creation, distribution, archiving or destruction of information assets
		Reputational: a risk that is visible to or have a direct impact on external parties which could damage the reputation of the Authority.
		Staffing & Culture: a risk that has impacts on motivation, staffing levels and/or arrangements that may be at odds with the culture of the organisation.
		Unassigned: None of the above are applicable.
Risk Description	Provide succinct and sufficient description of the risk	
Control(s) In Place	Describe the controls that are in place to manage and monitor the issue. Controls can be either preventive or detective. Preventive controls are proactive and attempt to deter or prevent undesirable acts from occurring. Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over assets. Detective controls attempt to detect undesirable acts. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, reconciliations, physical inventories, and audits.	
Cause/Consequence	Describe the cause of the risk and the consequences if the risk occurs	
Assigned to	Assign owner	
Status	Choose one of the following:	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. Section 4.2 of this policy considers the Commissioning perspective of risk transfer in more depth.
		Terminate: Some risks will only be treatable or containable to acceptable levels, by the termination of the activity.
		Closed: Used when closing a risk
Review every	This field sets the review period. The default is 3 months but should be reset to an appropriate interval	
Risk Assessment Section: Using the 5X5 impact and probability risk matrix (described in more detail in next section) to determine the risk profile: initial (without any controls), current (residual with existing set of controls) and target (level of risk that the owner is prepared to accept and will drive what additional controls are required). Cost is an opportunity to assess the financial impacts of the risk, e.g. extra resources (internal and external), new systems, time delays etc.		

## 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**; this is described as the current risk rating. 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						
		Score:		1	2	3	4	5
				Rare	Unlikely	Possible	Likely	Almost Certain
IMPACT	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	<b>Acceptable risk</b> No further action or additional controls required Only log in JCAD if there is a need to document and monitor or there is a possibility the risk profile may change.
4-6 Moderate Risk	<b>A risk at this level may be acceptable</b> Maintain existing controls if any, no further action or additional controls required
8-12 Medium High Risk	<b>Not normally acceptable</b> Efforts should be made to reduce the risk, provided this is not disproportionate Determine the need for improved control measures
15-25 High Risk	<b>Unacceptable</b> Immediate action must be taken to manage the risk A number of control measures may be required

Additional guidance on the definitions of probability and impact and examples is provided in Appendix 6.1

### 3.3. Risk Monitoring and Reporting

Risks are to be monitored according to the level of risk noted by the risk matrix above; this will also dictate the level of management attention required. Business and Delivery Units are responsible for ensuring all staff know how to report a risk for monitoring by Management. Regular monitoring and review is carried out by the risk owner, however risk should be discussed regularly at team meetings and one to one meetings if appropriate.

JCAD should be used for assigning risk owners and setting the frequency of review. Risks should be reviewed at appropriate intervals and the risk review process should not be overly onerous. As a general rule, risks with a higher risk rating should be reviewed more frequently while risks with a lower risk rating require less attention; however, the risk assessment should be used to decide the most appropriate review period. If the risk profile is low but is expected to be volatile then it could warrant more frequent review. Conversely, a high rated risk may not be expected to change over a 6 month period so reviewing monthly would be unnecessarily burdensome. A risk response of tolerate would also indicate that a longer review period could be appropriate.

Questions to ask during monitoring and review:

- Is the risk still relevant?
- Is there any movement in the score?
- Are the controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?
- Have potential opportunities been considered and maximised?
- Have any significant control failures or weaknesses occurred since the last monitoring exercise?
- If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing do I need to devise more controls or this of other ways of mitigating the risk?
- If the risk is decreasing can I relax some of the controls?
- Are controls/actions built into appropriate documented action plans?
- Are there any new emerging risks?
- Have any of the existing risks ceased to be an issue and can therefore be closed?
- If so, complete a final review to identify the reasons for closing and close the risk. Ensure that any relevant lessons learned are documented and or shared as appropriate.

#### Risk Escalation process

When the risk assessment is carried out consideration should be given to who is the most appropriate person to own the risk and at what level of the organisation the risk should be managed. The general guidance is that a medium-high risk rating triggers discussions with management and potential escalation of the risk. It should be noted that risk escalation is not about changing the ownership of the risk; it is about escalating the profile of the risk and raising awareness of the risk at appropriate levels in the organisation. Raising the profile of the risk could be about decision making, resources required to mitigate the risk or that the impact cuts across different perspectives of the

organisation, e.g. programme, operational, strategic, and the risk should therefore be assessed from those perspectives if it hasn't been already. The following stages shall apply:

1. The individual/team/project should seek the involvement of their Risk Champion or other specialists to ensure the risk score is appropriate and consistent with this risk management framework by referencing guidance on impact and probability in appendix 6.1.
2. Assuming the risk score remains medium-high or above, the risk is to be considered for inclusion within the relevant Service risk register on JCAD and taken forward in management team meetings and 1:1 discussions.
3. All risks with a medium-high or above rating are to be included within the performance monthly monitors and agreed at each Senior Management Team (SMT) or equivalent for each Service. If appropriate, officers should seek the involvement of the relevant Committee Chair in determining the risk appetite.
4. As part of the risk assurance function; Risk Champions will participate in the quarterly performance process whereby risks are monitored to ensure they have been reviewed and updated as appropriate for reporting purposes and to agree if any risks require escalation to Delivery Board.
5. The quarterly report for each Service 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 a current score of 12 or more will also be presented for each service. This report includes a description of the risk, the current score, control activities, the risk response and a target risk score. The quarterly report is the formal mechanism for escalating risk at Delivery Board.
6. SCB risks will be reported to SCB as part of the performance reporting cycle and at Performance and Contract Management Committee quarterly. SCB risks will also be reviewed and new risks considered at SCB Assurance on bi-monthly basis.

### 3.4. Intervention and Support

The Risk Assurance function plays a central role in the quarterly performance process and supports Boards, Services and risk owners by challenging on the efficacy of steps being taken to manage risks, considers cross cutting risks, emerging “hot spots”, common risks, and potential clashes of risk.

Support is also provided through training and development. Risk Assurance produces a training and development plan for the forthcoming year to ensure roles and responsibilities are understood and risk management is properly embedded into processes and culture through awareness raising, challenge and promoting best practice through continuous improvement and learning.

Risk Assurance will support SCB to monitor risks in the Council through using JCAD reports and any other information available, for example from Internal Audit reviews.

#### Serious risk incidents

A serious risk incident is an incident that occurs and that results in the Council suffering loss that is financial, reputational or operational. Incidents that occur and have an impact rating, as per the risk matrix, of 4 (major) are defined as serious. On this basis the following shall apply:

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

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 Assurance Function to foster a culture of learning from these untoward incidents. Directors and Managers will be required to demonstrate to SCB and Committee Chairs what actions have been taken to improve the design or implementation of controls with regards to the risk recurring.

## 4. Subject Specific Guidance

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The policy and procedures set out in this document are appropriate for use by all disciplines; however, the following provides additional guidance on specific subjects.

### 4.1. Commissioning Services

The Council has a responsibility when managing commissioning relationships (commercial partnerships or shared services) to ensure that the arrangements have effective risk management procedures and to provide assurance that risks are being identified, prioritised and appropriately managed. A summary checklist for managers covering the key aspects of this section has been included, see Appendix 6.2.

The purpose of risk management in the commissioning context is as follows:

- To ensure proper identification and understanding of risks associated with a commissioned service including delivery risks, joint risks and retained risks.
- To support clear allocation of responsibilities for managing and monitoring risk
- To agree the risk appetite for management of risks amongst all partners
- To align the response to identified risks with corporate priorities
- To provide a framework for information sharing regarding risks and performance management
- To distinguish the level and type of risk to the council and to the delivery of the commissioning arrangement

At the earliest stage of the commission consideration should be given to existing risks associated with the delivery of the service. It is expected that an integral part of the commissioning exercise will be to establish clear arrangements on how the Council and the commissioned organisation will document, monitor and manage risks. It is expected that the commissioning arrangement will include a requirement that the commissioned organisation maintains a minimum standard of risk management procedures, proportionate to the size of the contract

As part of a commissioning exercise and as a result of any new arrangement risks for the Council will need to be considered and assessed; these could be new commercial risks, retained risks where the risk transferred to the new commissioned organisation but the Council retains some risk exposure and/or joint risks where both parties have a role in managing the risk.

The following sections provide more information on transferring, retained and joint risks as well as monitoring risks and sharing information.

#### **4.1.1. Transferring and retained risks**

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

The transference of risk should be agreed as part of the commissioning process and stipulated as appropriate in the contract. Transferred risks should be closed in the corporate risk management system (JCAD) and the approach to transferring and closing should be documented and auditable.

Not all risks will fully transfer, therefore 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 existing 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:

- 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
- Information
- Some health and safety and financial risks

Risks that can still impact the Council should be recorded within the Council's risk management system. As mentioned previously, it is important to involve the relevant Committee Chair when determining the risk appetite for a given risk; this principle remains applicable when risks are being considered for commissioned services.

#### **4.1.2. Dealing with joint risks**

In general it is expected that risks will be clearly allocated to either the Council or to the commissioned organisation, however, a small number of risks may be assessed as being shared between parties. In these circumstances it is essential that the Council and commissioned organisation develop a joint approach and risk register. It should be considered which party is best placed to deal with the risk and the actions each party will undertake in order to manage the risk should be clearly defined. The aim of the



approach adopted will be to help develop partnership working, with all parties working together to effectively manage risk and achieve common goals.

#### **4.1.3. Monitoring Risks**

Risks should be managed and monitored regularly as part of day to day operations and escalated whenever required. It is recommended that the commissioner considers how they will ensure that they have sufficient technical expertise available to understand and interrogate the risk and performance data that is collected from the commissioned organisation. Over the course of the service contract it is likely that the risk profile will evolve therefore it is important to develop an open dialog based on common understanding of risks management (processes and terminology) and of the objectives of the partnership.

If the commissioned arrangement is subject to quarterly performance reporting; the report will include risks wholly owned by LBB, joint risks and significant operational risks (with a rating of 12 or more using LBB's scoring methodology). 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 significant changes to the risk management strategy/approach in the forthcoming year

#### **4.1.4. 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 including non-routine access where there are signs of failure on contract delivery. 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.

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.

#### **4.2. Business Continuity**

Having in place appropriate and fully tested business continuity plans allow officers to manage threats or incidents that may occur, that have the potential to disrupt the delivery of services or the conduct of Council business.

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.

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: understanding the organisation; determining the Business Continuity Strategy; developing and implementing the BCM plans; and exercising maintaining and reviewing BCM.

### **4.3. 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 activity, bribery, corruption and/ or money laundering activities. It is important that you are familiar with the Council's Counter Fraud Framework (which includes the Fraud Policy, Anti-bribery Policy, Whistleblowing policy and Anti-Money Laundering) and the principles, responsibilities and requirements that are set out within them.

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/or related fraud activities to exist, they should include reference to any previous CAFT investigations or reviews 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 in relation to fraud prevention;

- Verification of information
- Segregation of duties
- Authorisation hierarchy
- Transparency
- Audit trail and record keeping

For further advice on fraud related risks you should contact the CAFT directly.

### **4.4. Health and Safety**

The Council recognises that effective management of health and safety supports the delivery of our services for the residents of Barnet. As part of the overall risk management culture and process, good health and safety management will help reduce injury and loss, help promote a healthy workforce, help protect all who are affected by the Council's activities and ensure we comply with our legal duties. Forming part of the Council's Health and Safety Management System, our Health and Safety Policy explains what is necessary to manage health and safety effectively and in line with legislation. It identifies roles and responsibilities and provides specific guidance on health and safety risk assessment techniques, implementing and reviewing controls as well as special guidance on issues relating to special risk groups.

The risk management principles of the Council's Health and Safety policy are in accord with the principles established within this framework. It is recognised, however, that as a discipline in its own right, health and safety practice, risk management tools and techniques can be specialist in nature. Therefore, please refer to the Corporate Health and Safety Policy and, in particular, the Managing Health and Safety Arrangement for additional information and guidance.

## 4.5. Information Management

It is important to ensure information risks are addressed as part of business as usual and at the start (and throughout) any new commission/project and should include not only risks to the organisation but also any potential risk to individuals whose information we are handling. The Data Protection Compliance Toolkit is a tool to aid Staff/Managers in assessing risk and compliance with the Data Protection Act principles and direct them to appropriate Council policies/guidelines. The toolkit can be found on the intranet under the Information Governance policies page.

## 4.6. Programmes and Projects

This guidance should be used in conjunction with the Corporate Project Management toolkit.

### Definitions:

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.

### Roles and Responsibilities:

**Project Managers** are responsible for the development and maintenance of a **Project Risk Register** for each of the projects which they manage. In the case of information risks an Information Governance Impact Risk Assessment will also need to be completed (see Appendix D). 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.

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.

## 5. Additional Information

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The following documents can be found on the intranet in the Risk Management section.

<https://employeeportal.lbbarnet.local/home/departments-and-services/central-services/risk-management.html>

- Risk Management Framework
- Risk Champion Role Profile
- JCAD User Guide
- JCAD Barnet User Guide
- JCAD Reporting Guide
- Risk Champions Contact Information

Advice and support can be provided by the Risk Assurance Manager, and/or Risk Champions. All risk champions are given training and development support to ensure that they have competence for managing risk. For subject specific advice, please contact the relevant team.

Additional training either on Risk Management or JCAD can be provided upon request. Group training is the preferred approach; however, exceptions can be made for 1:1 training if it is essential.

## 6. Appendix

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### 6.1. Probability and Impact Examples

#### 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
<b>Frequency</b> How often might it/does it happen	This will probably never happen/recur	Do not expect it to happen or recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not persisting issue	Will undoubtedly happen/recur, possible frequently

#### Impact score

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
<b>Business Continuity</b>	No or minimal disruption (< 1 hour) to service or conduct of Council business	Disruption to service or conduct of Council business of < 1 day	Disruption to service or conduct of Council business of < 3 days	Disruption to service or conduct of Council business of > 3 days	Disruption to service or conduct of Council business of > 7 days

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
<b>Compliance</b>	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
<b>Finance</b>	No or minimal financial loss (including risk of claim) <1k	Loss of 0.1-0.25 per cent of council's net budget (approx £300k - £750k)  Risk of claims less than £20k	Loss of 0.25-0.5 per cent of council's net budget (approx £750k - £1.5m)  Risk of claims between £20k - £150k.	Uncertain delivery of key objectives/ saving plan contributing to a loss of 0.5 – 1.0 percent of council's net budget (approx £1.5m - £3m)  Risk of claims between £150k to £1m	Non delivery of key objective/ saving plan contributing to a loss of >1 percent of council's net budget (approx £3m)  Loss of major contract (s)  Risk of claim > £1m
<b>Health &amp; Safety</b>	Minor injury Cuts, bruises, etc Unlikely to result in sick leave	Minor injuries: Likely to result in 1-3 days absence	Moderate injuries:  Likely to result in 4-9 days absence	Major injuries: prescribed major injury or condition (RIDDOR Reportable)	Fatality
<b>Information Governance</b>	No or minimal impact upon customer/staff information governance rights.  No or minimal customer/ staff harm or distress.  No or minimal impact upon authority / third party confidentiality of data.	Minimal/moderate impact upon customer/ staff information governance rights.  Minimal/moderate customer or staff harm or distress.  Minimal/moderate impact upon authority / third party confidentiality of data.  Non-compliance with best	Non-compliance with IG policies and statutory duties.  Breach / incident involving personal data or sensitive / confidential data.  Breach or incident not reportable to governing body. E.g. ICO or FSA.	Non-compliance with IG policies and statutory duties.  Breach / incident involving significant personal data or sensitive / confidential data.  Breach or incident is reportable to governing body. E.g. ICO or FSA.	Significant failure of compliance with IG policies or statutory duties.  Immediate action required to mitigate and contain breach / incident.  Breach or incident is reportable to governing body. E.g. ICO or FSA

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
		practice.			
<b>Reputational</b>	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 services performing well below reasonable public expectation	National media coverage, public confidence eroded.  Member intervention/action
<b>Staffing and Culture</b>	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

## 6.2. Commissioning Services Checklist

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 4.2)

- 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 procurement process (e.g. 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 Officers and Committee Chairs 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	29 April 2014
<b>Subject</b>	<b>Group Accounts 2013/14</b>
Report of	Chief Operating Officer
Summary	This report advises the committee of officers intended approach to preparing Group Accounts for 2013/14
Officer Contributors	Paul Thorogood – Head of Finance, Financial Services
<b>Status (public or exempt)</b>	Public
Wards affected	Not applicable
Key decision	No
Enclosures	Appendix A – Group Structure 2013/14 Appendix B – Consolidated Income and Expenditure Statement 2012/13 Appendix C – Consolidated Balance Sheet 2012/13 Appendix D – Organisations Considered for Group Accounts
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in	Not applicable
Contact for further information:	Paul Thorogood – Head of Finance, Financial Services 07725 652910

## **1. RECOMMENDATIONS**

- 1.1 The Audit Committee, as ‘those charged with Governance’, are asked to note the proposed approach to producing group accounts for 2013/14. The Committee are asked to comment on the policy devised for Group Accounting prior to the finalisation of the accounts.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 None.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Closure of Accounts 2013/14 will assess fundamental aspects of financial standing, performance management and value for money in Barnet, these areas cut across all council priorities.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 It is important that the Council has a clear rationale for producing/not producing group accounts in accordance with Section 9 of the Code of Practice on Local Authority Accounting in the UK (the Code) as well as International Financial Reporting Standards (IFRS). Failure to not comply with the Code and IFRS could result in misinterpretation by users of the Council’s statutory accounts.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 There are no equalities and diversity issues arising from the content of this report.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, ICT, Property, Sustainability)**

- 6.1 This report sets out proposals by officers on whether or not to produce group accounts for 2013/14 for the reasons contained within Section 9 of the report.

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 sets out the Council functions that are not allocated to the Executive. In line with the Council’s constitution (Responsibility for Functions), the Audit Committee is responsible to consider whether appropriate accounting policies have been followed as part of its function of reviewing and approving the annual statement of accounts.

## **9. BACKGROUND INFORMATION**

### **Previous Approach to Group Accounts/Consolidated Financial Statements**

- 9.1 Prior to the 2012/13 financial year, the Council had produced group accounts to consolidate the accounts of its subsidiaries. At the end of the 2012/13 financial year these were:

- The Barnet Group Ltd

- Barnet Homes Ltd
- Your Choice Barnet Ltd

9.2 Following agreement between the Council and Grant Thornton, as the Council's external auditors, at the end of 2012/13 group accounts were not produced. This was on the basis that they are not materially different to the single entity accounts for the Council.

9.3 During 2012/13, the Council also entered into a joint venture to form the Inglis Consortium LLP with VSM Estates Ltd and Annington Property Ltd. The Council's contribution to the joint venture was the freehold interest in the Mill Hill Depot in return for 13.9% of the profit made by the venture. Although the Council have only 13.9% they do have equal influence on the Board, however all risks and rewards are shared on the proportion of capital provided.

#### **Current Group Structure**

9.4 During the 2013/14 financial year the Council has set up Barnet (Holdings) Ltd. as a local authority trading account which has subsequently entered into a joint venture with Capita Ltd. to form RE (Regional Enterprise) Ltd.

9.5 The current group structure for the Council, as at March 2014, is set out in [Appendix A](#).

9.6 In line with previous practice and in line with International Accounting Standard 24 – Related Party Disclosures, officers have considered other parties (see [Appendix D](#)) which could form part of the Council group accounts however do not believe any meet the criteria where the Council:

- Has control or joint control over another reporting entity
- Has significant influence over another reporting entity
- Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

#### **Accounting Standards**

9.7 In considering whether to consolidate the Council, its subsidiary undertakings and joint ventures into a set of group accounts, consideration must be given to the necessary accounting standards and Code of Practice on Local Authority Accounting in the UK (the Code).

#### *International Financial Reporting Standard 10*

9.8 International Financial Reporting Standard 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. In particular the Standard:

- Requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements
- Defines the principle of control, and establishes control as the basis for consolidation
- Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee
- Sets out the accounting requirements for the preparation of consolidated financial statements
- Defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity

#### *The Code - Chapter Nine*

9.9 Chapter 9 of The Code sets out the arrangements on how and when local government organisations should produce group accounts.

- 9.10 Paragraph 9.1.1.6 states that:  
 Authorities with interests in subsidiaries, associates and/or joint ventures (jointly controlled entities) shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered not material.

### Consolidated Comprehensive Income & Expenditure Statement

- 9.11 Table 1 below compares the main lines of the group comprehensive income and expenditure statement (CIES) for the group and those of the Council as a single entity for 2012/13. The workings for the consolidation can be found in [Appendix B](#). From the group perspective, the consolidation does not include Barnet (Holdings) Ltd or the Inglis Consortium LLP as the Council's joint ventures.

Comprehensive Income & Expenditure Statement	Group CIES 2012/13	Barnet Single Entity 2012/13	Difference	
	£'000	£'000	£'000	%
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>264,812</b>	<b>265,651</b>	<b>(839)</b>	<b>(0.3)</b>
Financing and Investment Income & Expenditure	8,959	10,017	(1,058)	(11.8)
Taxation & Non-Specific Grant Income	(321,015)	(320,994)	(21)	0.0
Actuarial (Gains)/Losses on Pension Assets/Liabilities	29,647	28,252	1,395	4.7
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>23,677</b>	<b>24,200</b>	<b>(523)</b>	<b>(2.2)</b>

*Table 1 – Consolidated Income and Expenditure for the Group and Barnet Council as a single entity for 2012/13*

- 9.12 From consolidating the Barnet Group into Barnet Council's single entity accounts, it can be seen from the above that there is no material movement in the comprehensive income and expenditure statement.

### Consolidated Balance Sheet

- 9.13 Table 2 below compares the main lines of the group balance sheet for the group and those of the Council as a single entity for 2012/13. The workings for the consolidation can be found in [Appendix C](#).

Balance Sheet	Group Balance Sheet 2012/13	Barnet Single Entity Balance Sheet 2012/13	Difference	
	£'000	£'000	£'000	%
Total Long Term Assets	1,128,341	1,126,545	1,796	0.2
Total Current Assets	299,548	283,762	15,786	5.3

Balance Sheet	Group Balance Sheet 2012/13	Barnet Single Entity Balance Sheet 2012/13	Difference	
	£'000	£'000	£'000	%
Total Current Liabilities	(122,114)	(107,264)	(14,850)	12.2
Total Long Term Liabilities	(736,188)	(707,182)	(29,006)	3.9
<b>Net Assets</b>	<b>569,587</b>	<b>595,861</b>	<b>(26,274)</b>	<b>(4.6)</b>
Usable Reserves	211,233	208,769	2,464	1.2
Unusable Reserves	415,829	387,092	28,737	6.9
<b>Total Reserves</b>	<b>627,062</b>	<b>595,861</b>	<b>31,201</b>	<b>5.0</b>

*Table 2 – Consolidated Balance Sheet for the Group and Barnet Council as a single entity for 2012/13*

9.14 From consolidating the Barnet Group into Barnet Council's single entity accounts, it can be seen from the above that there is no material movement in the consolidated balance sheet despite a movement in net assets of £26.3m and £31.2m in reserves.

9.15 The main balances to note from the Barnet Group include:

- Total current assets of £15.8m which predominantly relates to cash and cash equivalents (£5.5m/35%) and debtors (£9.7m/61%)
- Total current liabilities of £14.9m which predominantly relates to trade payables (£3.7m/25%) and accruals and deferred income (£8.3m/56%)
- Total long term liabilities of £29.0m which relates to pension and other employee obligations
- Unusable Reserves of £28.7m which relates to the pension reserve

#### **Approach to be adopted for 2013/14**

9.16 The largest difference between the group accounts and the single entity accounts, provided above in table one and two, is on the balance sheet as a result of the pension fund liability. However, this is not considered sufficiently large to warrant group accounts as it would not materially impact on the reader's view of the Council's activities and has no impact on the usable reserves.

9.17 With consideration for Barnet (Holdings) Ltd. which became operational during 2013/14, the only asset held is the share owning in RE (Regional Enterprise) Ltd.

9.18 Financial transactions with RE (Regional Enterprise) Ltd. in this financial year are directly from the Council in line with the service agreement and the joint venture is not proposing to pay a dividend in the current financial year. The company has not incurred any expenditure to date in this financial year or received any income with the exception of the purchase of its share holding in the joint venture.

- 9.19 The joint venture with Inglis Consortium LLP has realised a payment to the Council in the current financial year of £1.807m (as at 13th February) which will be posted to the revenue accounts, to recognise the profit share received and then transferred to the balance sheet. The land at Mill Hill Depot that the Council has put into the venture was already transferred from operational assets to land in the Council's accounts for the 2012/13 financial year and is due to transfer in 2015/16. As the Council's share holding is only 13.9%, it is not proposed any other accounting transactions will be reflected in the Council's accounts.
- 9.20 It is officer's intention not to produce group accounts for the 2013/14 financial year and this approach has been considered and agreed with Grant Thornton. The Audit Committee are asked to consider the reasons for not producing group accounts and whether they require additional assurances for the July audit committee when the accounts will be presented for approval.
- 9.21 As part of this approach, officers will conduct an internal exercise during closing the accounts for 2013/14 to ensure the level of materiality doesn't exceed those set out above.

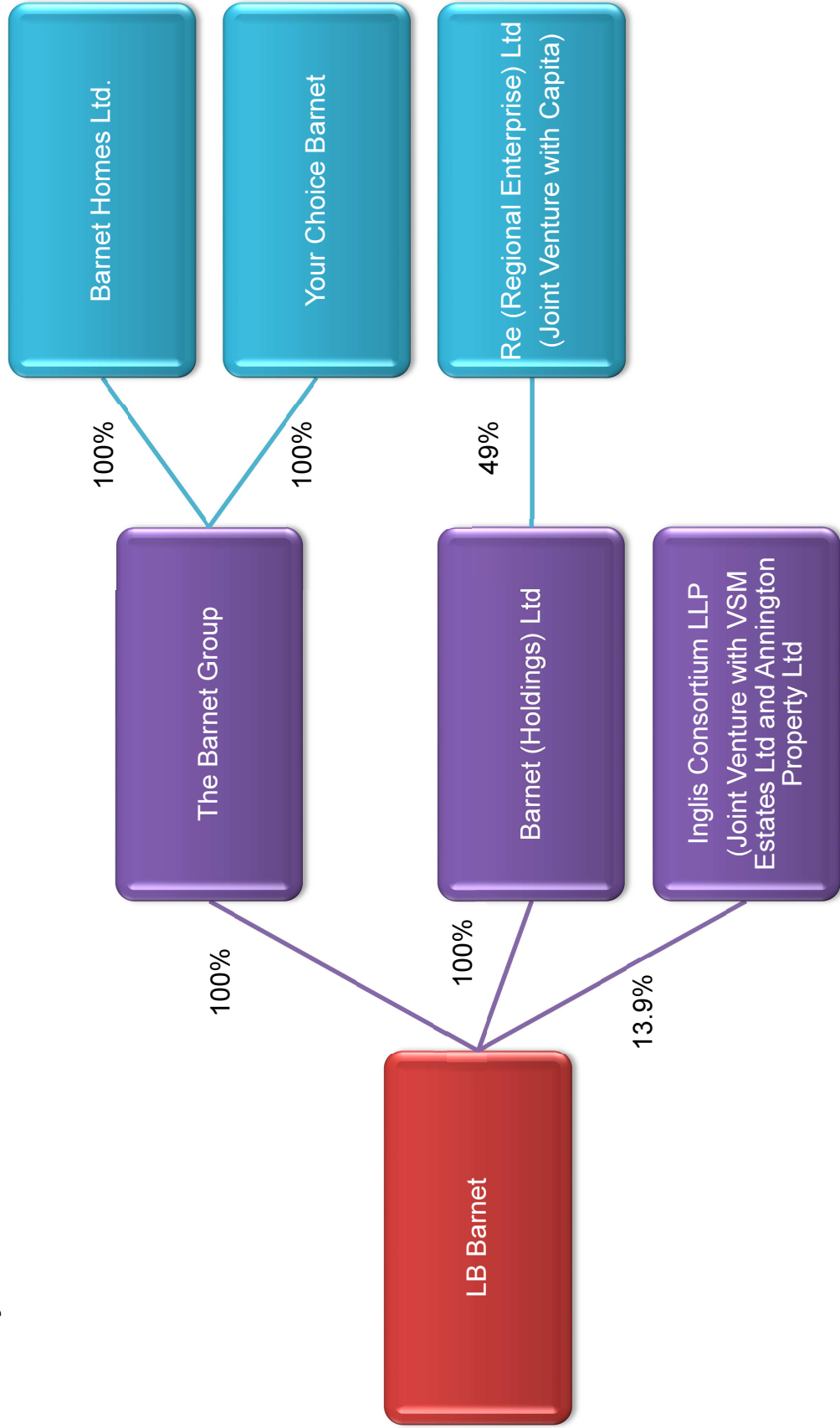
## 10. LIST OF BACKGROUND PAPERS

- 10.1 None.

<b>Cleared by Finance (Officer's initials)</b>	AD
<b>Cleared by Legal (Officer's initials)</b>	CE

# LONDON BOROUGH OF BARNET - GROUP STRUCTURE

As at February 2014



Appendix B

**CONSOLIDATED INCOME AND EXPENDITURE STATEMENT**

Comprehensive Income & Expenditure Statement	Barnet Single Entity 2012/13
	£'000
<b>Deficit on Continuing Operations</b>	<b>265,651</b>
Financing and Investment Income & Expenditure	10,017
Taxation & Non-Specific Grant Income	(320,994)
Actuarial /Losses on Pension Assets/Liabilities	28,252
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>24,200</b>

Group CIES 2012/13
£'000
<b>264,812</b>
8,959
(321,015)
29,647
<b>23,677</b>

Barnet Group 2012/13	Comprehensive Income & Expenditure Statement
£'000	
<b>(839)</b>	<b>Operating Loss</b>
(1,058)	Finance Income & Finance Costs
(21)	Income Tax Expense
1,395	Actuarial Gain on Pension Assets/Liabilities
<b>(523)</b>	<b>Total Comprehensive Income for the Year</b>



## CONSOLIDATED BALANCE SHEET

Balance Sheet	Barnet Single Entity 2012/13
	£'000
Total Long Term Assets	1,126,545
Total Current Assets	283,762
Total Current Liabilities	(107,264)
Total Long Term Liabilities	(707,182)
<b>Net Assets</b>	<b>595,861</b>
Usable Reserves	208,769
Unusable Reserves	387,092
<b>Total Reserves</b>	<b>595,861</b>

Group CIES 2012/13	£'000
	1,128,341
	299,548
	(122,114)
	(736,188)
	569,587
	211,233
	415,829
	<b>627,062</b>

Barnet Group 2012/13	Balance Sheet	
	£'000	
1,796	Total Long Term Assets	
15,786	Total Current Assets	
(14,850)	Total Current Liabilities	
(29,006)	Total Long Term Liabilities	
<b>(26,274)</b>	<b>Net Assets</b>	
2,464	Usable Reserves	
28,737	Unusable Reserves	
<b>31,201</b>	<b>Total Reserves</b>	

## ORGANISATIONS CONSIDERED FOR GROUP ACCOUNTS

Entity	Decision Made in 2012/2013	Decision Made in 2013/2014	Reviewed Date
Barnet (Holdings) Ltd.	N/A	Yes	17/02/2014
Barnet Education Business Partnership	No	No	17/02/2014
Barnet Homes	Yes	Yes	27/01/2014
Barnet Lighting Services PFI	No	No	27/01/2014
Barnet Primary Care Trust	No	No	27/01/2014
Barnet, Enfield & Haringey Mental Health Trust	No	No	27/01/2014
Customer Support Group - Capita	No	No	17/02/2014
Development & Regulatory Services - Joint Venture	No	Yes	17/02/2014
Greenwich Leisure Ltd (GLL)	N/A	No	28/01/2014
Joint Legal Service with LB of Harrow	No	No	17/02/2014
Joint Registrars Service with LB of Brent	N/A	No	27/01/2014
May Gurney	No	No	27/01/2014
NSL	No	No	27/01/2014
The Barnet Group	Yes	Yes	28/01/2014

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<b>Meeting</b>	Audit Committee
<b>Date</b>	29 <sup>th</sup> April 2014
<b>Subject</b>	<b>Work Programme for 2014/15</b>
<b>Report of</b>	Assurance Director
<b>Summary</b>	To propose a work programme for the Audit Committee for the next twelve months.

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Officer Contributors	Maryellen Salter, Assurance Director
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 2014/15
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 8<sup>th</sup> April 2013. 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 Terms of Reference for the Audit Committee in the Constitution defines the purpose of the Audit Committee as :-

“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 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; promoting good relations between those with a protected characteristic and those without. The, relevant, ‘protected characteristics’ are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination
- 5.2 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

## **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 (England) Regulations 2011, impose obligations upon the council to, amongst other things, prepare, approve and publish a Statement of Accounts by the 30<sup>th</sup> September 2014. 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 the Council's Constitution (Responsibility for Functions).

## **9. BACKGROUND INFORMATION**

9.1 During the year the Constitution, Ethics and Probity Committee met and has agreed the following changes to the Audit Committee's terms of reference:

- Addition of responsibilities for Anti-Fraud work:
  - To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team (CAFT)
  - To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.
  - To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes.
  - To monitor the Council's Counter Fraud framework and policies within and recommend their application across the Council.
- Removal of the out-dated aspect of the Constitution in relation to Corporate Anti-Fraud work: "to monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process".

9.2 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 2014/15 is based on having the following four meetings to deal with reports:

July 2014  
 November 2014  
 January 2015  
 April 2015

9.3 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 in discharging 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 approved prior to the end of September, along with the Annual Governance Statement.

9.4 Based on this, the Audit Committee should consider the following reports at the appropriate times:-

Meeting	Items
July 2014	<p><i>Standing Agenda Items:</i></p> <ul style="list-style-type: none"> <li>• Internal Audit Progress Report &amp; Exception Recommendations Report</li> <li>• External Audit Progress Report - verbal (if any)</li> <li>• CAFT Quarterly Report</li> </ul> <p><i>Annual Reports</i></p> <ul style="list-style-type: none"> <li>• Internal Audit Annual Report</li> <li>• Annual Report of Audit Committee</li> </ul> <p><i>Regulatory Framework</i></p> <ul style="list-style-type: none"> <li>• Risk Management Policy Statement and Strategy revision</li> </ul> <p><i>Statutory Requirements</i></p> <ul style="list-style-type: none"> <li>• Audited Statement of Accounts</li> <li>• Annual Governance Statement</li> <li>• Report to those charged with Governance (ISA260) Report (External Audit)</li> </ul>
November 2014	<p><i>Standing Agenda Items:</i></p> <ul style="list-style-type: none"> <li>• Internal Audit and Risk Management Progress Report &amp; Exception Recommendations Report</li> <li>• External Audit Progress Report (if any)</li> <li>• CAFT quarterly Report</li> </ul> <p><i>Anti-Fraud Activity</i></p> <p>Counter Fraud Framework Update</p>
January 2015	<p><i>Standing Agenda Items:</i></p> <ul style="list-style-type: none"> <li>• Internal Audit Progress Report &amp; Exception Recommendations Report</li> <li>• External Audit Progress Report (if any)</li> <li>• CAFT Quarterly Report</li> </ul> <p><i>External Audit:</i></p>

	<ul style="list-style-type: none"> <li>• Grants Report</li> <li>• Annual Audit Letter</li> </ul>
April 2015	<p><i>Standing Agenda Items:</i></p> <ul style="list-style-type: none"> <li>• Internal Audit Progress Report &amp; Exception Recommendations Report</li> <li>• External Audit Progress Report (if any)</li> </ul> <p>Internal Audit &amp; Risk Management:</p> <ul style="list-style-type: none"> <li>• Internal Audit and CAFT Annual Plan and Strategy, and Risk Management Approach</li> </ul> <p><i>Annual Reports</i></p> <ul style="list-style-type: none"> <li>• Internal Audit Annual Report</li> <li>• Corporate Anti-Fraud Team (CAFT) Annual Report</li> </ul> <p><i>External Audit</i></p> <ul style="list-style-type: none"> <li>• Annual Audit Plan</li> </ul> <p><i>Other</i></p> <ul style="list-style-type: none"> <li>• Setting work plan</li> </ul>
As & When	<ul style="list-style-type: none"> <li>• Matters referred by the Chief Executive, Directors, Chief Finance Officer</li> <li>• Other reports agreed with Internal and External Audit</li> </ul>

9.5 As previously agreed, it is 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 for the Committees attention. The Chairman and Vice Chair should also meet privately with External and Internal Audit throughout the year.

9.6 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 is also acknowledged the need to monitor 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.

9.7 During 2013/14 no supplementary training was agreed outside of that available to Members generally as this was to be determined at each meeting. As the Election is pending it is anticipated that sessions will be run in June/July by internal and external audit, CAFT and risk management regarding their roles and the role of the Audit Committee.

## 10. LIST OF BACKGROUND PAPERS

10.1 None.

<b>Cleared by Finance (Officer's initials)</b>	<b>JH</b>
<b>Cleared by Legal (Officer's initials)</b>	<b>CE</b>

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Audit Committee – 2014/15 Work Programme

	Terms of Reference	Reports	Report Author	Provisional Date
•	<b>AUDIT ACTIVITY</b>			
1	To consider the Internal Audit annual report and opinion.	Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach Internal Audit Annual Report	HolA/AAD HolA	April July
2	To consider summaries of specific Internal Audit reports as requested.	Internal Audit and Risk Management Quarterly Progress Report Internal Audit Annual Report	HolA HolA	July, November, January, April July
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	HolA	July, November, January, April
4	To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	Exception Recommendations Report	HolA	July, November, January, April
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 (verbal) Report to those charged with Governance (ISA 260 report) Annual Audit Letter	DCOO External Audit DCOO DCOO	April July, November, January, April July January

Terms of Reference		Reports	Report Author	Provisional Date
6	To consider specific reports as agreed with the External Auditor.	External Audit Grants Report	DCCO	January
7	To comment on the scope and depth of External Audit work and to ensure it gives value for money.	Annual External Audit Plan	DCCO	April
8	To liaise with the body responsible over the appointment of the Council's external auditors.	Annual External Audit Plan	DCCO	April
9	To commission work from Internal and External Audit, proportionate to risk identified and with agreement from the Chief Executive.	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.
<b>• ANTI-FRAUD ACTIVITY</b>				
10	To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team (CAFT)	CAFT Quarterly Report	AAD	July, November, and January
11	To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.	Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach CAFT Annual Report (including final quarter)	HoI/AAD  AAD	April  April

	Terms of Reference	Reports	Report Author	Provisional Date
12	To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes.	CAFT Quarterly Report  CAFT Annual Report (including final quarter)	AAD	July, November, and January  April
13	To monitor the Council's Counter Fraud framework and policies within and recommend their application across the Council.	Counter Fraud Framework update	AAD	November
<b>• REGULATORY FRAMEWORK</b>				
14	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.
15	To monitor the effective development and operation of risk management and corporate governance in the council.	Internal Audit and Risk Management Progress Report  Revision of Risk Management Policy Statement and Strategy	HOLA  AAD	July, November, January, April  July
16	To oversee the production of the Authority's Annual Governance Statement and to recommend its adoption	Annual Governance Statement	AD	July

Terms of Reference		Reports	Report Author	Provisional Date
•	<b>ACCOUNTS</b>			
17	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.	Audited Statement of Accounts Report to those charged with Governance (ISA260)	DCOO DCOO	July July
15	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)	DCOO	July
•	<b>REVIEW OF EFFECTIVENESS</b>			
16	The Audit Committee shall prepare a report to Full Council on annual basis on its activity and effectiveness.	Annual Report of the Audit Committee	Chairman	July
•	<b>OTHER</b>			
	N/A	Annual Work Programme for following year	AD	April

Report Authors:  
DCOO Deputy Chief Operating Officer  
AD Assurance Director  
AAD Assurance Assistant Director  
HoIA Head of Internal Audit and Anti Fraud