

MEETING

AUDIT COMMITTEE

DATE AND TIME

TUESDAY 19TH APRIL, 2016

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Brian Salinger
Vice Chairman: Councillor Sury Khatri BSc (Hons) MSc (Lond)

Geof Cooke	Councillor Gabriel	Richard Harbord
Kathy Levine	Rozenberg	(Independent Member)
Arjun Mittra	Councillor Peter Zinkin	Geraldine Chadwick
		(Independent Member)

Substitute Members

Melvin Cohen	Eva Greenspan	Anne Hutton
John Marshall	Reema Patel	Alan Schneiderman

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Thursday 14 April at 10AM. Requests must be submitted to Kirstin Lambert 020 8359 2177 kirstin.lambert@barnet.gov.uk

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

Andrew Charlwood – Head of Governance

Governance Service contact: Kirstin Lambert 020 8359 2177 kirstin.lambert@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	1 - 4
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Report of the Monitoring Officer (If any)	
5.	Public Question and Comments (If any)	
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11.	Counter Fraud Framework Review	141 - 168
12.	External Audit planning report 2015/16	169 - 196
13.	Any item(s) the Chairman decides are urgent	

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Decisions of the Audit Committee

28 January 2016

Members Present:-

AGENDA ITEM 1

Councillor Brian Salinger (Chairman)
Councillor Sury Khatri (Vice-Chairman)

Councillor Geof Cooke Councillor Peter Zinkin
Councillor Kathy Levine
Councillor Arjun Mittra
Councillor Gabriel Rozenberg

Also in attendance
Geraldine Chadwick (Independent Member)
Richard Harbord (Independent Member)

1. MINUTES OF LAST MEETING

RESOLVED – That the minutes of the meeting held on 5 November 2015 be approved as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

There were none.

3. DECLARATION OF MEMBERS' DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (IF ANY)

Councillor Geof Cooke declared a non-pecuniary interest in agenda item 8, CAFT Q3 Progress Report: October - December 2015, as his children attend East Barnet School.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

Details of the questions asked and the published answers were provided with the agenda papers for the meeting. Verbal responses were given to supplementary questions at the meeting.

6. MEMBERS' ITEMS (IF ANY)

None.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND PROGRESS REPORT UP TO 31ST DECEMBER 2015

The Head of Internal Audit introduced the report. The Committee discussed the report and asked questions to the relevant Director(s), or their representatives, on the audits that received limited or no assurance reports, including Street Scene Operations, the Better Care Fund and Section 75 agreements, Compliance with Contract Procedure Rules, Accounts Payable and Client Affairs.

The Committee discussed the 'Recruitment – conflicts of Interest' and 'Workforce Management – Governance Arrangements' issues identified in the no assurance audit opinion of the Street Scene Operations Review. The HR Director CSG agreed the new process to review job application forms regarding declarations of interest or close relatives would be piloted for 6 months (as opposed to 2 years) before the outcome is reported to the Audit Committee.

The HR Director CSG responded to Members' questions regarding whether the issues uncovered could attest to wider weaknesses in HR procedures. In particular it was noted that robust monitoring needs to be in place to ensure policies are being implemented across the Council. The Committee requested that these matters be brought to the attention of the Performance and Contract Management Committee to determine whether there are contract compliance issues which need attention.

RESOLVED – That the Committee note the work completed to date on the Internal Audit Annual Plan 2015-16 and progress against high priority recommendations

8. CORPORATE ANTI-FRAUD TEAM (CAFT) PROGRESS REPORT Q3 OCTOBER 2015 - DECEMBER 2015

The Assurance Assistant Director introduced the report.

RESOLVED - That the Committee note the CAFT Progress Report covering the period 1st October 2015 – 31st December 2015.

9. ANNUAL AUDIT LETTER 2014/2015

The Assistant Director of Finance, CSG presented the report.

RESOLVED - That the External Auditor's Annual Audit Letter for 2014/2015 be accepted as a reasonable statement on the Council's position in respect of the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience.

10. GRANTS CERTIFICATION WORK REPORT 2014/2015

The Assistant Director of Finance, CSG presented the report.

RESOLVED –

- 1. That the Committee note the report.**
- 2. That the matters raised by the External Auditors relating to the grant submission and certification process are noted by the Committee.**

11. EXTERNAL AUDITOR PROGRESS REPORT

Leigh Lloyd Thomas and Jody Etherington from BDO presented the report.

RESOLVED - That the Committee note the content of Appendix A.

12. AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the forward work programme 2015-16.

13. ANY ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

There were none.

The meeting finished at 9.02 pm

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	<h2>Audit Committee</h2> <h3>19th April 2016</h3>
<p style="text-align: right;">Title</p>	<p>Internal Audit Exception Recommendations Report and Progress Report up to 31st March 2016</p>
<p style="text-align: right;">Report of</p>	<p>Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: right;">Wards</p>	<p>N/A</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Annex A - Internal Audit progress report (up to 31st March 2016)</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit, Corporate Anti-Fraud Team (CAFT) and Risk Management Plan 2015-16 (the Internal Audit Plan 2015-16) and high priority internal audit recommendations.

Detail has been presented within the report on audits that were given ‘No’ or ‘Limited’ assurance or management letters that included high priority recommendations:

		Assurance rating
1	Information Technology Disaster Recovery	Limited
2	Contract Management – Registrars Inter-Authority Agreement	Limited
3	Hasmonean Primary school	Limited
4	Menorah Foundation school	Limited

5	Teachers' Pensions	Limited
6	IT Strategy – Phase 1	N/A – management letter
7	CSG Assurance Framework	N/A – management letter

Full copies of 'No' and 'Limited' Assurance audit reports are available on the Barnet website here:

<http://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13619&path=0>

Recommendations

That the Committee note the work completed to date on the Internal Audit Annual Plan 2015-16 & progress against high priority recommendations.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2015-16 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee approved the Internal Audit Plan 2015-16 in April 2015 and this report notes the progress against that plan and progress against high priority recommendations.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

- 4.1 The Internal Audit Plan 2015-16 will continue to be delivered as reported to the Audit Committee with recommendations implemented in line with the report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2015-2020, 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.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 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.

5.2.2 The Internal Audit Plan 2015-16 agreed by the Audit Committee is being achieved from Internal Audit's current budget.

5.3 Legal and Constitutional References

5.3.1 There are no legal issues in the context of this report.

5.3.2 The Council's Constitution, 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.

5.4 Risk Management

5.4.1 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.

5.4.2 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.

5.5 Equalities and Diversity

5.5.1 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.

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

6.1 Audit Committee 11 March 2010 (Decision Item 11) - 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.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%208.pdf>

6.2 Audit Committee 21 September 2010 (Decision Item 7) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%203.pdf>

6.3 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.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201102171900/Agenda/Document%204.pdf>

Internal Audit
Progress Report 2015-16 – Quarter 4

Caroline Glitre, Head of Internal Audit

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1. Introduction

The Internal Audit Plan was approved by the Audit Committee on the 30th April 2015. As previously requested by the Committee, this report covers audit reports with limited or no assurance which are summarised into key messages with some detail.

2. Final Reports Issued

This report covers the period from 1st January 2016 to 31st March 2016 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 33 reports as final in accordance with the 2015-16 Internal Audit Plan. In summary, the assurance ratings provided were as follows:

Substantial ✓✓✓	1
Satisfactory	21
Limited	5
No	0
N/A	6
Total	33

Table 1: 2015-16 work completed during quarter 4 including assurance levels

Systems Audits		Assurance
1	Treasury Management	Substantial
2	Foster Carer & Adoption Payments	Satisfactory
3	Contract Management - Young Carers	Satisfactory
4	CSG Invoicing and Monitoring Arrangements	Satisfactory
5	Highways Managed Budgets	Satisfactory
6	Budget Monitoring	Satisfactory
7	Cash & Bank	Satisfactory
8	Fixed Assets	Satisfactory
9	Non-schools Payroll	Satisfactory
10	Pensions Administration	Satisfactory
11	Projects & Programmes: Transformation Q4 – Customer Transformation; Smarter Working	Satisfactory
12	Regeneration Programme: Dollis Valley and Grahame Park	Satisfactory

13	Risk Management	Satisfactory
14	Performance Management Framework	Satisfactory
15	CCTV	Satisfactory
16	Contract Management - Registrars Inter-Authority Agreement	Limited
17	Information Technology Disaster Recovery	Limited
18	Teachers Pensions	Limited
Advisory Reviews / Management Letters		Assurance
19	Information Communications Technology Strategy	N/A
20	CSG Assurance Framework	N/A
21	Data Quality - FS/C5 - Percentage of assessments completed within 45 working days	N/A
22	Data Quality PH/S4 - Rate of hospital admissions related to alcohol	N/A
23	Special Education Needs Follow-Up - Education Healthcare Plans (EHC)	N/A
Grants / Payments by Results		Assurance
24	Troubled Families Payments by Results	N/A
School Audits		Assurance
25	Annunciation Junior	Satisfactory
26	Sunnyfields	Satisfactory
27	Foulds	Satisfactory
28	Osidge	Satisfactory
29	St Pauls (NW7)	Satisfactory
30	Akiva	Satisfactory
31	St Joseph's	Satisfactory
32	Hasmonean Primary	Limited
33	Menorah Foundation	Limited

The summary detail of those reports issued as Limited or No assurance is included within section 3. The summary detail of management letters resulting in high priority recommendations is included within section 4.

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

Title	Information Technology Disaster Recovery
Audit Opinion	Limited Assurance
Date of report:	March 2016
Background & Context	<p>An ITDR programme is the IT component of the wider Business Continuity Management (BCM) programme, which fulfils part of the Council’s obligations to the public and Civil Contingencies Act in the event of a major incident. The purpose of the programme is to recover IT services that underpin Council activities, within an agreed time and to a point in time prior to the outage, to prevent an unacceptable business impact. ITDR in a modern IT environment has also to consider other supporting IT services, which whilst not directly important to the business, are essential to those that are.</p> <p>At Barnet, the technical component of the ITDR programme has been outsourced to Capita as part of the Customer Support Group (CSG) contract. As part of the contract with Capita, IT services have, with the exception of the Council’s internal telephone system, been migrated to a new data centre. As part of the migration, IT services were either replaced or re-platformed so they would be easier to maintain and be more resilient. With respect to ITDR, Capita were to implement a new capability at a secondary data centre that would meet the Council’s recovery requirements. Prior to implementation, Capita were to maintain an interim ITDR solution which, whilst not capable of recovering services fully in line with requirements, would provide a fallback position.</p>

Title	Information Technology Disaster Recovery
<p>Summary of Findings</p>	<p>This audit has identified four priority 1 recommendations. We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> - Governance - There is a quarterly Business Continuity Management (“BCM”) team meeting which governs BCM activities. It was noted that whilst Capita representatives do attend, those with the specific responsibility for ITDR have not been identified by Capita and consequently are not invited. We also noted that the meeting primarily deals with the BCM programme and ITDR is not routinely discussed. Finally, whilst Capita do provide a service report which includes high level ITDR status, it is primarily to demonstrate meeting KPI’s and PI’s and there is no detail with respect to ITDR capability, either planned or interim. We reviewed the format of the service report and noted that the report does not reflect the true ITDR risk exposure of the Council. The risk is that without including ITDR in BCM governance and having an accurate view of its status, management will not be able to address any shortfall in capability. (Priority 1) - Alignment of BCM requirements with ITDR capability - The Council’s ITDR recovery requirements are described in the contract with Capita. It was noted that the requirements detailed in the contract are not those that are being delivered by the ITDR project. In particular, the Council applications are rated as platinum, gold, silver or bronze based on an assessment of the business impact. Applications rated as Silver and Bronze, are supposed to be recovered within 48 hours with a maximum of an hour of data loss. The current project is not delivering ITDR for Bronze applications and the current provision is to restore Silver rated applications within 96 hours with up to a day’s worth of data loss. There are similar inconsistencies at Platinum and Gold level. (Priority 1) - ITDR technical recovery capability - Following on from the issue above, the technical provision will not cover the contractual requirements for ITDR. Additionally the technical approach has not considered interdependencies between IT applications. This means that there is a risk that an application may not function when other applications that it is dependent on are also not recovered. Finally, the recovery capability which would be provided through this arrangement would restore an infrastructure which may not be able to support the number of users the Council requires. (Priority 1) - Interim ITDR capability - Prior to the new ITDR capability being implemented at the secondary data centre, we

Title	Information Technology Disaster Recovery
	<p>confirmed that an Interim ITDR capability was in place. This was initially a ship to site “data-centre” that contained infrastructure for the Council’s legacy systems. These services were procured from an external supplier by Capita but the contract for these services lapsed in early 2015 and was not renewed. Capita are currently replicating data to the secondary site and taking backups in preparation for the new full ITDR capability, now due in Q1 2016. However, these back- ups cannot be used to restore capability as they have not been tested and there are no documented ITDR plans in place. It was noted that there is currently no alternative interim capability. (Priority 1)</p>

Priority 1 recommendations, management responses and agreed action dates

1. ITDR Governance

Recommendation	Management Response	Responsible Officer	Deadline
<p>a) Governance of BCM should formally include Capita staff who are responsible for ITDR. These individuals should be identified by Capita and then invited on a standing basis (Governance)</p>	<p>Capita will nominate those people responsible for ITDR and the Council will invite them to the relevant BCM meetings. The governance documentation will be updated to reflect any changes.</p>	<p>a) IS Security Manager (CSG)</p>	<p>30 April 2016</p>
<p>b) The BCM quarterly meeting should include formal ITDR discussion we with respect to a) business alignment b) capability c) status d) issues e) residual risk</p>	<p>Capita will engage with the Council and internal audit and make sure the reporting gives the Council sufficient oversight of the delivery of the ITDR plan.</p>	<p>b) Emergency Planning and Business Continuity Manager (LBB)</p>	<p>30 April 2016</p>
<p>c) Capita should immediately engage the Council management and agree the level of reporting information required with respect to the ITDR capability. This should include as</p>		<p>c) Operations Manager (CSG)</p>	<p>30 April 2016</p>

Title	Information Technology Disaster Recovery		
<p>a minimum a) ITDR capability in terms of IT services in scope, Recovery Time Objective (RTO), Recovery Point Objective (RPO) and capacity, b) residual risk, c) planned tests, d) the test results and remedial actions and d) ITDR capability changes. (Governance)</p> <p>d) Management should update governance policies, terms of references and processes to reflect the above. (Governance)</p>		<p>d) Emergency Planning and Business Continuity Manager (LBB)</p>	<p>30 April 2016</p>
<p>2. Alignment of BCM recovery requirements with ITDR capability</p>			

Title		Information Technology Disaster Recovery		
Recommendation	Management Response	Responsible Officer	Deadline:	
<p>a) The programme teams should confirm who is responsible for reviewing the scope of the IT services included within ITDR. The responsible party should review the scope and the current ratings and engage Capita with respect to any required changes which should be provisioned as part of the ITDR project. (Business requirements)</p> <p>b) Capita should immediately engage the Council to ensure that the recovery bandings, i.e. platinum, gold, silver and bronze, are being delivered as per the contractual agreement. Where not, Capita should provision as part of the project. (Contract Specification)</p> <p>c) In line with the governance finding (Recommendation 1) above, the BCM programme should engage with those in Capita responsible for ITDR on a defined and regular basis to ensure changes in recovery requirements are provisioned for. (Business requirements)</p>	<p>The current ITDR solution in operation is correct but the capacity document is incorrect and has been updated since the testing date. The last update was made on 14/12/2015 but was not provided to audit.</p> <p>The method statement includes no implementation statement. This will be incorporated into the next version of the document.</p> <p>The Council and Capita will also engage to assess the appropriateness of the banding of each of the systems and applications in the method statement.</p>	<p>a) Emergency Planning and Business Continuity Manager (LBB)</p> <p>b) Operations Manager (CSG) Programme Director and Acting ICT Director (CSG)</p> <p>c) Emergency Planning and Business Continuity Manager (LBB)</p>	<p>With immediate effect</p> <p>With immediate effect</p> <p>30 April 2016</p>	
3. ITDR planned technical recovery capability				

Information Technology Disaster Recovery			
Title			
Recommendation	Management Response	Responsible Officer	Deadline
<p>a) In line with the recovery requirements recommendation above (Recommendation 2), Capita should immediately engage with the Council to ensure the required infrastructure is provided to meet recovery requirements and expected user numbers. (Contract specification)</p> <p>b) The ITDR project should identify end to end IT service dependencies that should be taken into account in provisioning and planning. This may mean that IT services that are not currently in scope have to be provisioned to support ones that are in scope and have a critical dependency. It may also mean that IT services have to be promoted in terms of tiering to ensure successful recovery. (Proposed ITDR solution)</p>	<p>There is now infrastructure in place to support silver and bronze applications, although this has not been validated by the Council at the reporting date.</p> <p>It should be noted that the capability of the recovery arrangements to support 2500 users is the contractual requirement.</p> <p>An interdependency grid of platinum and gold systems has also been developed since the testing date. The responsibility for maintaining this as part of 'Business as Usual' will fall to the Applications team.</p>	<p>a) Operations Manager (CSG) Programme Director and Acting ICT Director (CSG)</p> <p>b) Applications team, CSG</p>	<p>With immediate effect</p> <p>30 May 2016</p>
4. Interim IT Disaster Recovery			
Recommendation	Management Response	Responsible Officer	Deadline
<p>a) Capita should immediately engage the Council and propose the most effective way of mitigating the risk in the interim period</p>	<p>Agreed. It would be welcomed for audit to witness the preparation for the testing and the testing itself as part of their follow-up audit.</p>	<p>ICT Director (CSG) Head of Information Management (LBB)</p>	<p>With immediate effect</p>

Title	Information Technology Disaster Recovery		
prior to ITDR being fully deployed by the project. (Contract specification)			

Title	Contract Management - Registrars Inter-Authority Agreement		
Audit Opinion	Limited		
Date of report:	March 2016		
Background & Context	<p>In November 2014 the Council introduced a corporate approach to managing contracts, which included the production of a contract management toolkit and templates, supported by contract management training sessions for key staff members.</p> <p>The purpose of this audit was to review controls in place to mitigate key risks, in the areas of governance and reporting and risk and issue management, for the Registrars contracts.</p> <p>The Registration and Nationality Service is responsible for the registration of births, deaths and still-births, the formalities for marriage and civil partnerships and for citizenship ceremonies and is a shared service that is delivered across the London Boroughs of Brent and Barnet by Brent Council.</p> <p>The Inter-Authority Agreement between the Council and Brent has been managed by the Commissioning Group since being transferred from Adults and Communities in April 2015. Since taking responsibility for Registrars the Commissioning Group have sought to formalise governance arrangements using the contract management toolkit and to introduce performance monitoring, which we were unable to confirm were in place at the time of handover. It is</p>		

Title		Contract Management - Registrars Inter-Authority Agreement	
		<p>recognised that this is work in progress.</p> <p>This contract was selected from the list of auditable units across the Council that are provided via a contract and represent examples of a Strategic (Registrars) contract as per the SCOT (Strategic, Critical, Operational and Transactional) framework used by the Council to analyse its contracts.</p>	
Summary of Findings		<p>This audit has identified two priority 1 recommendations.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • <u>Contract Management and Governance, Operating Effectiveness</u> - we identified areas where the Registrars contract management and governance should be improved. For example the contract management toolkit had not been fully utilised and contract monitoring meetings did not occur in line with the requirements of the Inter-Authority Agreement. (Priority 1). • <u>Risk and Issue Management, Control Design</u> - we identified areas where the Registrars contract risk and issue management controls should be improved. We found that the risk and issue management process set out in the Inter-Authority Agreement had not been complied with in practice. In addition, risks and issues in relation to the agreement were not formally documented in registers, as required by the Council's Contract Management Manual, or within the Council's risk management system (Priority 1). 	
Priority 1 recommendations, management responses and agreed action dates			
1. Contract Management and Governance, Operating Effectiveness			
Recommendation	Management Response	Responsible Officer	Deadline
a) The Council should introduce the contract management toolkit and utilise it to manage, monitor and drive	The performance of this contract was reported to the PCM Committee for the first time in February 2016. It is accepted that this is a contract where	Partnership Relationship Manager	31 May 2016

Title	Contract Management - Registrars Inter-Authority Agreement		
<p>performance of the Registrars contract;</p> <p>b) Management should ensure that the governance arrangements set out within the Inter-Authority Agreement are complied with in practice and that SMB meetings are minuted in order to note the discussions held and monitor any actions required.</p>	<p>the toolkit still needs to be fully implemented.</p>		
2. Risk and Issue Management, Control Design			
<p>Recommendation</p> <p>a) The Council should ensure that the risk management process set out within the Inter-Authority Agreement is complied with in practice;</p> <p>b) Management should utilise the risk and issues register templates within the Contract Toolkit and ensure that Registrars risks and issues are recorded, assessed, mitigated and managed. This information should then be regularly monitored and updated; and</p> <p>c) SMB meetings should be minuted so</p>	<p>Management Response</p> <p>Accepted</p>	<p>Partnership Relationship Manager</p>	<p>31st May 2016</p>

Title	Contract Management - Registrars Inter-Authority Agreement		
that discussions held and actions required in order to manage risks and issues are recorded and can therefore be monitored.			

Title	Key Financial Systems - Teachers' Pensions		
Audit Opinion	Limited		
Date of report:	March 2016		
Summary of Findings	<p>This audit has identified one priority 1 recommendation.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • Teachers Pensions - There is no sign off by the CSG team of the returns from schools and there is no reconciliation to the Teacher's pension amount. (Priority 1). 		
Priority 1 recommendations, management responses and agreed action dates			
<ol style="list-style-type: none"> 1. Monthly reconciliation of payroll records to payment made to Teachers' Pension 2. 			
Recommendation	Management Response	Responsible Officer	Deadline
a) There should be monthly payroll reconciliations demonstrating that	A new process was implemented in March 2016 whereby the Controls and processing team now	Operations Director, CSG HR Solutions	Implemented

Title	Key Financial Systems - Teachers' Pensions			
<p>payment made to the TP can be reconciled to total contributions and deductions reported by all payrolls as per payroll record.</p> <p>b) Amounts recorded on the schools returns should be formally logged and included in the monthly reconciliation.</p> <p>c) Supporting documentation on the monthly reconciliation should be retained.</p> <p>d) Any reconciling items should be investigated and resolved.</p>	<p>obtain the total deductions from the Payroll System in month for the Teachers' pension. These figures are provided to Payroll team who reconcile with the Teachers Contributions. Any differences are investigated and corrected to ensure completeness.</p> <p>Once reconciled, the deductions are paid over by Controls and processing team to the Payroll team who complete the Pensions Returns. All documentation to complete this exercise is independently kept each month by both teams.</p>			

Title	Hasmonean Primary School		
Audit Opinion	Limited Assurance		
Date of report:	March 2016		
Background &	Hasmonean Primary School is a Voluntary aided school with places for 240 pupils aged between 3 and 11 years of age.		

Title	Hasmonean Primary School
Context	<p>The School budget for 2015/16 is £1,574,868 with employee costs of £1,185,939 (75% of the delegated budget).</p> <p>The School was assessed as 'Good' by OFSTED in Mar 2015.</p>
Summary of Findings	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting seven high and five medium priority issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> • <u>Banking</u> – The school bank account should not be overdrawn per the Scheme for Financing Schools. (High Priority). • <u>Payroll</u> – Lack of financial control due to no segregation of duties or evidence of independent review. Payments to support staff do not agree to school Pay Policy. (High Priority). • <u>Purchasing</u> – Purchase order forms were not completed for all relevant expenses. These costs are not recorded as a committed expense, and this procedure has not been agreed by the Governors. (High Priority). • <u>Budget Monitoring</u> - The school should set a well-informed and balanced budget each year, including income from Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies. (High Priority). • <u>Tax</u> - The school should seek advice to confirm the correct treatment of VAT. (High Priority). • <u>Income</u> – Paperwork is incomplete for money received into the school office. Therefore a complete reconciliation between money received and money banked was not possible. (High Priority). • <u>Contracts</u> – Up to date contracts were not available for security services. There was no evidence of regular review of contracts. (High Priority). • <u>Governance</u> – The 'Notice of Authorised Signatories' and financial management policy and procedures

Title	Hasmonean Primary School		
3.7 (Borrowing by Schools) for guidance.			
2. Payroll			
<p>Recommendation</p> <p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports.</p> <p>The School should refer to the 'Keeping your Balance' document, section E (Financial Controls) and section H (Payroll) for guidance with procedures. 'The Headteacher should ensure that duties related to financial administration are distributed so that at least two people are involved. The work of one should act as a check on the work of the other and all checks should be fully documented.'</p> <p>All school policies should be reviewed on a regular basis and approved by Governors to reflect current agreed practice in school</p>	<p>Management Response</p> <p>a) The Head Teacher now signs off monthly payroll. Since May 2015, the Head has been required to sign off any changes to the payroll.</p> <p>b) The school has reverted to the NJC scales for support staff.</p>	<p>Responsible Officer</p> <p>Head</p> <p>Head</p>	<p>Deadline</p> <p>Feb 2016</p> <p>Feb 2016</p>
3. Purchasing			

Title		Hasmonean Primary School		
Recommendation	Management Response	Responsible Officer		Deadline
<p>The school should ensure that a purchase order is raised for all relevant goods and services and this is approved by an authorised signatory. This expenditure should then be entered as a commitment to the accounting system, prior to the order being placed. Refer to section D of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission.</p> <p>The school should introduce a clear separation of duties to ensure that the same officer is not responsible for authorising the purchase order, invoice and cheque for the same purchase. Refer to the Barnet Financial Guide for schools, section 4 (Internal Financial Controls) for guidance</p>	a) All items are now ordered using purchase orders. This change happened in Nov 2015 prior to the Audit, although some orders, inspected by the auditor, were done by emails between May 2015 and November 2015. All emailed orders were still authorised by the Head before ordering.	School Manager	Business	Nov 2015
	b) POs are now recorded by School Business Manager and given unique sequence numbers. A record is kept in the order file. Orders will be entered into RM from 1st April 2016	School Manager	Business	Feb 2016 April 2016
	c) Delivery notes are now signed by School Business Manager or Office staff on delivery.	School Manager/Office staff	Business	Feb 2016
	d) The security company is aware that we have cash flow problems and are content that we use CST refunds to pay the next security bills. The DfE reimburse schools via the CST for security guards – these payments from the DfE have always been delayed by half a term.			
	e) Separation of duties has always existed as			

Title		Hasmonean Primary School		
		follows: i) Orders authorised by Head ii) Invoices authorised by Deputy Head or Head of Infants iii) Two signatures on cheques but Head only signs if invoice is authorised first.		
4. Budget Monitoring				
Recommendation	Management Response	Responsible Officer	Deadline	
<p>The School should set a well-informed and balanced budget each year, including income from the Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies, or additional staff costs approved by the Governors. These amounts should be quantified and authorised. Where contributions are significant the school should ensure they are received evenly across the year to avoid any negative impact on cashflow. The school needs to assure the Council that all sources of income are reliable when balancing their budget.</p>	a) There are reimbursements from Governors' Funds to LBB for Religious Studies and Nursery b) The Finance Committee will document such calculations in future. c) Commitments to be entered into RM from April 2016. d) The Finance Governors were kept informed by email about the financial situation during 2015-2016, and they had copies of the Sept and Dec 2015 forecasts	Finance Committee/ School Business Manager	April 2016	
5. Tax				
Recommendation	Management Response	Responsible Officer	Deadline	

Title	Hasmonean Primary School		
<p>quotations for the renewal/procurement of any relevant contract, in order to ensure that there is clear and visible evidence of a fair and transparent selection process.</p> <p>‘Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning’</p> <p>Refer to page 10 &11 (Purchasing) of the ‘Keeping Your Balance’ document, issued jointly by Ofsted and the Audit Commission, and Section 6 (Value for Money and Purchasing) of the Financial Guide for Schools.</p>	<p>contract will be sent to the Finance Committee and the Governor responsible for security. In light of the current security situation, we are unlikely to re-tender this contract as we use a security firm approved by the CST and CST refund the cost.</p> <p>b) In future the School Business Manager will send contract negotiations to the Finance Committee before signing a contract.</p>	<p>School Business Manager</p>	<p>April 2016</p>

Title	Menorah Foundation School		
<p>Audit Opinion</p>	<p>Limited Assurance</p>		
<p>Date of report:</p>	<p>March 2016</p>		
<p>Background & Context</p>	<p>Menorah Foundation School is a Voluntary Aided school with places for 362 pupils aged between 3 and 11 years of age. The School budget for 2015/16 is £1,671,378 with employee costs of £1,205,772 (72% of the delegated budget).</p> <p>The School was assessed as ‘Good’ by OFSTED in May 2015.</p>		

Title	Menorah Foundation School		
Summary of Findings	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting three Priority 1 and four Priority 2 issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> • Banking – Payments are made by one individual using HSBC online banking. This does not comply with the authorised signatories list. Petty cash procedures should allow for separation of duties. (Priority 1). • Purchasing – Purchase order forms are not recorded as a committed expense, and accurate budget monitoring is not possible. Lack of separation of duties. (Priority 1). • Voluntary funds – The previous audit report refers to an Amenities and lunch account. No accounting records for these accounts could be found at the time of the audit visit. (Priority 1). • Governance – The 'Notice of Authorised Signatories' and financial management policy and procedures document should be revised and approved by Governors to reflect current procedures in school. (Priority 2). • Budget Monitoring - The school should set a well-informed and balanced budget each year, including income from Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies. (Priority 2). • Assets – The Inventory is incomplete. No documented annual review or authorisation of disposals. (Priority 2). • Compliance with 'Schools Financial Values Standard' (SFVS) - following our SFVS self – assessment review it is the opinion of audit that contrary to the School's self-assessment this area has either not been met, or met 'In-Part', or information was not available to enable us to confirm the judgement. (Priority 2). 		
Priority 1 recommendations, management responses and agreed action dates			
1. Banking			
Recommendation	Management Response	Responsible Officer	Deadline

Title		Menorah Foundation School		
<p>The School should review and update (as required) its Financial Management Policy and Procedures document ensuring that its contents are up to date incorporating detailed procedures for all areas of financial management in the School, including those outlined within the London Borough of Barnet Scheme of Financing Schools, Finance Guide, Contract Standing Orders and 'Keeping Your Balance' documents.</p> <p>The most up to date 'Notice of Authorised Signatories' should be completed, approved by Governors and submitted to the Chief Finance Officer.</p>	<p>Petty Cash – Procedure changed, finance assistant distributes petty cash and SBM reconciles. Financial procedure updated</p> <p>The changes needed to Notice of Authorised Signatories and HSBC online access will be agreed by new Head Teacher who starts on 4 April</p>	School Business Manager	8 April 2016	
2. Budget Monitoring				
Recommendation	Management Response	Responsible Officer	Deadline	
<p>The School should set a well-informed and balanced budget each year, including income from the Governors if appropriate to reimburse the school funds for costs incurred in the provision of Jewish studies, or additional staff costs approved by the Governors. These amounts should be quantified and authorised.</p>	<p>Governors to discuss at next meeting on 5 April 2016</p>	Chair of Governors	5 April 2016	

Title	Menorah Foundation School		
the same purchase. Refer to the Barnet Financial Guide for schools, section 4 (Internal Financial Controls) for guidance.			

4. Advisory reviews for management purposes

There were five advisory reviews or management letters undertaken by internal audit that do not give an assurance rating but nonetheless aid management in assessing the design and effectiveness of their control environment. If a significant issue has been identified or a Priority 1 recommendation made as part of these reviews further detail is provided within this progress report below. Priority 1 recommendations are followed up in line with Internal Audit's standard follow-up process and reported to Audit Committee accordingly.

Advisory Reviews		
1	Information Communications Technology (ICT) Strategy	See 4.1 below
2	CSG Assurance Framework	See 4.2 below

4.1 Information Communications Technology (ICT) Strategy

Background & Context	<p>In May 2015, the Council commissioned CSG (Capita) to formulate a new five-year ICT strategy identifying the infrastructure, systems and applications required to help support the delivery of the Corporate Plan, business priorities and initiatives. The ICT strategy was developed following extensive consultation with key stakeholders and was approved by the Strategic Commissioning Board (SCB) in November 2015.</p> <p>The Council is now in the process of setting up an IT Partnership Board (ITPB), the ITPB will be responsible for overseeing the delivery of the technology roadmap and approving specific programmes and projects.</p> <p>The objective of this audit was to confirm that the new ICT strategy is designed to support corporate priorities and that the governance arrangements being put in place are appropriate.</p>		
Summary of Findings	<p>Management should review the required actions and incorporate them into their current plans to ensure that controls are fully fit for purpose. The operating effectiveness of IT governance controls will be the focus of a further review during the first quarter of 2016/17 and may include an assessment of the controls when applied to specific projects within the programme.</p>		
Priority 1 findings, management responses and agreed action dates			
1. Detailed controls analysis			
Recommendation	Management Response	Responsible Officer	Deadline
<p>1.i. The Council and CSG management should establish a shared timetable detailing when the ICT Strategy requires a review to ensure it is still supporting the Corporate Plan. The timetable should ensure that the review of the ICT Strategy accommodates changes made</p>	<p>1.i. Through the IT Partnership Board a regular business planning cycle will be agreed to ensure alignment with the Barnet Corporate Plan. This process is going to be iterative with IT providing input into the Corporate Plan at appropriate times during the year to</p>	<p>Enterprise Architect, CSG</p> <p>Head of ICT and Information Management</p>	<p>31 March 2016</p>

<p>during review of the Corporate Plan.</p> <p>1.ii. CSG should develop a detailed ICT technology roadmap for Council approval. The roadmap should provide details and timelines for delivering projects and programmes (key milestones, and dependencies) which are in line with timelines for delivering business priorities.</p>	<p>ensure a two way flow between IT and the business.</p> <p>1.ii. IT roadmap in place detailing when key projects will be implemented. Detailed resource estimates have been created to support this. A revised detailed technology roadmap is in development to produce an IT transformation investment plan for the next five years. This will be delivered through development of the SPIRs and component project cost/resource estimates, the governance process and through customer board membership and input.</p>	<p>Enterprise Architect, CSG</p> <p>Head of ICT and Information Management</p>	<p>April 2016</p>
<p>2. Governance</p>			
<p>Recommendation</p>	<p>Management Response</p>	<p>Responsible Officer</p>	<p>Deadline</p>
<p>2.i. The IT Partnership Board should have a clear scope, function, diversified composition and clear operating principles which include, but are not limited to:</p> <ul style="list-style-type: none"> • Defined roles and responsibilities • A defined structure • Policies and procedures covering implementation and 	<p>2.i. A draft governance structure has been produced, showing the terms of reference for the IT Partnership Board to be put in place to support the delivery of the ICT strategy. This is currently under review.</p>	<p>Enterprise Architect, CSG</p> <p>Head of ICT and Information Management</p>	<p>31 March 2016</p>

<p style="text-align: center;">prioritisation of IT business cases and project</p> <p>2.ii. The Council, through CSG should develop a detailed resource plan, which includes a list of roles and responsibilities required for the duration of the ICT strategy to identify the required capacity and capability and ensure they are funded. The review process should also include using appropriate return on investment metrics to prioritise and realign underlying projects and resources.</p>	<p>2.ii. A full resource plan has been built for the ICT strategy presented and approved at SCB. SPIRs are being developed to provide each of the component projects with a cost and resource projection. Each SPIR will detail the exact roles and responsibilities for delivery of the solution and will be combined into a programme delivery plan. The first batch of SPIRS will be created during March 2016 for key IT strategy deliverables (Electronic Document Records Management System, Collaboration, Mobile Device Management and Public Sector Network) with more to follow throughout the year.</p>	<p>Enterprise Architect, CSG</p> <p>Head of ICT and Information Management</p>	<p>31 March 2016</p>
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4.2 Customer Support Group (CSG) – Assurance Framework

Summary of Findings	<p>As part of our testing within the planned audit of CSG Invoicing and Monitoring Arrangements we identified an issue which was outside the scope of that specific review. We have reported this in an Appendix to the CSG Invoicing and Monitoring Arrangements audit report for management consideration. The issue is summarised below:</p> <p>Contract monitoring - assurance activities</p> <p>In line with good contract management practice, the Council has a Contract Management toolkit in place to support contract managers in managing the activity on the Council's contracts.</p> <p>Alongside this toolkit there should be a formal assurance framework in place to monitor the performance of Capita in the delivery of contractual obligations due to the size and nature of the strategic contracts in place with them.</p> <p>The Council's Commercial team have prepared an assurance mapping document which outlines the 'Three Lines of Defence' (see below) in place to provide the Council with assurance over Capita's activity.</p> <p>This was produced by the Commercial team to summarise the core contract and performance management arrangements in place. Although this is not a formal document, there is no other published assurance framework document.</p> <p>In line with good practice, the First Line of Defence relates to the business operations i.e. ensuring there is an established risk and control environment in place within each of the core processes operated by Capita.</p> <p>The Second Line of Defence is the oversight functions i.e. strategic management, performance management and functional oversight.</p> <p>The Third Line of Defence is independent assurance i.e. Internal Audit, External Audit, and other sources of assurance who provide independent challenge.</p> <p>We acknowledge that the CSG contract is managed by the Council using a 'thin client' model where Capita are monitored on their performance against outcomes rather than how procedures are operated to mitigate the key</p>
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risks to the Council.

However, we noted the following issues for senior management consideration:

- There is a lack of formal documentation held by the Council of the first line defence activities operating at Capita. For example, this may include access to procedure manuals to assess whether the control framework in place mitigates the Council's key risks. This was highlighted as a finding in relation to the Accounts Payable process where there was no up to date procedure document in place (see Accounts Payable audit findings, January 2016).
- We understand through review of the Commercial team's Assurance Map and discussion with management, that currently Internal and External Audit activities provide the only evaluation of the design and operation of the controls in place within Capita processes to mitigate the Council's key risks. These form part of the third line of defence in the assurance framework. This testing approach is generally retrospective and would only identify issues after they have occurred, possibly a significant period of time following the initial non-compliance. We did not see evidence of real time monitoring of the operation of Capita controls.
- Although some second line management oversight activities were found to be operating effectively, there are some second line activities which are currently recorded as the 'first line' of activities within the Commercial team's analysis. These should be moved within the updated version of the assurance map. These include the following:
 - CSG Strategic Partnership Board
 - Monthly performance reports
 - Performance meetings with the Senior Responsible Officers

Priority 1 findings, management responses and agreed action dates

1. Contract monitoring – assurance activities

Recommendation	Management Response	Responsible Officer	Deadline
<p>a) Management should undertake an exercise to understand the key controls in place within each of CSG's core processes. This could be achieved through review of the appropriate policy and procedure documents.</p> <p>b) Management should assess and document whether the controls in place are sufficient to mitigate the Council's key operational risks.</p> <p>c) Any control gaps identified in the first line of defence should be raised with Capita and where appropriate processes should be amended accordingly.</p> <p>d) Management should review and update the assurance framework document to ensure inclusion of the identified first line of defence activities. All key Second and Third line activities should also be recorded, including detailing the officers with the core roles and responsibilities in relation to them.</p> <p>e) Management should review the activities on the assurance map to ensure there is sufficient flow of information between the</p>	<p>Agreed.</p>	<p>Director of Commercial</p> <p>Director of Resources</p>	<p>Q2 of 2016/17</p>

<p>first, second and third lines of defence to allow the Council to promptly identify issues with any of the key delivery risks.</p> <p>f) Management should then consider whether the information available through the three lines of defence is sufficient to provide senior management with assurance that the key strategic risks are mitigated.</p> <p>g) Once reviewed, the three lines of defence map should be signed off by senior stakeholders including all SROs, the Director of Resources, the relevant Contract Managers, the Commercial Director and the Chief Operating Officer.</p>			
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5. Work in progress

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

Table 2: Work in progress		
	Systems Audits	Status
1	IT Change Management	Draft report
2	Schemes of Delegation	Draft report
3	Parking Permit Administration	Draft report
4	People Management – Establishment List	Draft report
5	Re Invoicing	Planning

6. Implementation of Internal Audit recommendations

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

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>1. Grant Income</p> <p>June 2015</p> <p>Grant Identification</p> <p>Roles/arrangements for proactively identifying grant opportunities should be implemented.</p> <p>a) We suggest that roles for pro-</p>	<p>September 2015</p> <p>Directors for:</p> <ul style="list-style-type: none"> - Adults and Health; - Children & Young People; - Growth and Development-Environment Commercial and 	<p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> • Q3, 2015/16 – The recommendation was considered Partly Implemented as the following remained outstanding: <p><i>A document has been designed which is completed by the</i></p>	<p>Partly Implemented</p> <p>Evidence of implementation of the agreed process for the routine pro-active scanning for income grants by Delivery Units was not evident at the date of the follow-up. Since implementation of the new process for identifying grants only one form had been received by CSG from the Street Scene Delivery Unit for their review and scrutiny.</p> <p>Management Agreements for 2016-17 were still in the process of being drafted. We were informed that the</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>actively identifying grants could be undertaken as part of existing structures as follows:</p> <p>(i) Delivery Units together with their Commissioning Directors should consider the options available, including the possibility of a dedicated team/officer for pro-actively identifying grants depending on resources / the significance of grants available in that area.</p> <p>(ii) Service area leads pro-actively identify grants in their area. Local business improvement / performance teams challenge for proactive identification, undertake proactive reviews themselves and co-ordinate related reporting of horizon scanning outcomes as part of their local performance management arrangements.</p> <p>(iii) CSG service areas: Senior Responsible Officers (SROs) client-side at the Council pro-actively identify grants in their CSG responsibility areas or</p>	<p>Customer Services Director</p> <p>Supported by Finance (Commissioning Group)</p> <p>Resources Director</p>	<p><i>service which will record if the decision is being taken forward or not. This will be signed off by SMT and then sent to CSG for the Head of Finance to challenge.</i></p> <p><i>A process has been designed where the services will have to document if they are taking a grant application forward. This will then be reviewed by the Head of Finance as a critical friend.</i></p>	<p>responsibility for identifying grants would be included in the Management Agreements. Wording for inclusion in the Management Agreements defining the responsibility for horizon scanning had been agreed at 31 March 2016.</p> <p>When we are able to evidence the routine pro-active scanning for income grants across Delivery Units in line with Management Agreements and the completion of the relevant templates in the required format, we will be able to move the status to implemented.</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>arrange for CSG Capita leads to undertake this role, with SRO monitoring CSG identification activity.</p> <p>b) Existing performance management arrangements should be used to embed accountability for pro-active grant identification by relevant officers/teams, for example as part of Delivery Unit Management Agreements, through local performance indicators or through the staff objectives/performance review/appraisal process.</p> <p>c) Eligible grants identified should be formally documented and reported to Senior Management to ensure that grant identification processes are undertaken routinely and that senior management are involved in the decision making process. This could form part of Senior Management Team (SMT) standing agendas.</p> <p>d) All eligible grants for which</p>			

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>applications will not be submitted should be reported to the Commissioning Group's Head of Finance sufficiently in advance of application deadlines, 5 working days as a minimum, to consider whether decisions not to apply were appropriate and challenge as necessary.</p> <p>e) Procedures should be documented governing identification arrangements in each area. The procedures should include:</p> <ul style="list-style-type: none"> - Grant identification mechanisms such as the use of the Grant Finder website, Internet searches and proactive engagement with known funding bodies. - arrangements for the escalation/communication of grant opportunities to the relevant areas for evaluation if identified centrally - arrangements for the recording and reporting of all grant opportunities, identified for 			

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>follow-up/monitoring and reporting</p> <ul style="list-style-type: none"> - arrangements for the timely escalation to the Commissioning Group's Head of Finance for all eligible grants for which applications will not be submitted. 			
<p>2. Procurement - Compliance with Contract Procedure Rules</p> <p>November 2015</p> <p>Contracts Register</p> <p>a) The processes undertaken annually in 1 March 2016 developing Delivery Unit Procurement Forward Plans should also be used to ensure that all contractual relationships above £5k are included in the Delivery Unit Contract Registers, for example in a £5k-£10 column.</p> <p>b) CSG Procurement training and development should remind</p>	<p>1 March 2016</p> <p>Business Support Officer, Street Scene</p> <p>Head of Care Quality, Adults and Communities</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>The vendor spend analysis report with spend above £5k had been provided by CSG Procurement to the Delivery Unit Procurement lead officer for reconciliation to and update of the Delivery Unit contract register to include all procurement vendor spend above £5k. The reconciliation was in progress at 31 March and with a view to completion by 22 April 2016, the date of the next publication of the Delivery Unit contract registers by Information Management.</p> <p>This recommendation was considered implemented for actions where the responsible officers were:</p> <ul style="list-style-type: none"> • Head of Procurement, CSG • Head Of Service Commissioning - Family Services • Senior Business Resource and Contracts Officer, SEN Referral and Assessment Team - Education and Skills • Business Support

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>trainees of their role in keeping Contract Registers accurate and up to date, for example contract registers should also include suppliers procured through external framework contracts where competitive tendering has not been undertaken by the Council itself.</p> <p>We would suggest that:</p> <ul style="list-style-type: none"> - periodic reconciliations between vendor spend analysis reports and contract registers are undertaken by officers responsible for contract registers to ensure that they are complete <p>Accuracy checks be undertaken to ensure that contractual data is correct for example:</p> <ul style="list-style-type: none"> - vendor name - contract value/purchase order value if below £10k, - contract term - end date, - expiry date - last DPR/Committee Report reference, and - DPR/Committee Report date if 	<p>1 March 2016</p> <p>Commercial Manager - Property and Infrastructure, Re</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Officer - Street Scene</p> <p>Partly implemented</p> <p>The vendor analysis report had been provided to the Delivery Unit procurement lead by CSG Procurement. At 30 March we had not received a response as to progress with updating the contract register in line with the vendor spend analysis report provided to them by CSG.</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
above £10k			
<p>3. Procurement - Compliance with Contract Procedure Rules</p> <p>November 2015</p> <p>Conflicts of interest</p>	<p>1 March 2016</p> <p>Commercial Manager - Property and Infrastructure, Re</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>A Re governance process was provided which requires conflicts of interest related to procurements to be considered at the start of the procurement exercise. The process does not require the completion of the Council's Procurement Declaration of Interest form (DoI) to formally confirm that a conflict of interest does not exist as required</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>At the start of each procurement exercise all involved staff, including within CSG or other relevant contractors, should complete a new procurement declaration of interest form documenting the existence or non-existence of any pecuniary or other interests which compromise the objectivity of vendor selection.</p> <p>The completed form should be retained for referral and evidenced as being signed off by the relevant Head of Service. The resultant decision should be documented on the form</p> <p>Procurement guidance and training should be updated to record the Council requirements for the declarations of interest for procurement exercises and a standard form for this process should be agreed and made available on the intranet and as an appendix to the Officer Code of Conduct for ease of access.</p>			<p>by the recommendation. Where CSG Procurement are involved with contracts procured by Re on behalf of Barnet Council using Council monies then DoI forms are sent to the relevant Re officers involved in the procurement for completion. These forms will however not be sent for all such procurements where CSG are not involved.</p> <p>Once the Re procurement governance process has been updated to reflect the requirement that Council declaration forms must be completed for all procurements done by Re on behalf of the Council to formally record that a conflict does not exist and there is evidence that this process is being followed, the recommendation will be regarded as implemented.</p> <p>This recommendation was considered implemented for actions where the responsible officers were:</p> <ul style="list-style-type: none"> • Head of Procurement, CSG • Senior Business Resource and Contracts Officer, SEN Referral and Assessment Team, Education and Skills • Head Of Service Commissioning, Family Services • Business Support Officer, Street Scene • Head of Care Quality, Adults and Communities

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>4. Procurement - Compliance with Contract Procedure Rules</p> <p>November 2015</p> <p>Vendor creation and approval</p> <p>Accounts Payable should be instructed to refer new vendor creation forms which have not been signed by central CSG Procurement Business Partners back to CSG Procurement for sign-off and challenge, where necessary.</p> <p>CSG Procurement should also be notified, for review and challenge where necessary, of the following vendors when they are created in Integra:</p> <p>- Social care placement vendors and</p>	<p>1 March 2016</p> <p>Head Of Service Commissioning - Family Services</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>We tested 5 vendors created after 1 January 2016 to the New vendor Request Form for authorisation of vendor creation by CSG Procurement. Of the 5 tested , 1 vendor was created without an approved New Vendor Request Form. We understand that the one instance of process not being followed is due to a new member of staff not being fully aware of processes. Family Services will now build this into DU induction to ensure that processes are fully embedded for all staff.</p> <p>This recommendation was considered implemented for actions where the responsible officers were:</p> <ul style="list-style-type: none"> • Head of Exchequer, CSG • Senior Business and Contracts Officer, SEN referral and assessment team, Education and Skills • Business Support Officer, StreetScene • Commercial Manager – Property and Infrastructure, Re

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>- any “historic” procurement vendor which had not been migrated from SAP to Integra but is now required in Integra.</p> <p>DUs should complete new vendor forms or include/”cc” the relevant CSG Procurement Business Partner in the DU e-mail requests to create such vendors</p> <p>Note: We understand from the Head of Exchequer Services that an Integra e-form will be developed shortly for the creation/amendment of all vendors - procurement and non-procurement - which will route by workflow to all relevant parties, originator, manager, CSG procurement and Accounts Payable.</p> <p>Delivery Units should be reminded, for example through procurement training, of the correct process for requesting the creation of approved vendors in Integra.</p> <p>Procedures defining any acceptable exceptions and process</p>	<p>1 March 2016</p> <p>Head of Care Quality Adults and Communities</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>We tested 11 vendors created after 1 January 2016 to the New vendor Request Form for authorisation of vendor creation by CSG Procurement. Of the 11 tested, 9 vendors were created without an approved New Vendor Request Form.</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>requirements for creating vendors, including any agreements reached between CSG Procurement and Accounts Payable, should be formally documented and communicated.</p>			
<p>5. Client Affairs</p> <p>December 2015</p> <p>Property Visits</p> <p>a) The Council should update the template form that must be filled out at every initial property visit, regardless of whether any items are</p>	<p>31 January 2016</p> <p>Financial Assessment Manager, Financial Assessment Team</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>We selected two visits to confirm implementation of the recommendation and for both clients the case notes showed that two officers visited and collected some of the client's materials.</p> <p>We were supplied with completed Property Searches Inventory forms which named the officers that attended the property but there was no evidence that both of them</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>removed from the property. This form should detail the date of visit, inventory of all items removed including bills and require the signature of both officers in attendance.</p> <p>This should then be kept in the case file along with any other relevant documentation.</p>			<p>had signed the form.</p> <p>Further action for full implementation:</p> <ul style="list-style-type: none"> When items are removed from the property, both officers in attendance should sign the Asset Register and Property Searches Inventory forms.
<p>6. Street Scene Operations Review (Joint Internal Audit & CAFT review)</p> <p>November 2015</p> <p>Risk of Illicit Payments - Vehicle CCTV monitoring / Route rotation</p> <p>a) A process should be introduced and documented to review camera recordings pro-actively on a sample basis to ensure that cameras are operating correctly at all times and to identify noncompliant behaviour, such as accepting amounts for private collections from businesses with whom the Council does not</p>	<p>March 2016</p> <p>Street Scene Director</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>A process for pro-actively monitoring camera recordings has not been introduced.</p> <p>Instead, supervisors check refuse vehicles daily on a random basis while vehicles are doing their rounds and complete and sign-off a check sheet as evidence of such check. In addition, tracker reports produced by the tracker system on each refuse vehicle are reviewed on a sample basis - 5 vehicles each day and 2 on a Saturday - by the supervisor on tracker duty that week. Should these checks raise an issue, for example the tracker shows that a vehicle has deviated off route for a significant time then this may prompt a review of the camera recordings. The review of camera recordings is therefore still undertaken re-actively in line with the current "Data Protection Council Vehicle Mounted CCTV, Vehicle Tracking and Electronic Data</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
have trade waste agreements or for identifying non-attendance at work.			<p>Management Systems Policy", which has not yet been changed to include the proactive monitoring of cameras.</p> <p>The process only partly mitigates the risk of illicit payments as it is reactive and illicit payments could still be taken while on scheduled routes and between supervisor inspections of the vehicles. The recommendation will be considered implemented once a sensible risk based process for the pro-active review of camera recordings is introduced. The knowledge that camera recordings are being checked proactively will act as a strong anti-fraud deterrent.</p>
b) The 'Data Protection Council Vehicle Mounted CCTV, Vehicle Tracking and Electronic Data Management Systems Policy' should be updated, in conjunction with the Council's Data Protection team, to facilitate the use of such pro-active monitoring.	<p>March 2016</p> <p>Head of Business Improvement and Contract Management</p>	Not applicable – this is our first assessment of progress.	<p>Partly implemented</p> <p>The Council's Data Protection Team has been consulted and work is underway to update the policy accordingly whilst ensuring continued compliance with the requirements of the Data Protection Act.</p> <p>In the meantime, the review of camera recordings is still undertaken re-actively in line with the current "Data Protection Council Vehicle Mounted CCTV, Vehicle Tracking and Electronic Data Management Systems Policy" which has not yet been changed to include the proactive monitoring of cameras.</p>
d) Waste collection operatives should be rotated between collection crews periodically to	<p>February 2016</p> <p>Waste & Recycling</p>	Not applicable – this is our first assessment of progress.	<p>Partly implemented</p> <p>To meet trade waste collection schedules, management</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
prevent the development of rogue relationships with businesses on routes.	Manager		<p>considered alternative controls to the agreed routine rotation of trade waste collection crews on collection rounds as follows:</p> <ul style="list-style-type: none"> - the rotation of trade waste crews on an annual basis - through the natural rotation of trade waste crews owing to sickness and annual leave, - routine reconciliation between actual trade waste weight generated by collections on the round / route against the trade waste weight expected in line with what customers are contractually paying for bins/bags collected and emptied. - unscheduled/random inspections by waste enforcement who will be required to join the collection crews uninvited to carry out an audit. <p>The proposed action is considered to mitigate the risk sufficiently. The recommendation will be considered implemented once evidence is provided showing that the arrangements have embedded and are being undertaken routinely.</p>
<p>7. Street Scene Operations Review (Joint Internal Audit & CAFT review)</p> <p>November 2015</p> <p>Refuse vehicle tracker monitoring</p>	<p>March 2016</p> <p>Heads of Service / Supervisors</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>The pro-active review of refuse vehicle tracker reports is being undertaken. Where reviews highlight issues/suspicious activity, for example, a vehicle deviating from the expected route then this may prompt a review of the CCTV camera images recorded. The review of camera</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>b) The vehicle tracker reports and vehicle CCTV camera recordings should be used together to optimise pro-active monitoring of movements.</p>			<p>recordings is therefore still done re-actively. However the pro-active monitoring of vehicle CCTV cameras, for example on a sensible risk basis, has not been introduced and therefore does not reduce the risk of illicit payments sufficiently.</p> <p>When a sensible pro-active monitoring of CCTV camera recordings is introduced the recommendation will be considered implemented.</p>
<p>Street Scene Operations Review (Joint Internal Audit & CAFT review)</p> <p>November 2015</p> <p>Risk Management (CCTV and Mill Hill depot site security)</p> <p>a) The implementation of a fit for purpose CCTV system should be investigated as part of the move to the new site, planned in December 2016.</p>	<p>Head of Corporate Programmes, CSG</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>The implementation of a fit for purpose CCTV system at the new site has been investigated.</p> <p>However, owing to the uncertainty and the delays to the new depot the timeframe for project implementation has been delayed. This recommendation will be considered implemented once the plans for the new depot have been confirmed.</p> <p>Revised implementation date: 01 August 2016.</p>
<p>d) Spot checks of people and vehicles entering and leaving the site should be introduced as should increased site patrols.</p>	<p>18/11/2015, 23/11/2015</p> <p>Acting Facilities Manager CAPITA Customer</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>Site patrols are undertaken and records of site patrols are maintained. These were inspected and showed Mill Hill depot site patrols being undertaken during the day and night. The entry and exit of non-Mill Hill Depot staff is</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
	and Support Group		<p>controlled and monitored by security operating at the guard house at the entrance to the Mill Hill depot site.</p> <p>Spot checks of vehicles entering and leaving the site to mitigate the risk of illegal substances being brought onto the site or theft from Mill Hill depot are not yet undertaken as envisaged.</p> <p>Once all necessary formalities have been implemented and checks have started, the recommendation will be regarded as implemented.</p>
<p>8. Better Care Fund (BCF) and Section 75 (S75) agreement review</p> <p>December 2015</p> <p>Section 75 agreement formalities</p> <p>Section 75 Agreement Schedules - defining the pooling and governance arrangements unique/specific to the S75 initiative - should be prepared for each S75 initiative as addendums to the overarching agreement</p> <p>All S75 Agreements/Schedules and Variations held by the relevant</p>	<p>February 2016</p> <p>Head of Joint Commissioning, Barnet Clinical Commissioning Group and Barnet Council (Adults).</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>The signed and dated S75 agreements and variations to the agreements where applicable were provided for Section 75 Learning Disability Commissioning and Section 75 Learning Disability Campus Re provision.</p> <p>The signed and dated S75 agreement for Voluntary Services was not available for inspection.</p> <p>Once the signed and dated S75 Voluntary Services agreement is provided, the recommendation will be regarded as implemented.</p> <p>This recommendation was considered implemented for actions where the responsible officers were:</p> <ul style="list-style-type: none"> • Head of Joint Commissioning Barnet CCG and LBB

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>officers should be: - up to date - dated and - signed by both partners, the Council/CCG.</p> <p>The revised S75 agreements should go to the appropriate Committee as advised by Governance.</p>	<p>1 February 2016</p> <p>Head of Joint Children's Commissioning Barnet CCG and LBB (Children)</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>(Children's)</p> <ul style="list-style-type: none"> • Adults Wellbeing Strategic Lead, Commissioning Group • Director of Operations and Delivery • Commissioning Director - Children & Young People • Health and Wellbeing Commissioning Lead <p>Implemented</p> <p>For Children, this recommendation was considered implemented for actions where the responsible officer was Head of Joint Children's Commissioning Barnet CCG and LBB for the Children Memorandum of Understanding (MoU) and the S75 Looked After Children (LAC) , Occupational Therapy (OT) and Speech and Language Therapy (SLT) S75 agreement schedules</p>
<p>9. Better Care Fund (BCF) and Section 75 (S75) agreement review</p> <p>December 2015</p> <p>Pooled fund / budget</p> <p>The roles and names of the nominated pooled fund managers at the Council/CCG should be specified in all S75 Agreements. Changes should be specified in S75 contract</p>	<p>1 February 2016</p> <p>Community & Wellbeing Assistant Director</p> <p>1 February 2016</p> <p>Head of Joint Commissioning Barnet CCG and</p>	<p>Not applicable – this is our first assessment of progress.</p> <p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>The new Section 75 Equipment agreement has been drafted and specifies the Pooled Fund Manager as the Care Quality Service Manager – Prevention and Wellbeing. The new S75 Equipment agreement still has to be signed and dated and once this is done the recommendation will be considered implemented.</p> <p>Implemented</p> <p>For Children, this recommendation was considered implemented for actions where the responsible officer was Head of Joint Children's Commissioning Barnet CCG and LBB for the S75 Looked After Children (LAC) , Occupational</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
variation schedules.	LBB (Children)		Therapy (OT) and Speech and Language Therapy (SLT) S75 agreement schedules
<p>10. Better Care Fund (BCF) and Section 75 (S75) agreement review</p> <p>December 2015</p> <p>Pooled fund reporting and governance structure (Financial and performance)</p> <p>All S75 agreements should follow a similar format to serve as a comprehensive baseline for S75 governance and reporting, aiming to be as specific as possible about the financial and nonfinancial information to be submitted for review.</p> <p>Future S75 agreements should all have addendum Schedules which should set out the Terms of Reference for the Board/Group/Committee responsible for review, scrutiny and challenge of performance and financial information for that S75</p>	<p>1 February 2016</p> <p>Head of Joint Commissioning Barnet CCG and LBB (Adults)</p> <p>Adults social care Assistant Director</p> <p>Commissioning Director - Children & Young People</p> <p>Community & Wellbeing Assistant Director</p>	<p>Not applicable – this is our first assessment of progress.</p>	<p>Partly implemented</p> <p>The recommendation has been considered as implemented where:</p> <ul style="list-style-type: none"> • The S75 schedules were specified in paragraph 3 of the Joint Commissioning Executive Group (JCEG) Terms of Reference • The signed and dated S75 Learning Disability Commissioning variation updated the Milestones and Outcomes schedule. • The updated Section 75 Learning Disabilities (LD) Campus Re-provision agreement now included the JCEG ToR and the ToR for the Winterbourne Steering Group in line with the agreed action • The updated S75 LD Commissioning agreement. Now included the JCEG ToR • The monitoring of S75 Better Care Fund, including S75 OPIC delivery was specified in the Joint Commissioning Executive Group (JCEG) Terms of Reference <p>We found the following aspects had not been fully implemented:</p> <ul style="list-style-type: none"> • We had not been provided with evidence to show that the terms of reference for the Joint

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>agreement.</p> <p>Overarching S75 agreements should be updated to reflect current roles, for example, not referring to the Director of People.</p> <p>Agreement Schedules should aim to define specific reporting requirements where appropriate for the S75 agreement, for example for the Looked After Children agreement the reporting of invoices charged to the Council for services under the agreement.</p> <p>All S75 agreements should define the reporting line to the Health and Well Being Board.</p> <p>All S75 agreements should include up to date Business Plans with related outcomes and milestone / performance measures and targets for referral.</p> <p>Any changes to S75 agreements/schedules should be subject to formal variation</p>			<p>Commissioning Executive Group had been added to each agreement as referred to in the recommendation, except for s75 LD Campus Re-provision and S75 LD Commissioning agreements, above</p> <ul style="list-style-type: none"> • Management indicated that the preparation of the S75 variation agreement for Mental Health Service provision with the updated Outcomes and Milestones schedule had started and had been escalated to Legal but was still in progress at the date of the review. • There was no evidence that the ToR of the JCEG had been added to the Section 75 Voluntary Services agreement in line with the agreed action. • The new Section 75 Equipment agreement has been drafted but still has to be signed and dated. We understand that the agreement will include the ToR of the Joint Commissioning Executive Group. • The delivery of S75 OPIC is now included as part of the S75 Better Care Fund (BCF) agreement. We inspected the S75 BCF agreement but could not evidence the inclusion of ToR for the Joint Commissioning Executive Group (JCEG) in line with the agreed action. • Children's Memorandum of Understanding: There was no evidence of the ToR of the Joint Commissioning Executive Group (JCEG) being included agreement provided to us in line with the agreed action.

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (January 2016)
<p>agreements.</p> <p>A repository should retain a complete chronological history of the agreements and variations and related DPRs from inception of the S75 agreement to date.</p>			<ul style="list-style-type: none"> • S75 Occupational Therapy: There was no evidence that the agreement provided to us included the JCEG ToR nor the monthly and quarterly contract review meetings described during the initial audit in line with the agreed action. • Section 75 Speech and Language Therapy (SLT): There was no evidence that the agreement provided to us included: <ul style="list-style-type: none"> ○ the JCEG ToR ○ the monthly and quarterly contract review meetings described during the initial audit. ○ targets for locally defined outcomes in line with the agreed action • S75 Looked After Children: There was no evidence that the agreement provided to us included: <ul style="list-style-type: none"> ○ the JCEG ToR ○ the monthly and quarterly contract review meetings described during the initial audit. ○ financial reporting relating to invoice charges in line with the agreed action

Implemented recommendations

The following recommendations that had previously been raised as a priority one have been reviewed and are now considered implemented.

Audit Title, Date and Recommendation
1. SWIFT and Wisdom - April 2014 - Information Governance
2. SWIFT and Wisdom – April 2014 – User Access Control
3. Barnet Homes Contract Management Follow-up - June 2014 - Benefits Management
4. People Management – Pre-employment Checks - June 2015 - Safer Recruitment Training & Guidance
5. People Management – Pre-employment Checks - June 2015 - Monitoring of HCPC Registration of Social Workers
6. People Management – Pre-employment Checks - June 2015 – Accuracy and Completeness of Vetting Information
7. Client Affairs – December 2015 – Property Visits (recommendation 1, parts (b) – (f))
8. Street Scene Operations Review (Joint Internal Audit & CAFT review) - November 2015 - Recruitment - conflicts of interest
9. Street Scene Operations Review (Joint Internal Audit & CAFT review) - November 2015 - Workforce Management – Governance Arrangements
10. Street Scene Operations Review (Joint Internal Audit & CAFT review) - November 2015 – Risk of illicit payments (recommendation 2, part (c))
11. Street Scene Operations Review (Joint Internal Audit & CAFT review) - November 2015 – Refuse vehicle tracker monitoring (recommendation 4, part (a) and (c))
12. Street Scene Operations Review (Joint Internal Audit & CAFT review) - November 2015 – Mileage/fuel usage records and monitoring
13. Street Scene Operations Review (Joint Internal Audit & CAFT review) - November 2015 – Risk management (CCTV and Mill Hill depot site security) (recommendation 6, part (b) and (c))

Audit Title, Date and Recommendation
14. Better Care Fund (BCF) and Section 75 (S75) agreement review - December 2015 - BCF governance and decision making
15. Better Care Fund and Section 75 (S75) agreement review - December 2015 - Performance monitoring (implementation of S75 agreement structures)
16. Better Care Fund (BCF) and Section 75 (S75) agreement review - December 2015 - Schemes of Delegation
17. Better Care Fund (BCF) and Section 75 (S75) agreement review - December 2015 – Training and development
18. Capital Development Pipeline – December 2015 - Governance and Reporting
19. Capital Development Pipeline – December 2015 - Engaged Stakeholders

7. Internal Audit effectiveness review

Performance Indicator	Target	End of Quarter 4
% of plan delivered	95%*	96%
Number of reviews due to commence vs. commenced in quarter	95%	100%
% of reports year to date achieving: <ul style="list-style-type: none"> • Substantial • Satisfactory • Limited • No Assurance • N/A 	N/A	5% 57% 16% 2% 20%
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> • Implemented • Partly implemented • Not implemented in quarter when due	90%	80%

* Based on 95% complete of those due in quarter.

Key:

Target met
Target not met
N/A

Implementation of internal audit recommendations – as per section 7 above, the progress of the 71 high priority recommendations due for implementation in quarter 4 is that 80% of recommendations have been fully implemented compared to a target of 90%. 20% have been partly implemented.

A summary of the status is as follows:

Status	Number	%
Implemented	57	80%
Partly Implemented	14	20%
Not Implemented	0	0%
Total	71	100

8. Changes to our plan

Since the Internal Audit Plan was agreed in April 2015 there have been changes to audits originally planned for Q4 as follows:

Type	Audit Title	Reasons
Additional	CSG Assurance Framework	Additional advisory management letter as a result of CSG invoicing audit
Deferred	Accounts Payable Q4	Deferred to 2016/17 to enable confirmation of implementation of recommendations identified in Q2 2015/16 review
Deferred	Internal Governance: Speed of Implementing Decision	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups in 2015/16
Deferred	The Care Act compliance	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups in 2015/16

9. Risk Management

The final performance report for Quarter 3 was presented to the Performance and Contract Monitoring Committee on 15th February 2016 and can be found via the link below:

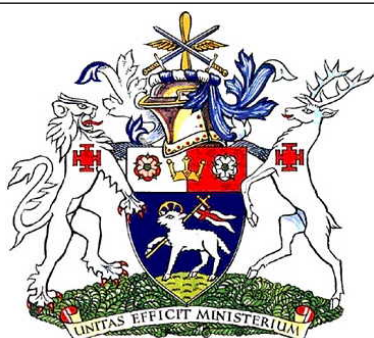
<http://barnet.moderngov.co.uk/documents/s29613/Appendix%20A%20-%20M.pdf>

Appendix I to the report is the Quarter 3 corporate risk register.

Quarter 4 performance, including the corporate risk register, will go to the May meeting of the Performance and Contract Monitoring Committee.

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AGENDA ITEM 8



Audit Committee

19th April 2016

Title	Internal Audit Annual Opinion 2015-16
Report of	Caroline Glitre – Head of Internal Audit
Wards	N/A
Status	Public
Enclosures	Annex A - Internal Audit Annual Opinion 2015-16
Officer Contact Details	Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721

Summary

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. In 2015-16 the annual opinion overall is **Satisfactory Assurance**.

Whilst this is positive there are still some underlying themes that should be considered for inclusion within the Annual Governance Statement, these being:

1. Governance and Assurance Framework:

- Roles and responsibilities
- Performance Management
- Contract assurance

2. Human Resources Data

3. Information Technology

The annual opinion also includes a summary of the recent Peer Review of the Internal Audit Service and compliance with the Public Sector Internal Audit Standards.

Recommendations

- 1. That the Committee note the contents of the Annual Internal Audit Opinion 2015-16.**
- 2. That the Committee note the findings of the Peer Review of Internal Audit which are covered in the Annual Internal Audit Opinion Appendix E: Results of Internal Audit Peer Review.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall assurance given and to focus on the improvement areas noted as themes for 2015-16. This is as per the approved Workplan of the Audit Committee.

2. REASONS FOR RECOMMENDATIONS

- 2.1 As per the approved Workplan of the Audit Committee.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 N/A

4. POST DECISION IMPLEMENTATION

4.1 N/A

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 All internal audit and risk management planned activity in 2015-16 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported 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.

5.1.2 The Annual Internal Audit Opinion informs the Annual Governance Statement that is also presented to this Committee.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 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.

5.3 Legal and Constitutional References

5.3.1 There are no legal issues in the context of this report.

5.3.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference include "to consider the annual audit opinion".

5.4 Risk Management

5.4.1 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.

5.4.2 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.

5.5 Equalities and Diversity

5.5.1 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.

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

- 6.1 Audit Committee 30th April 2015 (Decision Item 12). – The Committee approved the Work Programme for 2015-16, which included the Internal Audit Annual Opinion for inclusion at this meeting.

<http://barnet.moderngov.co.uk/documents/s22896/Committee%20Forward%20Work%20Programme.pdf>

London Borough of Barnet

Internal Audit Annual Opinion 2015/16

	None	Limited	Satisfactory	Substantial
Audit Opinion and Direction of travel 2014/15 Annual Opinion: Satisfactory				

Caroline Glitre, Head of Internal Audit

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1. Executive Summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2016.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through the delivery of a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Our opinion is based on the work performed in 2015/16 but the conclusion should be considered in the context of the financial pressures facing the Council in a period where savings are required to be made but there is a greater demand for local services due to the borough's growing population.

Although the Council has achieved 80% of the £75m savings target up to 2015 through efficiencies generated through the commissioning model, further reductions of £91m will be required up to 2020.

There are a number of emerging risks and opportunities which have been identified by Internal Audit in 2015/16 which will need to be monitored and managed by the Council going forward. This includes the three year review of the Customer Support Group (CSG) contract with Capita in the summer of 2016 with the objective of maximising the value that the private sector can bring to the delivery of public services.

Other key developments in the coming year include the new strategic partnership for Education & Skills Services with Cambridge Education, the recruitment of a permanent Commercial Director, the transfer of the Street Scene delivery unit to Barnet Homes for a six month period and the delayed transition of the client information system used by the Adults & Communities delivery unit from Swift to Mosaic.





Management should address the risks and recommendations from our work in 2015/16 to ensure that the gaps identified in the control environment are mitigated to ensure the Council are adequately equipped to face the risks and opportunities present in the short and medium term.

Our Opinion

	None	Limited	Satisfactory	Substantial
Audit Opinion and Direction of travel 2014/15 Annual Opinion: Satisfactory				

Summary of the work performed

We completed 82 internal audit reviews in the year ending 31 March 2016. A comparison of the 2015/16 report ratings with those of 2014/15 is summarised in the table below.

Assurance Opinion	2015/16		2014/15		Direction of travel
	No.	%	No.	%	
Substantial	2	4	1	2	
Satisfactory	27	45	22	38	
Limited	9	17	11	19	
No	2	4	0	0	
N/A – management letter	17	30	24	41	
Subtotal	57		58		
Schools*	26		22		
Total	82	100	80	100	




















*An analysis of the Internal Audit work completed in the Council's Schools is reported in Section 3
















Commentary on our opinion

Governance, risk management and control in relation to business critical areas are generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

There are also a number of areas where good practice was identified by internal audit. The key areas which have informed the overall satisfactory conclusion are as follows:

- Key Financial Systems – review of 14 separate financial systems identified significant improvements in the design and operation of the key controls in place. This is a result of work undertaken by the Assistant Finance Director at CSG and the Head of Finance at the Council to improve the strength of the control environment. A summary table of the results of the Key Financial Systems work is included below:

Department	Overall Opinion 2015/16		Overall Opinion 2014/15		Direction of Travel
Schools Payroll	Satisfactory		N/A – new system in 2015/16		N/A
Accounts Receivable	Satisfactory		Limited		
General Ledger	Satisfactory		Limited		
Council Tax	Satisfactory		Satisfactory		
Housing Benefit	Satisfactory		Limited		
NNDR	Satisfactory		Limited		
Accounts Payable	Limited		Limited		

Department	Overall Opinion 2015/16	Overall Opinion 2014/15	Direction of Travel		
Non-schools payroll	Satisfactory		Satisfactory		
Treasury management	Substantial		Satisfactory		
Cash and Bank	Satisfactory		Satisfactory		
Teachers' pensions	Limited		N/A – new system in 2015/16		N/A
Pension admin (non-schools)	Satisfactory		Substantial		
Fixed assets	Satisfactory		N/A – new system in 2015/16		N/A
Budget monitoring (focus on Adults & Communities)	Satisfactory		N/A – new system in 2015/16		N/A

- Changes to governance arrangements – the Council restructured its governance arrangements in 2014 and moved from a Cabinet structure to a Committee structure. We identified no issues in our work with the flow of information upwards through the new system to ensure that decisions are taken at an appropriate level and are subject to sufficient and appropriate challenge. The Performance and Contract Management Committee in particular performs an effective role in scrutinising the performance of commissioning and delivery units, both internal and external.
- Project and Programme Management – we have reviewed the control framework around a number of business critical programmes in 2015/16 such as the Libraries, Smarter Working and Customer Transformation projects and identified satisfactory compliance in the areas of high performing teams, planning and dependency management. Where control weaknesses were identified for the Capital Development Pipeline programme at the start of the year, we found that controls had been strengthened and were fit for purpose by the end of the year in the areas of governance, stakeholder engagement and risk management.
- Schools – The number of limited assurance reports issued in 2015/16 is one higher (3) than in the prior year (2). However, there were also two Substantial Assurance opinions given in 2015/16, compared to none in the prior year. The results across the schools audits generally highlight good practice in financial management with few issues identified around financial controls and budget monitoring. A detailed breakdown of the results of the schools audits is included in Section 3.
- Monitoring and management of contract payment arrangements – we performed two reviews in 2015/16 which covered the accuracy and validity of payments made to third parties through the commissioning model. The first was the Shared Legal Service operated by HB Public Law and the second was the Commissioning Support Group (“CSG”) contract with Capita. In all cases, payments were supported by appropriate documentation and approved in line with the Council’s Scheme of Delegation.
- Risk management – the review of risk management confirmed that a clear risk management framework is in operation at the Council, risks are recorded promptly and reported to the Performance and Contract Monitoring Committee regularly. Although the procedures could be rationalised, there are strong examples of good practice in operation to identify, manage and monitor risks to the Council.

Improvements are required in the areas set out below to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

- Roles and responsibilities – Local authorities are complex and the nature of the Council’s delivery model means that having clearly defined and understood roles and responsibilities across all services is crucial. During the year we identified several instances where clear guidance and procedures are either incomplete, lacking clarity or not available to Council or CSG staff. This may result in roles and

responsibilities not being clearly defined or contractual requirements not being met, potentially impacting on the performance of the Council or exposing it to an increased level of risk.

- Performance Management - The Council operate a 'thin client' model which is outcome focused, monitored through the use of performance reporting to measure the operations of both internal and external delivery units. It was noted that a number of performance reports provided to the Council by CSG, one of the Council's most significant partners, are incomplete and do not include a reported performance against all performance measures. In particular, there are issues with the completeness of performance measures in place for IT delivery which may prevent the Council from identifying issues with the capability or performance levels of the service. In all cases reviewed, the Council does not validate performance information received from CSG, even in service areas where the Council has access to management information systems. This reliance on CSG may result in performance issues not being identified and resolved promptly and the Council not receiving value for money from the CSG contract.
- Contract assurance – There is no formal documented assurance framework in place which summarises the Council's first, second and third lines of defence¹ over CSG activity and as a result there is a lack of clarity over the controls in place to mitigate key risks associated with processes operated by CSG. In reviewing and documenting the assurance framework the Council should make sure that assurance over CSG activity is aligned to the wider assurance framework in place for all Council activities.
- Human Resources Data – There are issues with the completeness and accuracy of the data held in the human resources management system, HR CORE. An exercise is currently being undertaken by the HR management team to validate all information held in the system. One of the objectives of the exercise is to ensure that all Council employees have the correct clearance for their role, for example Disclosure and Barring Service ("DBS") checks having been completed where required. The issues with the quality of Core data have also impacted the accuracy of the establishment list. There are ongoing changes made to the establishment list but no proactive review to ensure that all requested changes have been made. This may result in management information not reflecting complete workforce information and business decisions being based on incorrect data.
- Information Technology – The Council's IT service is provided by CSG and we have noted a number of areas where the requirements in the contract are either not being delivered or are not aligned to good practice. In particular, these issues relate to disaster recovery arrangements and the delivery of the IT strategy.

For further details, please see our Key Themes informing our opinion in Section 2.

Basis of our opinion

Our opinion is based on:

- All internal audits undertaken during the year.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs was covered by our work.
- Consideration of third party assurances.

Acknowledgement

We would like to take this opportunity to thank Council and its partners, in particular Customer Support Group (CSG) and Re staff, for their co-operation and assistance provided during the year.

¹ In line with good practice, the **First Line of Defence** relates to the business operations i.e. ensuring there is an established risk and control environment in place within each of the core processes operated by Capita. **The Second Line of Defence** is the oversight functions i.e. strategic management, performance management and functional oversight. **The Third Line of Defence** is independent assurance i.e. Internal Audit, External Audit, and other sources of assurance who provide independent challenge.

2. Summary of areas for improvement in the control environment informing the opinion

Our annual internal audit report is timed to inform the Council's Annual Governance Statement. A summary of key themes and findings informing our overall opinion from our programme of internal audit work for 2015/16 are recorded in the table below. We ask that management consider these when preparing the 2015/16 Annual Governance Statement.

Area	Narrative	Relevant reports
<p>Governance and Assurance Framework</p>	<p><u>Roles and responsibilities and decision making</u></p> <p>There are several instances where clear guidance and procedures are either incomplete, lacking clarity or not available to Council or CSG staff. This may result in roles and responsibilities not being clearly defined or contractual requirements not being met. Examples noted at the time of the audits being undertaken included:</p> <ul style="list-style-type: none"> - The decision of the Policy and Resources Committee 25 March 2015 to arrange a pooled budget between the Council/Barnet Clinical Commissioning Group (CCG) has not been implemented as the Scheme of Delegation has not been updated to delegate authorities to the appropriate parties. - In Street Scene, instances were noted where there was no evidence of documented policies / procedures governing key processes for referral, communication and a clear understanding of requirements to ensure consistent related operation. For example, there were no formal documented policies/procedures evident for the collection of side waste, the use of fuel pumps on site and fuel key management. - There is currently no procedure in place to monitor changes made to financial limits within ContrOCC, the e-finance system used within Family Services. - The guidance available to Client Affairs staff on property visits is incomplete and in parts, lacks clarity on roles and responsibilities. - No documented procedures were available to ensure that the different approaches for Procurement vendors and Non-Procurement vendors are clearly understood and applied by all parties. - The business continuity procedures are incomplete and do not include clear guidance on roles and responsibilities of the delivery units. Arrangements also only consider North London Business Park. - For the Customer Service Performance Indicator, Face to Face wait times, there were no documented procedures to define how the data should be collected for the 	<ul style="list-style-type: none"> • Better Care Fund and Section 75 Agreements (December 2015) • Street Scene Operations Review (November 2015) • Business Continuity (June 2015) • Client Affairs (January 2016) • Accounts Payable (September 2015) • Data Quality Spot Checks Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House)

Area	Narrative	Relevant reports
	<p>performance measures.</p> <p>-</p> <p><u>Performance management</u></p> <ul style="list-style-type: none"> - The Council operate a 'thin client' model focused on performance reporting to monitor the activity of external delivery units, including services provided by Capita through the CSG and Re contracts. It was noted that for a number of CSG performance measures, including Super Key Performance Indicators, an actual figure was not included in the report for quarter one of 2015/16. In these cases, the report stated that the performance measure was being baselined. This is due to be completed as part of the annual review in March 2016. We also noted that for the 'Face to Face Wait Time' Customer Service Performance Indicators ("PIs"), the definition of the PI and the data collection method had not been agreed with the Council prior to the first performance measurement period. - Additionally, there is no validation of performance information provided by CSG, even in service areas where the Council has access to management information systems. This reliance on CSG may result in performance issues not being identified and resolved promptly and the Council not receiving value for money from the CSG contract. <p><u>Contract assurance</u></p> <ul style="list-style-type: none"> - There is no formal documented assurance framework in place which summarises the Council's first, second and third lines of defence over CSG activity and as a result there is a lack of clarity over the controls in place to mitigate key risks associated with processes operated by CSG. For example, we identified that CSG Accounts Payable procedures were not fully documented and had not been shared with the Council. - Outside of the CSG contract, delivery unit contract registers do not reflect all contractual relationships in line with the Contract Procurement Rules which may result in contracts not being monitored appropriately. <p>We have reviewed the control framework around a number of the Council's contracts in 2015/16. We gave Limited Assurance over the Council's management of the Registrars and Homecare contracts and noted issues in the areas of governance and risk management.</p>	<ul style="list-style-type: none"> • CSG Invoicing (March 2016) • Performance Management Framework (March 2016) • Data Quality Spot Checks Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House) • CSG Assurance Framework (March 2016) • Procurement – Contract Procedure Rules (November 2015) • Accounts Payable (September 2015) • Contract Management – Homecare • Contract Management - Registrars
<p>Human Resources (HR) Data</p>	<ul style="list-style-type: none"> • The CORE Human Resources management system ("CORE") was introduced in April 2014 and all non-schools employee data was transferred from the previous SAP system. 	<ul style="list-style-type: none"> • People Management – Pre-Employment Checks (July 2015)

Area	Narrative	Relevant reports
	<p>There are issues with the completeness and accuracy of the data held in CORE, although the extent of the issues has not been quantified. An exercise is currently being undertaken by the HR management team to validate all information held in the CORE system. One of the objectives of the exercise is to ensure that all Council employees have the correct clearance for their role.</p> <ul style="list-style-type: none"> • Teachers' Pensions are processed by CSG in Carlisle. We found that there was no reconciliation of payroll records to the payments made to Teachers' Pensions and there was a lack of supporting documentation available for 3/5 of our sample of transfers out. • Payroll starters and leavers are processed by CSG in Belfast. All social workers employed by the Council are required to be registered with the HCPC (Health and Care Professions Council) regulator. Registration is not validated by the Council or CSG and there is no ongoing monitoring. The Council currently has a shortage of social workers so will be recruiting heavily into these roles in future periods. 	<ul style="list-style-type: none"> • Teachers' Pensions (March 2016)
<p>Information Technology (IT)</p>	<p>The Council's IT service is provided by CSG and there are a number of areas where the requirements in the contract are either not being delivered or are not aligned to good practice. In particular:</p> <ul style="list-style-type: none"> • The disaster recovery requirements detailed in the contract are not those that are being delivered by the ITDR project. • The proposed disaster recovery solution for the interim solution deployed by CSG was not aligned to good practice. • There is a lack of clarity of governance arrangements in place for the delivery of the IT strategy to ensure it is aligned to the Corporate Plan. <p>During our audits relating to IT we also experienced a number of delays, partly due to a lack of continuity of key IT staff within CSG.</p>	<ul style="list-style-type: none"> • Disaster Recovery (March 2016) • IT Strategy (March 2016)

3. Summary of Schools audits performed in 2015/16

Introduction

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2015/16, Internal Audit performed 26 schools visits and the results of the work are reported in the table below.





During the year the Internal Audit service undertook an Assurance Mapping workshop with the Schools Improvement service to explore whether the audit approach should be updated to further support schools and to ensure that there is adequate assurance in place over key risk areas including Governance, Safeguarding, Pupil Premium and Anti-Fraud. As such, Internal Audit undertook a pilot during Q3 and asked the six schools involved to complete a self-assessment checklist to provide assurance over these areas. This has now been adapted and incorporated into our audit questions for all schools.

We have also changed our approach to follow-up audits at schools, visiting them to confirm that any high priority recommendations have been implemented within agreed timeframes.

Summary of the work performed

School Type	School	Assurance rating
Primary	Fairway	Limited
Primary	Hasmonean	Limited
Primary	Menorah Foundation	Limited
Primary	Sacks Morasha	Satisfactory
Primary	Underhill	Satisfactory
Secondary	St Michael's	Satisfactory
Primary	St Theresa's	Satisfactory
Primary	Martin Primary	Satisfactory
Pupil Referral Unit	Pavilion	Satisfactory
Primary	Manorside	Satisfactory
Primary	St Mary's EN4	Satisfactory
Primary	Annunciation Infant	Satisfactory
Pupil Referral Unit	Northgate	Satisfactory
Secondary	St Mary's Church of England	Satisfactory
Primary	St Catherine's	Satisfactory
Primary	Trent	Satisfactory
Primary	Mathilda Marks Kennedy	Satisfactory
Primary	Annunciation Junior	Satisfactory
Primary	Sunnyfields	Satisfactory
Primary	Foulds	Satisfactory
Primary	Osidge	Satisfactory
Primary	St. Paul's NW7	Satisfactory
Primary	Akiva	Satisfactory
Primary	St. Joseph's	Satisfactory
Primary	Monkfrith	Substantial
Primary	Dollis Infant	Substantial

Comparison with prior year results

Assurance Opinion	2015/16		2014/15		Direction of travel
	No.	%	No.	%	
Substantial	2	8	-	-	
Satisfactory	21	81	20	91	
Limited	3	11	2	9	
No	-	-	-	-	
Total	26	100	22	100	

**It should be noted that schools are audited on a cycle and the prior period figures relate to different schools.*

Commentary

The results highlight generally good practice in financial management practices with few significant issues identified around financial controls and budget monitoring.

The largest number of issues was identified in the areas of Governance, Asset Management and the management of Voluntary Funds. High priority recommendations were raised most frequently over Income and Purchasing.

The Governing Body has responsibility for overall financial management of the school and must ensure the requirements of the scheme for financing schools and associated guidance from the Chief Finance Officer are met. In order to meet these requirements the school must prepare its own Financial Management Policy and Procedures document for internal use to be approved by the Governing Body. The Governing Body must ensure that Policy and Procedures are implemented. We frequently find during audit visits that this document is not up to date.

No inappropriate use of assets or Voluntary funds was noted in the year, however asset registers were often not up to date, and the standard of financial accounting for Voluntary funds was not consistent with that for the school's delegated budget.

High Priority recommendations were made around Income and Purchasing due to lack of separation of duties in school procedures. The Financial Guide for schools requires a complete audit trail for all income received by the school, and separation of duties for purchases between authorisation, ordering, confirmation of receipt of goods and subsequent payment. These were not clear in some schools.

4. Follow up work performed in 2015/16

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit charter, we followed up all high priority recommendations made in prior years and the current year to ascertain whether appropriate action had been taken. The table below summarises the follow up work performed.

Results of the follow up work

We followed up a total of 150 high priority recommendations that had been raised and were due to have been implemented by the end of 2015/16. Of those, we found that 125 had been fully implemented by the year end (83%)

Summary

Status	Number	%
Implemented	125	83%
Partly Implemented	25	17%
Not Implemented	0	0%
Total	150	100%

Commentary

The direction of travel for implementing audit recommendations on a timely basis improved in 2015/16 with 83% of high priority recommendations confirmed as having been implemented within agreed timescales (73% in 2014-15).

Appendix A: Statement of Responsibility

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

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

Appendix B: Individual reviews informing the annual opinion

Review Title	Assurance rating	Number of High Priority recommendations	Report status
Section 75 Agreements (Including Better Care Fund)	No	9	Final
Street Scene Governance (joint with CAFT)	No	6	Final
Disaster Recovery	Limited	4	Final
People Management – Pre-Employment Checks	Limited	3	Final
Procurement – compliance with Council Procurement Rules	Limited	3	Final
Contract Management– - Registrars	Limited	2	Final
Accounts Payable	Limited	1	Final
Teachers Pensions	Limited	1	Final
Contract Management – Homecare	Limited	1	Final
Client Affairs	Limited	1	Final
Performance Management Framework	Satisfactory	-	Final
Information Security	Satisfactory	-	Final
Pensions Administration (Non-Schools)	Satisfactory	-	FinalDraft
General Ledger	Satisfactory	-	Final
Non-Schools Payroll	Satisfactory	-	Final
Schools Payroll	Satisfactory	-	Final
Accounts Receivable	Satisfactory	-	Final
Contract Management – Premier Partnerships	Satisfactory	-	Final
Cash and Bank	Satisfactory	-	Final
Transformation – Libraries	Satisfactory	-	Final
Risk Management	Satisfactory	-	Final
Barnet Group – review of Internal Audit reports	Satisfactory	-	Final
Shared Legal Service – Clienting and Governance	Satisfactory	-	Final
Customer Support Group (CSG) – invoicing arrangements	Satisfactory	-	Final
Financial Assessments (joint with CAFT)	Satisfactory	-	Final
Housing Benefit	Satisfactory	-	Final
Fixed Assets	Satisfactory	-	Final
Budget Monitoring	Satisfactory	-	Final
National Non-Domestic Rates	Satisfactory	-	Final
Highways Managed Budgets	Satisfactory	-	Final
Council Tax	Satisfactory	-	Final
Business Continuity Strategy	Satisfactory	-	Final

Foster Carer and Adoption Payments	Satisfactory	-	Final
Contract Management - Young Carers	Satisfactory	-	Final
Regeneration Programme - Dollis Valley and Grahame Park	Satisfactory	-	Final
Transformation – Smarter Working and Customer Transformation	Satisfactory	-	Final
CCTV	Satisfactory	-	Final
Treasury Management	Substantial	-	Final
Schools Improvement Service	Substantial	-	Final
Capital Projects – Development Pipeline	N/A – management letter	4	Final
IT Strategy (phase one)	N/A – management letter	4	Final
CSG Assurance Framework	N/A – management letter	1	Final
Data Quality Spot Checks Q1 – Re KPI 2.2 Follow-Up	N/A – management letter	-	Final
Data Quality Spot Checks Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House)	N/A – management letter	-	Final
Data Quality Spot Checks Q3 - PH/S4 - Rate of hospital admissions related to alcohol	N/A – management letter	-	Final
Data Quality Spot Checks Q4 - FS/C5 - % of assessments completed within 45 working days	N/A – management letter	-	Final
Transforming Care Grant	N/A – management letter	-	Final
Special Education Needs – Educational Health Plans follow-up	N/A – management letter	-	Final
Disabled Facilities Grant	N/A – management letter	-	Final
Project Management Toolkit – follow up	N/A – management letter	-	Final
Pothole Grant	N/A – management letter	-	Final
Troubled Families Payment By Results – Q2	N/A – management letter	-	Final
Troubled Families Payment By Results – Q4	N/A – management letter	-	Final
Bus Service Operators Grant	N/A – management letter	-	Final
Community Capacity Grant	N/A – management letter	-	Final
Carbon Reduction Commitment	N/A – management letter	-	Final

Appendix C: Changes to the 2015/16 published plan

The 2015/16 Internal Audit plan was approved by the Audit Committee in April 2015. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Type	Review Title	Reason for change
Deferred	SEN Follow-Up - Education Healthcare Plans (EHC)	Deferred due to delays with Alternative Delivery Model (ADM) for Education & Skills and fact that 2014/15 SEN audit finalised in Q4
Combined	Procurement – Conflict Management	Included within scope of Procurement – Compliance with CPRs audit
Deferred	Internal Governance: Alternative Delivery Models	Reviews already conducted during year of HB Public Law (shared service model) and CSG (outsourced model). Therefore Q2 review deferred to Q4 when can review Re (Joint Venture model) Invoicing / Gain Share Agreements.
Additional	Schools Payroll	Split out Schools Payroll from wider planned Key Financial Systems audit of Payroll
Additional	Teachers Pensions	Split out Teachers Pensions from wider planned Key Financial Systems audit of Pensions
Additional	Disabled Facilities Grant	Last minute notification from service that Internal Audit sign off required
Combined	Fleet Management and Residential Waste	Combined to undertake Street Scene Operations Review
Deferred	Catering Traded Service	Deferred to 2016/17 due to Education & Skills ADM
Deferred	Area Committee Budgets	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups
Deferred	IT Helpdesk	Deferred to 2016/17 if still appropriate in order to undertake IT Change Management / ITIL audit in 2015/16
Additional	CSG Assurance Framework	Additional advisory management letter as a result of CSG invoicing audit
Deferred	Accounts Payable Q4	Deferred to 2016/17 to enable confirmation of implementation of recommendations identified in Q2 2015/16 review
Deferred	Internal Governance: Speed of Implementing Decision	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups in 2015/16
Deferred	The Care Act compliance	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups in 2015/16

Appendix D: Performance of Internal Audit

Key Performance Indicators

Category	Performance Indicator	Target	Actual
Effectiveness	% of recommendations accepted	98%	98%
	% of recommendations implemented	90%	83%
Efficiency	% of plan delivered	95%	96%
	% of draft reports completed within 10 days of end of fieldwork	90%	86%
Quality of Service	Average auditee satisfaction score	90%	100%

Commentary

Two of our targets have not been met in 2015/16:

% of recommendations implemented where we achieved 83% against a target of 90%; and

% of draft reports completed within 10 days of fieldwork where we achieved 86% against a target of 90%.

In both cases this was due to a number of complex and lengthy audits that took a period of time to agree that was beyond the normal expected timeframe and for which there were a high number of high priority recommendations raised.


Appendix E: Results of Internal Audit Peer Review

A peer review of the Council's Internal Audit service against the Public Sector Internal Audit Standards ("PSIAS") was conducted in January 2016 by the London Borough of Kensington and Chelsea. The review found that Internal Audit 'fully conforms' to the PSIAS in 12 of the 17 areas assessed, with minor improvements being suggested in the remaining five areas which were assessed as 'generally conforms'. The peer reviewer noted that 'Overall I think that you are very close to being fully compliant with the requirements of the PSIAS with most improvements being of an advisory nature'.

In summary, the improvement areas identified and the actions being taken are:

Improvement Area	Action being taken
Audit Manual to be updated to reflect the schools audit process, which differs slightly from the non-schools audit process	Added to 2016/17 Internal Audit workplan
The return rate for receiving Satisfaction Surveys could be improved and there is currently no follow up on the return of surveys	The HIA is exploring the option of an online 'Snapshot' survey that will be quick and easy to complete and monitor
Internal Audit files have not all been archived in line with Council policy	The Information Management Team has recently launched a new archiving process; a member of the Internal Audit team has been confirmed as the nominated Records Co-ordinator for Internal Audit
There is evidence of good liaison with other assurance providers but the HIA has identified a need to progress further liaison with the internal auditors for the CCG to identify the scope for shared or joint reviews.	The recent audit of the Better Care Fund and S75 agreements was shared with the HIA at the CCG. Liaison will continue during 2016/17
<p>Based on interviews with key stakeholders, the Chief Executive, the S151 Officer and the Chair of the Audit Committee it was identified that the service is well respected, capable of taking on challenging audits and has a positive impact on the governance, risk and control within the Council.</p> <p>A review of the customer surveys indicated that the majority of the responses were positive and it is concluded that generally:</p> <ul style="list-style-type: none"> • The service is well regarded; • Audit staff are considered professional; • Recommendations are regarded as pragmatic and generally useful. <p>A small number of responses indicated that there was some negative opinion towards the external contractor's approach to audits with comments such as "demanding", "tight deadlines" and "intrusive".</p>	<p>Audits should follow the same process no matter which team conduct the audit. Since the peer review customer survey was circulated, we have updated the information on the Council's intranet regarding the Internal Audit service making the expected audit timeline clearer for auditees.</p> <p>One of the objectives of the Cross Council Assurance Service (made up of six London boroughs including Barnet and our strategic partner, PwC) is to harmonise our audit approach. Ultimately we do not want auditees to distinguish between whether their auditor is from their host borough, PwC or from another borough. We will continue to work towards this aim during 2016/17.</p>

AGENDA ITEM 9

	<p style="text-align: center;">Audit Committee 19th April 2016</p>
<p style="text-align: right;">Title</p>	<p>Internal Audit & Anti-Fraud Strategy and Annual Plan 2016-17</p>
<p style="text-align: right;">Report of</p>	<p>Clair Green – Assurance Assistant Director Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: right;">Wards</p>	<p>N/A</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A - Internal Audit & Anti-Fraud Strategy and Annual Plan 2016-17</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

The 2016/17 Internal Audit & CAFT plan has been formulated after extensive planning meetings with Commissioning Directors, Delivery Units, the Chief Operating Officer and the Chief Executive.

During this process we have reduced the long list of potential audits and ultimately have applied a risk assessment to the potential list in order to develop a plan that can be delivered within existing resources.

The plan also includes the updated counter fraud strategy and approach for 2016-17 and how we have aligned with the strategic approach as outlined in 'Fighting Fraud Locally' (FFL – the Local Government Fraud Strategy 2016). The principles of our strategy remain the same as previous years but we have also considered and incorporated the new six themes as detailed within the 2016 FFL (Culture, Capability, Capacity, Competence, Communication and Collaboration) and as such have further adapted our strategy and approach to incorporate a response to these themes as well as consideration of local fraud risks facing the Council alongside horizon scanning on emerging national fraud risks and relevant good practice guidance. Our strategy further demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery (and other irregularity including any Money Laundering activity) and details the proposed joint CAFT / Internal Audit reviews as well as CAFT pro-active exercises alongside the continuous and re-active work streams.

Recommendations

- 1. That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2016-17.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2016-17 is to consider the planned programme of work.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Compliance with the Public Sector Internal Audit Standards.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 N/A

4. POST DECISION IMPLEMENTATION

4.1 The Internal Audit Plan will be delivered and progress against the plan reported to the Audit Committee on a quarterly basis.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 All internal audit and risk management planned activity in 2015-16 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported 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.

5.1.2 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.

5.1.3 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.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 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.

5.2.2 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.

5.2.3 The proposed plan is being achieved from Internal Audit & CAFT's current budget.

5.3 Legal and Constitutional References

5.3.1 There are no legal issues in the context of this report.

5.3.2 The Council's Constitution, Responsibilities for Functions – Annex A - the Audit Committee terms of reference details the terms of reference of the Audit Committee including:

- To consider the audit annual report, plan and opinion.
- To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.
- To monitor the effective development and operation of risk management and corporate governance in the Council.

5.4 Risk Management

5.4.1 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.

5.4.2 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.

5.4.3 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.

5.5 Equalities and Diversity

5.5.1 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.

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

6.1 Audit Committee 30 April 2015 (Decision Item 8) - the Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2015-16.

<https://barnet.moderngov.co.uk/documents/g7810/Printed%20minutes%2030th-Apr-2015%2019.00%20Audit%20Committee.pdf?T=1>

INTERNAL AUDIT AND ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2016-17

Clair Green, Assurance Assistant Director

Caroline Glitre, Head of Internal Audit

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INTRODUCTION

Internal Audit

Internal Audit 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 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 for approval. Internal audit will be delivered and developed in accordance with this Charter.

Internal Audit Service Provision

The Internal Audit service is delivered through a mixed economy model, which includes an in house team and external provider, currently PwC. We work closely with 5 other London Boroughs (Islington, Camden, Enfield, Lambeth and Harrow) under a framework contract with PwC for the provision of internal audit, risk management, investigation and advisory services. Collectively we are the Cross Council Assurance Service (CCAS).

The vision for CCAS is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively, improve service agility and the ability to deliver more for less.

Being a part of this framework enables us to:

- work more closely with a number of other London Boroughs, sharing expertise, knowledge and working practices to further enhance the efficiency and effectiveness of the service; and
- develop a platform, with a lead external partner, to harmonise working practices and audit processes and enhance the skills and capacity of the in house teams to deliver a greater proportion of internal audit work and to share audit activity and resource planning.

Managed Audit Approach

Internal Audit and CAFT 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

Risk-Based Plan

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards. The Institute of Internal Auditors (IIA) describes assurance mapping as “a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw”. We have used this approach to help inform where internal audit resource should be directed in 2016/17 to ensure that duplications of assurance activities or gaps in coverage are identified as follows:

- Updating our understanding of the Council’s services to define its ‘Auditable Units’ - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Discussing each auditable unit with the appropriate Commissioning Director, Delivery Unit Director and / or Assistant Director and their wider team to identify other sources of assurance and emerging risks;
- Undertaking a workshop between Internal Audit, Risk Management and CAFT colleagues to challenge areas for review;
- Applying an ‘Audit Requirement Rating’ to each auditable unit. This is made up of the following:

Inherent Risk Rating - a judgement based on assessed Impact and Likelihood of risk events happening in that unit

Control Environment Indicator – a judgement based on our knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.

- Prioritising the auditable units with the highest Audit Requirement Ratings to design a plan that makes the best use of the resources available.
- Seeking agreement of the plan by SCB and the Audit Committee to ensure coverage of the core aspects of the Council’s governance and control environment.

In addition, the draft plan includes Schools audits (which are conducted in accordance with a risk-based cycle) and a number of grant claim / statutory return reviews.

The Assurance Map is a live document and is refreshed throughout the year, through discussions with senior management, Members and stakeholders. We will use the map to inform and support any changes to the audit plan that are required.

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 numerous significant change projects. 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.

INTRODUCTION

Corporate Objectives

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

The Council's Corporate Plan 2015-2020 identifies a set of strategic objectives which have been based on consultation with residents:

The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

- 1. Of opportunity, where people can further their quality of life...***
- 2. Where people are helped to help themselves, recognising that prevention is better than cure...***
- 3. Where responsibility is shared, fairly...***
- 4. Where services are delivered efficiently to get value for money for the taxpayer.***

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

The Internal Audit and CAFT functions are organisationally independent from the Strategic Commissioning Board and other Council officers.

Officer and Management Responsibilities

For Internal Audit and CAFT to contribute to the Council's overall achievement of its objectives, it is essential that officers and management play a full role in the assurance work undertaken. The expectations from management are:

- 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;
- If recommendations are not accepted, suggesting suitable alternatives that address the identified risks; 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 rests with management. Work performed by Internal Audit and CAFT 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 Framework.

INTRODUCTION

Corporate Anti-Fraud Team (CAFT)

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Operating Officer in fulfilling his 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.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other in order to ensure CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary are taken. It is this element of the work of CAFT that is hard to quantify statistically.

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 CAFT over the years means that there is a much stronger anti-fraud culture within the Council, however, we recognise that we must continue to further develop this culture with awareness and media campaigns, new and innovative, streamlined, best value working practices and the strengthening of our skills and partnership work.

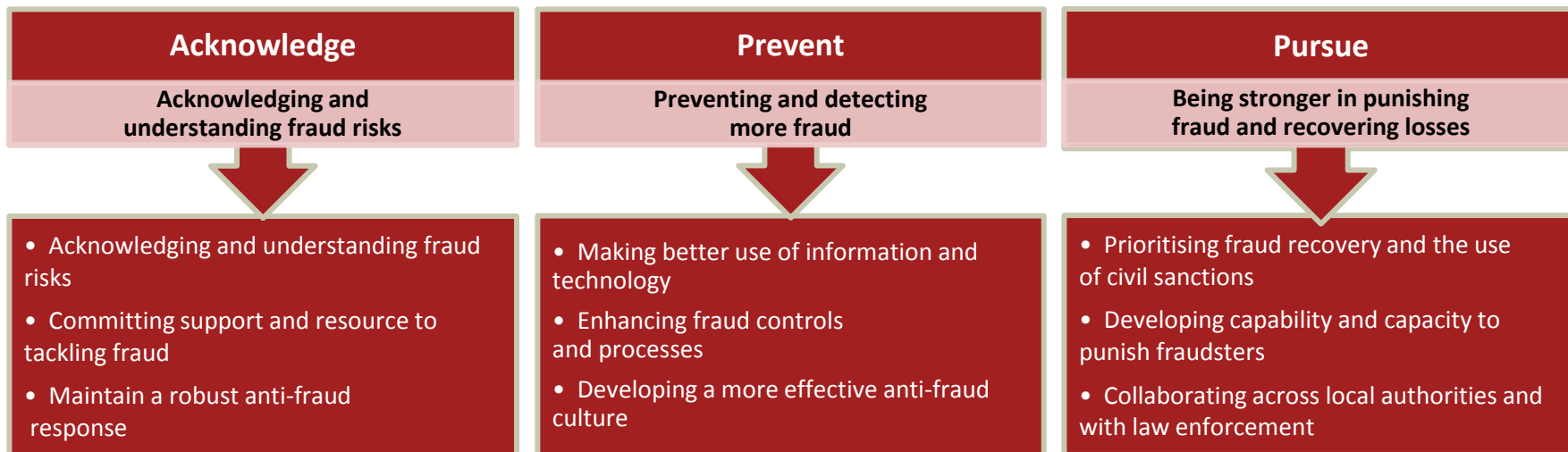
Nationally there has been a changing fraud landscape over the last few years in local government fraud investigation, specifically the national transition to a Single Fraud Investigation Service (SFIS) for all welfare benefit fraud investigations. Barnet transferred on 1st July 2015 and this means that since that time we have no have authority to investigate benefit fraud matters. In March 2016 we restructured CAFT to support our strategy, priorities and work plan and therefore, from April 2016, liaison with SFIS will be no longer delivered by CAFT but by the Council's Revenue and Benefits Service.

The team is structured to support the two teams within CAFT: **Corporate Fraud** and **Tenancy Fraud**. We continue to review all fraud related policies, working procedures and processes to ensure that they reflect best practice and legislative requirements, whilst contributing to the to the overall objectives of the team and that we are efficient, effective and provide value for money.

ANTI FRAUD STRATEGY AND APPROACH

Our annual anti-fraud strategy is aligned with the strategic approach as outlined in 'Fighting Fraud Locally' (FFL – the Local Government Fraud Strategy 2016) and provides a blueprint for a tougher response to public sector tackle fraud. The principles of our strategy remain the same as previous years but we have also considered and incorporated the new six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**) and as such have further adapted our strategy and approach to incorporate a response to these themes as well as consideration of local fraud risks facing the Council alongside horizon scanning on emerging national fraud risks and relevant good practice guidance. Our strategy further demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

Our strategy and approach is underpinned by the Counter Fraud Framework Manual documents and the work of the CAFT as set out in this annual work plan. It remains the policy of this Council that only the CAFT may investigate allegations or suspicions of fraud, corruption or bribery committed against the Council and its subsidiary holdings such as Barnet Group. Additionally CAFT are the only authorised Council service to conduct financial investigations under the Proceeds of Crime Act on behalf of all Council Services (and subsidiary holdings) and to further investigate individuals who are suspected of money laundering against the Council, whether it be internally or externally.



ANTI FRAUD COMMUNICATIONS STRATEGY

For 2016/17 we have developed a communications strategy and work plan which envisages increasing CAFT's impact and effectiveness by aligning with the strategic approach set out in the Local Government Fraud Strategy 'Fighting Fraud Locally'. The new communications strategy and plan is an essential instrument that we envisage will increase CAFT visibility across the organisation and the Borough. We aim to increase awareness around CAFT policies and channels through which concerns and incidents can be reported as well as emphasize the responsibility of staff on making reports and enable residents to report any suspicions or incidents of fraud or wrongdoing.

Acknowledging and understanding fraud risks - It is fundamental for staff and residents to understand the role of CAFT, different types of fraud and through which channels they can report any concerns or incidents of fraud.

- The **internal awareness campaign** and **face to face fraud awareness** sessions aim to increase fraud understanding between staff and their ability to detect fraud. In addition, it is important to emphasize their responsibility as council employees/partner employees regarding reporting fraud and abide with the new fraud policies.

- The **external campaign** will be targeted to residents across the Borough and will aim to increase awareness around fraud and the different ways they can report any concerns. Specific themes of communication around fraudulent school admission applications, blue badge misuse and tenancy fraud will be promoted depending on particular fraud risks attached to particular quarters throughout the financial year.

Preventing and detecting fraud – An increase of fraud awareness will help promote and strengthen an anti-fraud culture within the organisation and across the Borough. A clear message will be communicated to all stakeholders that fraud is not acceptable and will not be tolerated. Staff and residents will be more confident to report fraud incidents when they are aware of the consequences of fraud and when the organisation itself actively condemns fraud. This will result in a more effective way of preventing and detecting fraud.

Being stronger in punishing fraud and recovering losses – Through the campaign we will be able to deliver the message that fraud does not pay and that we will punish and recover losses within the full force of the law (where relevant), our policies and authority. By successfully getting staff and residents on board a stronger response to fraud will be delivered. Different stakeholders will support CAFT's work by understanding and identifying fraud and being more empowered to actively condemn fraud themselves through operating within an anti-fraud environment.

In order to support the communications strategy we have devised a detailed targeted deliver plan for the year.

OVERALL SUMMARY

As summarised in the tables below Internal Audit and CAFT will deliver 1050 audit days and 2860 anti-fraud days in 2016-17. 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 2016/17	Days 2015/16
Cross-Cutting	90	202
Delivery Units *	450	444
Commissioning Group & CSG	240	159
Management, Follow-up and Reporting	170	145
Contingency	100	100
CAFT **	2860	3046
Total Days	3910	4096

* Includes 100 days for schools audits

** The reduction in CAFT days is due to the transfer of staff to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) and recent restructure of the team

CROSS-CUTTING REVIEWS

Provisional Audit Title	Provisional timing
Transformation <ul style="list-style-type: none"> • Focus on IS / Estates 	Q1 / Q4
Review of 'Special Project Initiation Requests' (SPIRs) process	Q1
Contract Management Toolkit compliance Q1 – Parking and Mortuaries Q3 – TBC	Q1 / Q3
Performance and Risk Management Framework	Q4
Various grant claims requiring Internal Audit input e.g: <ul style="list-style-type: none"> • Social Care Capital Grant • Pothole Fund • Bus Subsidy Grant • Disabled Facilities Grant • Other grants as required 	Various

ADULTS & COMMUNITIES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
SWIFT to Mosaic data migration	<ul style="list-style-type: none"> • Assessment & Care Management - Adult Social Care • Data Security • Projects and Programmes 	Q1
Adults payments / financial management (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none"> • Personal Budgets • Direct Payments • Respite Care (vouchers issued) • Payments to service users and carers 	Q2
Investing in IT Lessons learnt from the project / Benefits Realisation	<ul style="list-style-type: none"> • IT Acquisition and Development • Projects and Programmes 	Q3
Residential care homes – provider sustainability	<ul style="list-style-type: none"> • Residential care homes 	Q3

ADULTS & COMMUNITIES / FAMILY SERVICES JOINT REVIEWS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Supervision	<ul style="list-style-type: none"> • Assessment & Care Management - Adult Social Care • Safeguarding Children • Looked After Children • Children in Need 	Q1
Statutory complaints	<ul style="list-style-type: none"> • Statutory complaints 	Q3
Safeguarding – Statutory responsibilities Review to confirm protocol is being adhered to in practice	<ul style="list-style-type: none"> • Safeguarding Adults • Safeguarding Children 	Q4
No Recourse to Public Funds (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none"> • Asylum Seekers - No Recourse to Public Funds 	Q4

FAMILY SERVICES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Troubled Families - Payment by Results	<ul style="list-style-type: none">• Troubled Families	Q1, Q2 and Q3
Looked After Children Virtual Schools Head / Pupil Premium	<ul style="list-style-type: none">• Looked After Children	Q2
Nursery places – extended offered to 2 year olds (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none">• Early Years	Q4

EDUCATION AND SKILLS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Schools Traded Services – Catering (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none"> Catering 	Q2
Education & Skills ADM – governance including contract management	<ul style="list-style-type: none"> Schools monitoring (schools improvement and schools finance monitoring) 	Q3
Individual audits of schools Auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations and to provide assurance over other key risks.	<ul style="list-style-type: none"> Schools Audits 	Q1, Q2, Q3 and Q4
CAFT Proactive Review	Schools Admissions - Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.	

STREET SCENE

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Street Scene Operational Review – Follow-up (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none">• Trade/ Commercial waste• Residential Waste• Fleet Management	Q1
Parks & Green Spaces – Health & Safety Including play equipment	<ul style="list-style-type: none">• Parks & Open Spaces• Health & Safety	Q2

RE

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Re Operational Review – Phase 1 Confirm that appropriate policies and procedures in place (JOINT IA & CAFT REVIEW)	Various including: <ul style="list-style-type: none">• Strategic Planning• Planning Applications and Permission• Building Control• Licensing• Trading Standards• Environmental Health• Disabled Facilities Grant	Q1
Highways Programme	<ul style="list-style-type: none">• Highways• Projects and Programmes	Q3
Re Operational Review - Phase 2 Test compliance with Policies & Procedures	As per Phase 1	Q3
Regeneration Programme / Capital Development Pipeline – at project level	<ul style="list-style-type: none">• Regeneration• Projects and Programmes• Asset Management	Q4

BARNET HOMES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
<p>Review of Barnet Group Internal Audit plan and reports - new provider (Mazars)</p> <p>To provide assurance over the whole delivery unit and to identify any gaps in assurance over key risks to the Council.</p>	Various – focus on Barnet Homes	Q1

COMMISSIONING GROUP

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Insurance	<ul style="list-style-type: none">• Finance	Q2
Highways DLO Operational review (as for Street Scene) (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none">• Highways	Q3
Contest Framework	<ul style="list-style-type: none">• Prevent - Community Safety• Protect and Prepare - Emergency Planning	Q4

COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Auditable Unit(s)	Provisional timing
CSG – Finance – Key Financial Systems	Accounts Payable (JOINT IA & CAFT REVIEW)	• Accounts Payable	Q2
	Accounts Receivable	• Accounts Receivable	
	General Ledger	• General Ledger	
	Budget Monitoring	• Budgetary setting and monitoring	
	Treasury Management	• Treasury Management	
	Cash Management	• Cash & Bank	
	Payroll : <i>To include Overtime and Holiday pay</i> (JOINT IA & CAFT REVIEW)	• Payroll (Non-Schools and Schools)	
	Pensions Administration	• Pensions (including Teachers)	
CSG - Revenues & Benefits	Housing Benefits	• Housing Benefits	Q2
	Council Tax	• Council Tax	
	NNDR; <i>To include review of retention of NNDR</i>	• National Non-Domestic Rates	
CSG - Finance	Purchase Cards / Expenses policy (JOINT IA & CAFT REVIEW)	• Expenses and staff loans Corporate Credit Cards • Purchase Cards	Q1

COMMISSIONING GROUP / CSG - IT

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Disaster Recovery Plan follow-up	<ul style="list-style-type: none">• Business Continuity & Emergency Planning• Disaster Recovery• Back Up	Q1
IT Audit roadmap Analysis of IT related risks and agreement of forward looking plan of Internal Audit activity	<ul style="list-style-type: none">• Various	Q1
IT Change Management follow-up	<ul style="list-style-type: none">• Change Management	Q3
IT Strategy - Phase 2 – implementation	<ul style="list-style-type: none">• IT Strategy	Q3

COMMISSIONING GROUP / CSG - HR

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Establishment List follow-up Review of Self-Service system pre implementation to confirm controls are appropriate	<ul style="list-style-type: none">Workforce Planning	Q2
Staff Performance Management Review of appraisal system in advance of the introduction of performance related pay	<ul style="list-style-type: none">Staff performance management	Q3

COMMISSIONING GROUP / CSG - ESTATES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Estates / Health & Safety compliance	<ul style="list-style-type: none">• Health & Safety• Management of corporate Property and facilities (council buildings used by the council)• Council leased property (non housing)	Q1
CSG Estates Subcontractor ordering processes (JOINT IA & CAFT REVIEW)	<ul style="list-style-type: none">• Management of corporate Property and facilities (council buildings used by the council)• Council leased property (non housing)	Q4

CAFT CONTINUOUS AND REACTIVE WORK STREAMS

This table details the continuous and re-active investigation work of the team. Resources within the team are directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Description of work
<p>Corporate Fraud</p> <p>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. This work will cover all Council services and subsidiary holdings such as Barnet Group.</p> <p>We will ensure that consistently 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</p>
<p>Tenancy Fraud</p> <p>To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud (application, sub letting, not resident, succession and right to buy fraud) including maximising the recovery of properties where Tenancy Fraud is proven with a target of 60 properties set for 2016/17. We also plan to deliver at least four pro-active anti fraud drives to help tackle tenancy fraud issues in our borough.</p> <p><i>Funding arrangements in relation to Social Housing Fraud responsibilities with have now been agreed with Barnet Homes which take effective from April 2016. These new arrangements see the transfer of funds directly from council's Housing Revenue Account and deducted from Barnet Homes Management fee.</i></p>
<p>Disabled Blue Badge Misuse and Fraud</p> <p>To investigate and respond accordingly to all suspected frauds and/or misuse relating to Disabled Blue Badge committed within the Borough.</p> <p>We also plan to deliver at least four intelligence led joint (police and NSL parking) street operations as well as on-going intelligence led pro-active work to tackle Blue Badge Misuse / Fraud in our Borough.</p>

CAFT CROSS-CUTTING PRO-ACTIVE EXERCISES

Description of review
Cabinet Office - National Fraud Initiative (NFI)
<p>The NFI is a national public sector data matching exercise.</p> <p>Data uploads will take place in October 2016 and matches will be received by LBB for review and/or investigation in January 2017.</p> <p>CAFT co-ordinate this exercise for the Council and investigate related referrals.</p> <p>Data sets include areas such as Disabled Blue Badge, Parking Permits, Direct Payments, Procurement data, Pensions and Payroll</p>
Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre and BAE Systems - Counter Fraud Hub – Data Analytics Pilot
<p>Barnet are working with CIPFA and BAE and three other local authorities to design and pilot a new Counter Fraud Hub, which in essence is a data analytics tool bringing public and private sector data together in order to proactively identify fraud and error.</p> <p>Priority areas for the pilot are Insider Fraud, Procurement Fraud and Tenancy Fraud . The pilot is expected to go live in summer 2016 and work will go on through the year.</p>

PERFORMANCE INDICATORS – INTERNAL AUDIT


The service has a number of performance indicators in place to assess whether performance is effective and efficient.

Performance Indicator	Target	Reporting frequency
% of Plan delivered	Based on 95% complete of those due in quarter	Quarterly
Number of review due to commence vs. commenced in quarter	95%	Quarterly
% of reports year to date achieving: <ul style="list-style-type: none"> • Substantial • Satisfactory • Limited • No Assurance 	N/A	Quarterly
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> • Implemented • Partly implemented • Not implemented in quarter when due	90%	Quarterly
Number / % of Priority 1 recommendations due / implemented year to date	90%	Annual
Staff with professional qualifications	70%	Annual
% of recommendations accepted	98%	Exception basis - if not met
Average client satisfaction score (above 3)	90%	Exception basis - if not met

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 details of outcomes on noteworthy concluded investigations.

Performance Indicator	
Corporate Investigation Team	Tenancy Fraud Team
Number of Fraud investigations (opened and closed) including summary breakdown of service area.	Number of Tenancy Fraud investigations (opened and closed).
Number of Financial investigations (under Proceeds of Crime Act) opened and closed including summary breakdown of service area.	Number of Properties recovered including summary detail of how recovered and type of fraud.
Number of Prosecutions (or other sanction).	Number of Prosecutions (or other sanction).
Number of Dismissals / staff no longer employed as a result of CAFT intervention.	Number of Right to Buy applications denied as a result of CAFT intervention.
Whistleblowing referrals - number received (and summary detailed provided on closed cases where appropriate).	Number of Housing Applications denied as a result of CAFT intervention.
Number of Surveillance requests / authorisations in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 (and summary detailed provided on concluded investigations if proven).	Details of outcomes on various noteworthy concluded investigations and pro-active exercises

	<p>Audit Committee 19th April 2016</p>
<p style="text-align: right;">Title</p>	<p>Corporate Anti-Fraud Team (CAFT) Annual Report 2015-16</p>
<p style="text-align: right;">Report of</p>	<p>Clair Green – Assurance Assistant Director</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1 - CAFT Annual Report 2015-2016</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Clair Green clair.green@barnet.gov.uk 0208 359 7791</p>

Summary

The CAFT annual report provides a summary on the outcome of all CAFT work undertaken during 2015-16 including the objectives as set out in our annual strategy and work plan.

Recommendations

1. That the Audit Committee considers and comments on the CAFT Annual Report 2015 -16.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2015/16 that an Annual Report on the work of the Corporate Anti- Fraud Team is produced to this meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 N/A

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 The CAFT Annual Report will be reported to Council as part of the Audit Committee Annual Report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 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 (CAFT) 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 them to an appropriate outcome. They 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. The aim of the team is to deliver a cohesive approach that reflects best practice and supports all council's corporate priorities and principles.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 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.

5.3 Legal and Constitutional References

- 5.3.1 Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- 5.3.2 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 the effective development and operation of the Council's Corporate Anti-Fraud Team; and
- To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes.

5.3.3 There are no Legal issues in the context of this report.

5.4 Risk Management

5.4.1 The on-going 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 on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

5.5 Equalities and Diversity

5.5.1 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

5.5.2 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.

5.6 Consultation and Engagement

5.6.1 None

6. BACKGROUND PAPERS

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

6.2 Audit Committee 30th April 2015 - (Decision item 12) – the Audit Committee included in the work programme for 2015/16 that an Annual Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.

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Corporate Anti Fraud Team (CAFT) Annual Report 2015/16

4th April 2016

Clair Green

Assurance Assistant Director

Executive Summary

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2015-16 including CAFT progress and outcomes set against the objectives as set out in our annual strategy and work plan.

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Operating Officer in fulfilling his 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. Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other in order to ensure CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary are taken. It is this element of the work of CAFT that is hard to quantify statistically.

In relation to Housing and Council Tax Benefit Fraud investigations, on the 1st July 2015 Barnet area became a Single Fraud Investigation Service (SFIS) site. SFIS is the creation of a national single integrated fraud investigation service within the Department of Work and Pensions (DWP). It has statutory powers to conduct single investigations and sanctions covering the totality of welfare benefit fraud (all DWP benefits, Local Authority benefits and HMRC credits). It will not have responsibility for other Local Authority Fraud such as Internal/staff Fraud, Tenancy Fraud, Council Tax Replacement or discounts Fraud this will remain with the council CAFT Team. As such CAFT migrated 105 on-going benefit cases to SFIS and 3 investigators from CAFT also transferred to the DWP. Following the transfer staff are now employed by the DWP and relocated to DWP offices. The first quarter of 2015 was in effect the transitional months ahead of the transfer, however good results were still obtained in relation to investigations closed during that period and these were the last time that Housing and Council Tax Benefit related investigations and statistics were reported on by CAFT.

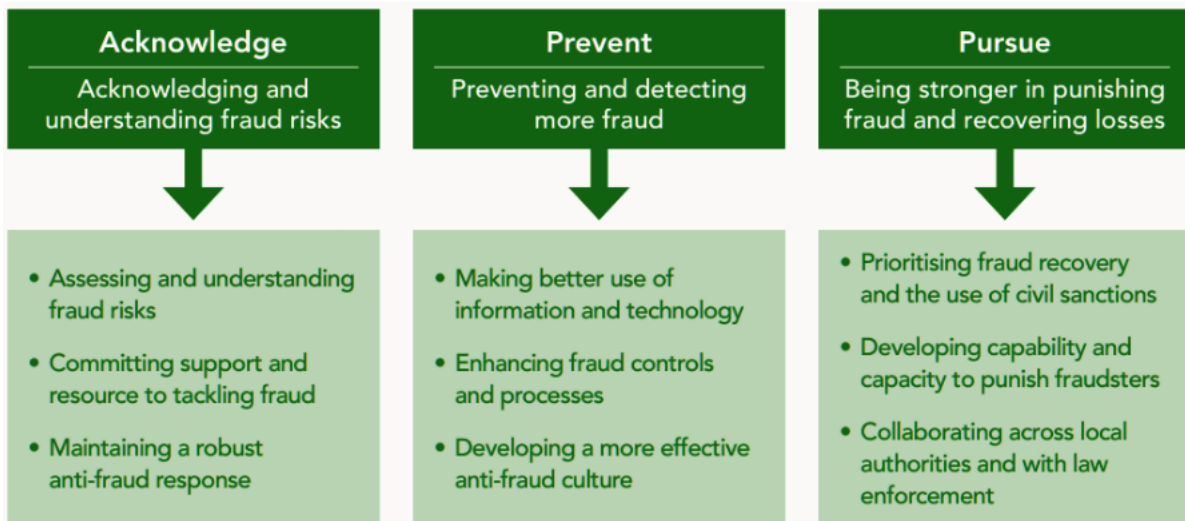
Other changes in year to note are that from October 2015 CAFT became responsible for the investigation of Blue Badge Misuse as well as Blue Badge fraud. Good results have been obtained since that date and these are detailed within the body of the report.

Contents

1. **Annual Anti-Fraud Strategy**
2. **Pro-active fraud plan**
3. **Performance Indicators**
4. **Noteworthy investigations summaries**

1. Anti-Fraud Strategy

Our 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

CAFT is the council's dedicated fraud team, which consists of counter fraud specialists that operate under a framework of relevant policies and internal working procedures.

Each year we consider national fraud risks against local intelligence and local fraud risks to develop our risk based annual work plan. We continue to work collaboratively with our audit team and key partners ensuring that anti-fraud arrangements are fit for purpose on all aspects of fraud risk. We have a working protocol with both CAPITA covering the CSG and Re contractual arrangements that address anti-fraud responsibilities as well as Barnet Group in relation to the management agreement arrangements that address anti-fraud responsibilities.

Each year we devise an annual risk based work plan, which is then approved by senior management and the Audit Committee. In doing this we review that the CAFT team has sufficient resources in order to make sure that they are able to respond to demands and deliver the objectives as set out in the annual plan in order to deliver a robust anti-fraud response. Progress on and changes to the plan are reviewed constantly and reported quarterly 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 many open and easily accessible channels for reporting fraud, as well as 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 revised and launched a new dedicated e-learning training into the new corporate 'induction' programme for all new starters. We have also delivered bespoke face to face session on fraud awareness as part of the council's 'Safeguarding Month' on financial fraud and abuse and on Tenancy Fraud to many Barnet Homes front line staff.

CAFT routinely use data matching techniques to identify possible fraudulent activity as well as centrally co-ordinating and investigating referrals relation to the National Fraud Initiative (NFI) data matching exercises to ensure that it is given high priority within services, we are also founding members of the London Fraud Hub which assists to combat tenancy fraud across London.

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, joint reviews with internal audit as well as re-active investigation work. Outcomes from reviews and investigations where appropriate are reported to management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

Our communications strategy and approach remains the same in that we always been to ensure that we issue press releases are issued on all successful prosecutions in order to act as a deterrent factor to the resident and Barnet community. Further details on our investigations and outcomes are reported quarterly to Senior Management and Audit Committee and our CAFT Annual Report is reported to Full Council as part of the Audit Committee Annual Report.

We have effective liaison and working relationships with our HR team and where criminal activity is suspected or found, CAFT will deal with the criminal matter and disciplinary process in parallel to avoid duplication,

Pursuing Fraud (and seeking redress)

Within CAFT we ensure that each investigation is carried out in compliance with our policies and appropriate legislation, consistently apply 'zero Tolerance' approach and sanction ensuring that we take appropriate 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 within CAFT 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).

We also ensure that we utilise civil recovery procedures in relation to Tenancy Fraud and work collaboratively with other LA's and Law enforcement agencies to ensure best use of resources with holistic approach to counter fraud at all times.

2.Pro-active fraud plan

Table 1 provides an update against all CAFT pro-active activity as set out within the 2015/16 plan

CAFT Pro-active review	Outcome
<p>Children's - Schools Admissions</p> <p>Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.</p>	<p>As part of the CAFT exercise we reviewed applications in respect of the three most desirable secondary schools in Barnet.</p> <p>After the initial matching exercise a total of 17 cases were identified as having potential discrepancies relating to the residential address stated on the application.</p> <p>Following a further round of checks after school placement offers had been made the number of cases that were still of interest was reduced down to four. The reason for this is that the 13 other applicants were either offered school placements at alternative schools that were undersubscribed or they were offered their preferred school but on a sibling basis so the residential address would not have formed part of the decision to offer a place. It was therefore not deemed in the public interest to pursue any of the discrepancies.</p> <p>Visits were carried out on the four cases of interest, two were verified as the family being resident at the property, the third confirmed that the family lived at more at one address but all were within the catchment area of the school applied for and the final school place was withdrawn after investigation on the basis that the applicant and the family were not known at the address. Refer to noteworthy investigation section for details of this case.</p>
<p>National Fraud Initiative data matching exercises</p>	<p>The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.</p> <p>In February 2015 as a result of the NFI matching exercise Barnet received 13,984 matches in various areas of the council ranging from Disabled Blue Badge, Parking Permits, Direct Payments, duplicate Invoices, Pensions, Payroll and Housing Benefits. By March 2016 as the exercise draws to a close 6,363 high priority matches had been reviewed by either the service or CAFT which resulted in the process identifying £655,233 of fraud and error which is currently in the process of being recovered by each service.</p>

	<p>This can be broken down into the following areas:</p> <ul style="list-style-type: none"> • Housing benefit to Student loans Data identified £517,417 of fraud / error • Housing Benefit to Deceased persons data identified £27,688 of fraud/ error • Housing Benefit to Payrol identified £10,100 of fraud/ error • Housing benefit to Taxi drivers data identified £6,436 of fraud/error • Care Homes to Deceased persons data identified £36,778 of error over payments • Direct Payments to deceased Persons data identified £35,514 of fraud/error • The remaining £21,300 is split between various areas across the council <p>The remaining 7,621 matches were of low quality and did not furnish enough evidence to justify further investigation.</p> <p>The next NFI matching exercise is due to take place in October 2016 with matches due to be received at the council in January 2017.</p>
<p>Disabled Blue Badge Street Operations</p>	<p>Three proactive exercises were carried out by CAFT during 2015 -16.</p> <p>The first of these exercises took place in October 2015 when CAFT officers accompanied by NSL officers carried out a street patrol in the Edgware area. During this exercise 40 Blue badges were checked for validity which resulted in 2 being seized for misuse and 1 being seized for not having any start or expiry date printed on it.</p> <p>The second exercise took place in January 2016 where after a number of referrals indicating that Blue badge misuse was taking place CAFT officers who were accompanied by officers from the Safer Neighbourhood Team carried out a patrol in the Hendon area. During this exercise 20 badges were checked for validity with 2 being seized.</p> <p>The third exercise took place in March 2016. This was a larger exercise as it utilised Officers from CAFT and NSL and Metropolitan Police. It was a full day operation and covered two areas that were highlighted as high risk from intelligence received and gathered were Hendon and Finchley Central areas. During this exercise 84 badges were checked for validity. During this operation nine criminal offences were identified relating to Blue Badges fraud/misuse. Six badges were seized; Two were taken by</p>

	Police as evidence relating to offences of theft and forgery. Ten Penalty Charge Notices (PCN's) were issued during the Operation generating fines (and income) totalling £600 back to the council.
Tenancy Fraud Data matching	<p>In August 2015 we agreed a Memoranda of Understanding with Circle 33 Housing Trust to pro-actively data match and validate all of the 164 properties they manage in Barnet. Two properties have been recovered as a result of this exercise and checks have been done on all the other properties to ensure correct tenants are in occupation.</p> <p>In September 2015 as part of the 'London Fraud Hub – 360 Call Credit Matching' we bulk data matched all 9,767 Barnet Homes rented properties. Following an initial check it was decided that 411 cases needed to be further investigated. To date 372 cases have been reviewed and validated, 10 properties have been recovered and 29 cases are still under investigation.</p>

Table 2 provides details of joint CAFT and Internal Audit Reviews and overall assurance ratings as set out within the 2015/16 plan. Full details of these reviews can be found in the Internal Audit quarterly progress reports.

CAFT and Audit Joint Reviews	Outcome / Assurance rating
Financial Assessments	Satisfactory
Street Scenes Operations Review	No Assurance
CCTV	Satisfactory

2. Performance Indicators

Table 3 provides an update against all performance indicators as set out within the 2015/16 plan

Performance Indicator	2015-16	Comments
Corporate Fraud Team deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds.. They work in partnership with partners, other organisations and law enforcement agencies to ensure that the public purse is adequately protected		
Number of carried forward Fraud investigations from 14-15	44	
Number of new fraud investigations	59	
Total Number of closed fraud investigations	73	Please refer to noteworthy investigations sections of the report for further details if fraud is

		proven.
Total number of on-going fraud investigations	30	Of these 30 investigations, 6 relate to Adults and Communities, 10 relate to education and skills, 7 relate to CSG, 1 relates to RE, 5 relate to Street Scenes, 1 relates to commissioning. Details of cases are reported on closure if fraud is proven or another sanction given.
Number of prosecutions this year.	3	Please refer to noteworthy investigations sections of the report for further details
Number of staff no longer employed / dismissed as a result of CAFT investigations.	7	Please refer to noteworthy investigations sections of the report for further details for details of closed cases.
Number of school places withdrawn as a result of CAFT intervention / investigation.	4	Please refer to noteworthy investigations section of the report for further details
<u>Disabled Blue Badge Misuse and Fraud</u> From 1st October 2015 The CAFT became responsible for the investigation of Blue Badge Misuse as well as Blue Badge fraud so these statistic refer to the period 1 st October – 31 st March 2016.		
Number of new referrals received	62	As a result of these 62 referrals 21 badges have been seized.
Prosecutions	3	Please refer to noteworthy investigations sections of the report for further details
Warning letters issues	14	In addition to these warning letters being issued to the badge holder 9 (Penalty Charge Notices (PCN) were issued to the actual offender.
With or being prepared for legal action	8	Details of cases are reported on closure if fraud is proven or another sanction given.
Cases closed insufficient evidence to investigate	22	
On-going investigations at year end	15	
<u>Financial Investigations</u> - a Financial Investigation under the Proceeds of Crime Act 2002 ensures that any persons subject to a criminal investigation by Barnet do not profit from their criminal action		
Number of carried forward Financial investigations from 14-15	8	
Number of new Financial investigations	6	
Number of closed Financial investigations	6	5 related to revenues and Benefits and 1 related to counterfeit school cheque.
Total Number of on-going Financial investigations	8	Of these investigations, 3 relate to planning, 3 relate to Revs and Bens, 1 elates to Trading standards and 1

		relates to Direct Payments. Details of cases are reported on closure if fraud is proven or another sanction given.
<p>Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.</p> <p>CAFT provide a detailed monthly statistical report , along with a more comprehensive half year and year end report to Barnet Homes outlining how many properties have been recovered, along with a list of all referrals from the neighbourhood officers and the current status of the cases referred.</p>		
Number of carried forward Tenancy Fraud investigations from 14-15	87	Of the 103 on-going investigations there are currently 3 cases with legal awaiting criminal hearings and 3 cases are awaiting civil hearings.
Number of new Tenancy Fraud investigations	423	
Total Number of closed Tenancy Fraud investigations	407	
Total number of on-going Tenancy Fraud Investigations.	103	
Number of properties recovered	57	Of the 57 properties recovered this year these include 4 successions denied and 7 temporary/emergency accommodation ceased. The savings that this number of recovered properties equates to is £8,550,000* (*according to audit commission calculation of £150k per recovered property)
Number of 'Right to Buy' applications denied as a result of CAFT intervention	18	There is a maximum discount of £103,900 per property on right to buy cases. CAFT have saved £1,022,520 in discounts in the current financial year .
Number of Homeless Applications denied as a result of CAFT intervention	6	We have been working pro-actively with the housing options team in order to make relevant checks prior to accommodation being handed to new tenants.
Number of Assignment applications denied as a result of CAFT intervention	2	These relate to investigations where the tenant has requested that the tenancy be transferred to someone else, but the eligibility criteria was not satisfied
Other information reported as per requirements of policy.		
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	Nil this year. This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners. In May 2015 the council had an inspection by the Office of Surveillance Commissioners (OSC) in relation the management and policy relating to covert activities	

	<p>and directed surveillance. Following the inspection the OSC inspector wrote to the Chief Executive stating <i>'the standard of your directed surveillance applications and authorisations were extremely good'</i> and made 'no recommendations' for change or improvement on practice. A full copy of the inspection report letter is available to Audit Committee members should they wish to review in detail.</p>
<p>Number of referrals received under the council's whistleblowing policy.</p>	<p>Three whistleblowing letters were received in the last year – they all relate to the same matter; alleged criminal activity, impropriety and financial regularities within the Street Scene Delivery Unit particularly around the Council Depot operations and work practices.</p> <p>As previously reported in quarter 3 due to the varying nature of allegations within the referral it was decided to approach the issues by conducting a CAFT investigation into some specific elements of the referral and address the other elements by conducting a joint Internal Audit and CAFT review covering all of the Street Scenes operations. The review has now concluded with a 'No Assurance' report being issued and a number of high priority recommendations being made. Details of this report can be found within the Internal Audit Quarter Three progress report. The CAFT investigation has also now concluded with no evidence of criminal activity being found relating to the allegations. However CAFT did make recommendations to the service regarding consideration of disciplinary action for some staff members in relation to non-compliance with council policy and all staff matters have been subsequently dealt with.</p> <p>Full details of the matters referred cannot be publicised due to confidentiality, however all matters within the letters have been thoroughly reviewed and/or investigated and actions taken or recommended where appropriate to do so.</p> <p>The letters have been from anonymous source/s and have been sent and copied to various senior officer and members by the whistleblower. The letters have been very helpful in identifying matters within the service however the council would urge that the source/s come forward in accordance with the Whistleblowing Policy and the protections set out within the policy so that we can engage with them personally.</p>

Table 4 provides an update against all performance indicators relating to benefit fraud and error as reported at Q1 prior to the transfer to the DWP.

Performance Indicator	Quarter One 2015-16 only	Comments
Benefit Compliance Team identified and corrected fraud and error in our benefits and council tax systems through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS) and the National Fraud Initiative (NFI) Benefit Matches.		
Total amount of Fraud overpayments identified in Benefits system	355,903	
Total amount of Error overpayments identified in Benefits system	105,345	
Combined amount Fraud and Error identified within the Benefits System	461,248	
Benefit Fraud Investigation Team prevented, identified, investigated, deterred, sanctioned and/ or prosecuted persons that committed benefit fraud in Barnet.		
Number of carried forward Benefit Fraud investigations from 14/15	148	As part of the SFIS – 105 ongoing investigations were transferred to the DWP on the 1 st July 2015.
Number of new Benefit Fraud investigations	5	
Total Number of on-going Benefit Fraud investigations transferred to the DWP	105	
Total number of closed cases – no fraud	25	
Total number of Sanctions issued	23	These figures relate to the differing sanctions that are available under the DWP's Fraud and Error Strategy in relation to benefit fraud investigations where fraud is proven.

3. Noteworthy investigations summaries from 2015/16

Corporate Fraud

Investigations outcomes whereby staff are no longer employed / dismissed as a result of CAFT investigations case summaries

Case 1 – relates to an internal investigation in which 2 school based catering service staff members who were suspected of stealing food from the school kitchen on a regular basis. CAFT officers attended the school to speak with the staff members and witnessed them leaving the kitchen area with bags containing food supplies that had been cooked that day for the children. They were stopped and asked to empty their bags. The bags contained quantities of cooked food supplies from the school kitchen. Due to the low monetary value of the offence, the evidence was passed to the service to conduct a full disciplinary hearing. On 1st June 2015 both staff members were found to be guilty of gross misconduct and were dismissed from the council.

Case 2 – relates to an investigation into a refuse crew who were suspected of taking cash in exchange for either removing rubbish that should not have been collected from traders. CAFT initiated an investigation and the CCTV footage taken from the refuse vehicle was viewed and evidence of exchanges between members of the refuse crew and traders was identified.

One member of the crew resigned as soon as he was aware that the allegation was being looked into, a second member of the crew resigned upon receiving a letter from CAFT requesting that he attend an interview under caution and the third crew member was dismissed following CAFT investigation and disciplinary action. On 15th March 2016 all 3 defendants attended Willesden Magistrates Court after pleading guilty to Fraud Act offences relating to Fraud by abuse of position.

- **Mr Lee Doult** was sentenced to a 12 month community order with a 60 hour unpaid work requirement, a £60 victim surcharge and ordered to pay £1,000 costs.
- **Mr Wayne Elliott** was sentenced to a 12 month community order with a 60 hour unpaid work requirement, a £60 victim surcharge and ordered to pay £1,000 costs.
- **Mr Martin Corbishley** was sentenced to a 12 month community order with a 60 hour unpaid work requirement, a £60 victim surcharge and ordered to pay £1,000 costs.

Disabled Blue Badge Misuse – prosecution case summaries

Mr Titi –relates to the use of a stolen Disabled Blue Badge by the owner of a Hair Salon in Golders Green. CAFT officers investigated the referral and identified that the Blue Badge being used had been reported Stolen in 2012. Mr Titi was found working in his salon where he was arrested by Police and charged with theft by finding and handing stolen goods as well as Fraud by false representation. He appeared at Highbury Magistrates court in September 2015 where he pleaded guilty and received a £200.00 fine, a victim surcharge of £20.00 and also crown prosecution service charge £85.00 and criminal court charge of £180.00.

Mr Ghadakchi –relates to the misuse of a Disabled Blue Badge by a visitor to the North London Business Park who had parked his vehicle in a disabled bay and displayed a Blue Badge. Mr Ghadakchi was approached by CAFT officers who asked to inspect the badge. On Inspection the Badge was seen to be that of an elderly female which turned out to be his mother. Mr Ghadakchi was interviewed under caution for Misuse of a Disabled Blue Badge and pleaded guilty to Wrongful use of disabled person's badge contrary to Section 117 Road Traffic Act 1984. He received a fine of £300, a court charge of £150, a victim surcharge of £30 and ordered to pay prosecution costs of £600. *This case represents the first formal prosecution by the London borough of Barnet for Misuse of a Disabled Persons Blue Badge.*

Mr Anush – relates to the use of a stolen Disabled Blue Badge by a visitor to the North London Business Park who had parked his vehicle in a disabled bay and displayed the Blue Badge. CAFT officers approached the driver Mr Anush and on carrying out a validation check found that the badge belonged to an elderly resident from Enfield. Mr Anush stated to officers that his client had given him the badge to use. The badge was seized and Anush was summonsed to Wilsden Magistrates court on 22 March 2016. Mr Anush pleaded guilty by post and by way of mitigation stated that he found the badge and had no intention of using the it. He was fined £400, ordered to pay £40 victim surcharge and ordered to pay full costs of £908.

Schools Admission Investigations Case Summaries

Case A - As part of 2015-16 pro-active anti-fraud exercise we looked at a sample secondary schools applications in the borough to identify any fraudulent applications. This case relates to the false application for a school place at **East Barnet School**. An application was received stating that a child on their waiting list was not living at the address stated and that the address given was a family member whose address was being used as it was inside the catchment area. CAFT Intelligence checks revealed that the child's family address was in fact different to that stated to the school and the child was included on a live benefit claim at an address outside the catchment area for the school. The school place was therefore withdrawn and the applicant has now been placed back on the waiting list at their true address, which will therefore mean they will not be offered a place at East Barnet School in the future.

Case B – As part of 2014 -15 pro-active anti-fraud exercise we looked at a sample secondary schools applications in the borough to identify any fraudulent applications. This case relates to the false application for a school place at **Mill Hill County School** which resulted in the place being offered. The application stated that the child and the parents were residing at an address within the Borough of Barnet. Checks carried out by the CAFT identified that the family were actually living and claiming benefits at an address in Hornchurch in Essex at the time that the application was submitted. The case was presented to the School Admissions department and after due consideration the school place was withdrawn.

Case C - As part of 2014 -15 CAFT pro-active anti-fraud plan we looked at a sample secondary schools applications in the borough to identify any fraudulent applications. This case relates to the false application for a school place at **The Archer Academy** which resulted in the place being offered. The application stated that the child and the parents were residing at an address within the New Barnet area. Checks carried out by the CAFT identified that the family were actually living at an address in East Barnet at the time that the application was submitted. The case was presented to the School Admissions department and after due consideration the school place was withdrawn.

Case D - As part of 2014 -15 CAFT pro-active anti-fraud plan we looked at a sample secondary schools applications in the borough to identify any fraudulent applications. This case relates to the false application for a school place at **Mill Hill School** which resulted in the place being offered. The application stated that the child and the parents were residing at an address within the Grahame Park area. Checks carried out by the CAFT identified that neither the child nor the family were known at the address given and there was no record of them living anywhere within the London borough of Barnet. The Place was withdrawn.

Financial Investigation / Proceeds of Crime (POCA) – Case Summaries

Mr SABET was investigated by CAFT and convicted of benefit fraud in March 2012. He was at the time sentenced to 9 months imprisonment for a fraud that spanned 7 years with a total benefit overpayment of approx. £36,000 spread between, LB Barnet, Enfield, Haringey and the DWP. The case was featured on Saints and scroungers in 2014. As the lead investigating authority Barnet initiated a financial investigation into Mr SABET's after noting a number of unusual transactions within his personal accounts. The financial investigation concluded in December 2015 when a confiscation hearing took place at Wood Green Crown Court, the judge made a confiscation order against Mr SABET for the sum of £71,880 as well as a compensation order of £18,120 to cover the outstanding balance of his overpayment. *(Under the Governments Incentivisation scheme Local authorities carrying out Proceeds of Crime Investigations receive 37.5% of any proceeds that is confiscated from criminals who have benefited from their criminal activity. 12.5 % is given to the courts for the administration costs and 50% goes directly to the Treasury).*

Mr Viren Amin, was investigated by CAFT, for fraudulently obtaining more than 20 refund payments in respect of Council Tax relating to overpaid amounts or cancellations due to vacation of property. As well as the 20 fraudulent refunds from Barnet which totalled more than £28,000, the investigation further identified that Mr Amin had used the same scam to defraud funds exceeding £4,000 from the London Borough of Merton. Mr Amin was arrested and pleaded guilty to 27 counts of fraud totalling more than £33,000 and was subsequently sentenced at Harrow crown court to 14 months in prison. CAFT worked with the service during the investigation to ensure that processes and controls with regard to refunds were amended to prevent this type of fraud from re-occurring. Recovery will be made through the normal council tax overpayment process as ruled by the courts.

Tenancy Fraud

Mrs Labi had a two bedroom property in the EN5 area. There were suspicions that she was sub-letting her property and also claiming housing benefits for a period when she had moved abroad with her daughter. Investigations showed that she was abroad from September 2013 to August 2014. In view of the evidence gathered, Mrs Labi was asked to attend an interview under caution. She admitted that she had been abroad for the above period. She was charged with a social housing offence contrary to Prevention of Social Housing Fraud Act 2013 and also for claiming housing benefit totalling £2816.13 while she was abroad. Mrs Labi pleaded guilty to these offences and was given 2 years conditional discharge and ordered to pay £500 costs.

Mr J had a two bedroom property in the NW9 area. There had been suspicions for a long period of time that Mr J had not been residing in his property. CAFT were asked to investigate the matter. Checks showed that he had been out of the country for several months. He was interviewed under caution regarding the matter and was adamant that he was now back in the country and living in the property. However, we took civil action to recover the property and this was granted in April 2015.

Mrs Thompson had a two bedroom flat in the NW9 area. There were suspicions that Mrs Thompson was not actually resident and the matter was passed to CAFT. Investigations began into the residency of the property and appeared to show she was actually living elsewhere. When she became aware that she was being investigated, Mrs Thompson returned the keys to the property and surrendered the tenancy. Mrs Thompson was interviewed under caution regarding a criminal offence and she was subsequently found guilty of two offences under the Fraud Act 2006. She was sentenced to a 12 month community order and 200 hours unpaid work. *Confiscation proceedings are still ongoing.*

Mr Savani made a right to buy application on his elderly mothers two bedroom property in N10 area. He stated that he had been resident for over 12 months. CAFT looked into the application and there

were concerns that he lived elsewhere and had submitted a false application to purchase his mother's property. Mr Savani was interviewed under caution and admitted he actually lived with his wife elsewhere. Mr Savani was prosecuted and pleaded guilty to an offence contrary to the Fraud Act 2006. He was sentenced to 12 months custody, suspended for 18 months. A curfew was imposed saying he could not leave home between 7pm – 7am for 6 months and was electronically monitored. He was also ordered to do 80 hours unpaid work within 18 months and ordered to pay full costs of £4129.00. If the right to buy application had been successful, Mr Savani would have been entitled to purchase the property with a discount of £103,900 less than the current market value.

Mr Haq had a two bedroom property in the NW4 area. A referral was received from Metropolitan Housing stating they had concerns that the tenant was not resident. Checks showed many links to another address. Mr Haq was interviewed under caution regarding the matter and admitted to not being resident in the property since 2010. Following discussions with CAFT, Mr Haq agreed to relinquish the tenancy of the property. *Nomination rights are then given to Barnet Homes to rehouse a tenant into the property.* However due to the evidence obtained in the investigation the matter was passed for criminal proceedings. Mr Haq pleaded guilty and was fined £500, as well as costs of £700 and a victim surcharge of £50. In addition, an unlawful profit order of £782.50 was awarded against Mr Haq.

Mrs N had a two bedroom property in the EN5 area. This case was looked into as part of an exercise undertaken with Circle 33 Housing where we reviewed all their properties in our area. Mrs N had been a tenant since 1993. Intelligence checks showed many links to another address in the Isle of Wight. Mrs N was interviewed under caution regarding the matter and denied living in the Isle of Wight, even though checks had shown her to be in employment there and her daughter going to school there. Following the interview with CAFT, Mrs N agreed to relinquish the tenancy of the property. *Nomination rights are then given to Barnet Homes to rehouse a tenant into the property.*

Mr U had a two bedroom property in the N11 area. A CAFT data matching exercise undertaken against all Barnet Homes tenants showed up a possible discrepancy in this tenancy. It showed Mr U as having many links to another address in the Borehamwood area. Visits were undertaken simultaneously to the tenants address and the address in Borehamwood. The tenant was at the address in Borehamwood and another person was resident in the Barnet Homes property. Following discussions with CAFT, Mr U agreed to relinquish the Barnet Homes property with immediate effect.

Mr A was in temporary accommodation. Barnet Homes contacted CAFT as they had concerns he was not resident at the placement. CAFT undertook Intelligence checks and as such we were satisfied that Mr A was not residing in the property. Contact was made with Mr A and he relinquished the property and returned the keys.

Miss B had a two bedroom property in N3. The case was referred from the rental income team, who had concerns that the tenant had a foreign contact number. Several visits were made to the property and the tenant was never present. Cards were left but checks showed that the tenant was in Cameroon. She did return in November and was interviewed regarding the tenancy. She did ask if the property could be assigned to her non dependant daughter and was told this was not possible. She returned to Cameroon in December and notices to quit and notices of seeking possession were issued in January. Following discussions with CAFT, Miss B agreed to relinquish the property.

Mr S submitted an application to succeed his late Mothers property in HA8. He stated that he had been living in the property for over 12 months prior to her passing away. The referral was passed over to CAFT from the neighbourhood housing team who had concerns that he had not been resident. Checks linked Mr S to another property. A visit was made and another male answered the door. Contact was then made with Mr S after a card was left asking him to ring the office. Following discussions with CAFT, Mr S agreed to relinquish the keys to the property.

	<h2>Audit Committee</h2> <h3>19th April 2016</h3>
<p style="text-align: right;">Title</p>	<p>Counter Fraud Framework (CFF) 2016 Review</p>
<p style="text-align: right;">Report of</p>	<p>Clair Green – Assurance Assistant Director</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Counter Fraud Framework Manual Policy Documents Appendix A - Fraud, Bribery and Corruption Policy Statement Appendix B - Whistleblowing Policy Statement Appendix C - RIPA Policy Statement</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Clair Green clair.green@barnet.gov.uk 0208 359 7791</p>

<h2>Summary</h2>
<p>Policies within the Counter Fraud Framework (CFF) are reviewed regularly to ensure that they remain an accurate up to date reflection of appropriate legislation, good practice, council structure and working arrangements. In order for policies to be of the greatest value to members, staff, partners and residents they need to be easy to read and simple to understand.</p> <p>A detailed review of the CFF has been undertaken in order to ensure separation of policies from procedures and that policy documents only contain relevant matters (such as appointments and powers). Following this review all policy statements are now proposed to be contained within three revised policy statement documents:-</p> <ul style="list-style-type: none"> • Fraud, Bribery and Corruption Policy Statement • Whistleblowing Policy Statement • RIPA Policy Statement

As a result of the review there has been **no policy** changes in relation to any of the areas covered with the CFF.

Recommendations

- 1. The Committee is asked to approve the revised Counter Fraud Framework (CFF) 2016:-**
 - **Fraud, Bribery and Corruption Policy Statement**
 - **Whistleblowing Policy Statement**
 - **RIPA Policy Statement**
- 2. Note that the policies will be reviewed on an annual basis and delegate to the Assurance Assistant Director the authority to make necessary amendments to the policies, and report any changes to the next meeting of the Audit Committee.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Constitution requires the Audit Committee to monitor the Council's Counter Fraud Framework and Polices and recommend their application across the Council.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Policies within the CFF are reviewed regularly to ensure that they remain an accurate and up to date reflection of appropriate legislation, good practice, council structure and working arrangements. In order for policies within the CFF to be of the greatest value to members, staff, partners and residents they need to be easy to read and simple to understand.
- 2.2 Over time our fraud policies have grown to include not only policy statements but an amount of procedural guidance too. This is problematic for a number of reasons:
 - 2.2.1 Policies are the public face of any organisation. LBB prides itself on its attitude to fraud. That message needs to be clear and simple to understand. LBB needs to clearly convey the council's attitude and what the council will do (in broad terms) for the understanding of the public and employees.
 - 2.2.2 Council policies must be published. While it is appropriate that the public and employees are advised of and understand what the council will not tolerate (for example money laundering), it is not appropriate that the council publishes information regarding its approach and working practices to the identification of fraud, as this information will help the dishonest minority to circumvent our systems.
 - 2.2.3 Audit Committee members are responsible for providing strategic direction and approving the policies relating to fraud. It is appropriate for members

to tell officers what the policy is and for them to instruct officers (who do have the expert knowledge) to create and maintain procedures that put members' wishes into effect.

2.3 For that reason a detailed review of the Counter Fraud Framework policies and procedures has been undertaken. Key points to note are as below:

2.3.1 All policies have been reviewed to ensure that they contain only policy and matters (such as appointments and powers) that it is proper for the council to decide and for the public to see. Following this review all policy statements are contained within three policy documents.

2.3.2 Other content in the CFF will be covered by procedural guidance. Where possible this will consist of simple and easy to follow process maps to ensure that there is consistency of action. Most of the procedural guidance will not be published, unless there is material designed for public use such as those designed to accompany a policy. They will be maintained by the Assurance Assistant Director to ensure that they support implementation of the council's policy, and comply with the law and best practice. The procedural guidance notes are in the process of being compiled, with the focus of these documents being internal operational guidance material for CAFT officers.

2.4 As a result of the review there has been **no policy change** in relation to any of the areas covered with the CFF.

2.5 Listed below is a table listing new policy against previous policy.

2014 CFF Policy Name	2016 Review and Policy Name
CFF introduction	No longer considered required.
Fraud Policy Statement and Procedure	Fraud, Bribery and Corruption Policy Amalgamation of previous separate policies on Fraud, Bribery, prosecution and Anti Money Laundering Policy. Separation of policies from procedures
Bribery Policy Statement	Amalgamated into new Fraud, Bribery and Corruption Policy
Prosecution Policy Statement	Amalgamated into new Fraud, Bribery and Corruption Policy.
Whistleblowing Policy Statement	Whistleblowing Policy Separation of policies from procedures
RIPA Policy Statement and procedure	RIPA Policy

		Separation of policies from procedures
Anti-Money Laundering Policy Statement and procedure		Amalgamated into new Fraud, Bribery and Corruption Policy

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None. There is a requirement to maintain robust policies and procedures in this area and there would be a risk attached to taking no action.

4 POST DECISION IMPLEMENTATION

- 4.1 If approval is given at Audit Committee these documents will be adopted as new policy and published on the internet and intranet and communicated across the Council. Procedural guidance will not be published, unless designed for public use.

- 4.2 The CFF Policies will be reviewed annually by the Assurance Assistant Director, who shall have the authority to amend these policies as delegated by the Audit Committee, if this were required. Any such decision would be taken in compliance with the delegated authority of the Assurance Assistant Director and reported at the next meeting of the Audit Committee. Any adjustments to the supporting procedural documents resulting from a change in policy would also be made by the Assurance Assistant Director.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 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 (CAFT) 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 them to an appropriate outcome. They 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. The aim of the team is to deliver a cohesive approach that reflects best practice and supports all council's corporate priorities and principles.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 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.

5.3 Legal and Constitutional References

- 5.3.1 Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

5.3.2 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 the Council's Counter Fraud framework and policies within and recommend their application across the Council".

5.3.3 There is non-statutory Guidance and Code of Practice which states that employers should have a whistle-blowing policy.

5.3.4 The policy on the Regulation of Investigatory Powers Act lays out briefly the provisions in that Act of 2000 for lawful surveillance. Failure to comply with the provisions of the Act may render surveillance unlawful and inadmissible in a subsequent prosecution and may be in breach of Article 8 of the European Convention on Human Rights which provides for the right to respect for private and family life.

5.4 Risk Management

5.4.1 The on-going 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 on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

5.5 Equalities and Diversity

5.5.1 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to the need for 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

5.5.2 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.

5.6 Consultation and Engagement

5.6.1 None

6. BACKGROUND PAPERS

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

6.2 Audit Committee 24th July 2013 – Decision item 11 - the Committee approve the proposed updates to the Counter Fraud Framework 2013.

6.3 Audit Committee 6th November 2014 - Decision item 9 – the Committee approve the proposed updates to the Counter Fraud Framework

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Counter Fraud Framework Manual 2016

Counter Fraud, Bribery and Corruption Policy Statement

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Counter Fraud Framework – Counter Fraud, Bribery and Corruption Policy Statement

Document Control

Document Description	Counter Fraud Framework Manual –Counter Fraud, Bribery and Corruption Policy Statement	
Project Name	LBB / CAFT / CFF / 2016	
Version	V3	
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Status	Draft	
Authorisation	Clair Green –Assurance Assistant Director	Date
Prepared By:	Clair Green –Assurance Assistant Director	
Approved By:	Strategic Commissioning Board	
Approved By:	Audit Committee	

Version History

Version number	Date	Author	Reason for New Version
Version 1 2013 Final Issued	May 2013	Clair Green	2013 Update
Version 2 2014	October 2014	Clair Green	Annual Review
Version 3 2016	April 2016	Clair Green	Policy review Separation of policies from procedures

Counter Fraud Framework – Counter Fraud, Bribery and Corruption Policy Statement

1. Statement of Intent

- 1.1 The London Borough of Barnet is committed to the prevention, deterrence, detection and investigation of all types of crime, especially fraud and corruption, committed against this Council and the systems it administers.
- 1.2 We continue to nurture a strong anti-fraud and corruption culture within the Council, which is key to ensuring the prevention and detection of offences. We will, through the Corporate Anti-Fraud Team, develop and deliver Fraud Awareness Training throughout the Council to ensure this culture becomes engrained in the minds of all staff.
- 1.3 The Council requires propriety and accountability from its Members and staff at all levels and expects that individuals and organisations with whom it deals (such as service users, suppliers, contractors and service providers) will act towards the Council with the same levels of propriety, accountability and integrity. Although we know that the majority of our residents, service users, staff, partners, contractors and Members are honest, we know that it is a sad fact of life that there is a dishonest minority.
- 1.4 It is the policy of this Council to commit to a programme of zero tolerance and appropriately investigate all allegations of crime that are reported to it. The Council will ensure cases are appropriately sanctioned where applicable.
- 1.5 The Council recognises that it is of the utmost importance that it is seen to be acting fairly in all matters. For this reason it has a robust approach to bribery and will not tolerate soliciting or offering of dishonest payments or gifts.
- 1.6 The Council does not limit its actions to those cases that generate financial benefits or cause actual loss; it recognises that taking steps to prevent fraud and corruption are just as important. Additionally, the Council will always have regard to its Diversity and Equality Framework and its obligations as an employer.

2. Our Policy

- 2.1 Within the Council, all allegations of wrongdoing will be referred to the Corporate Anti-Fraud Team ('CAFT') unless the matter alleged is part of a statutory duty for another of the Council's teams. It is the policy of this Council that the Corporate Anti-Fraud Team are the only authorised council service that can investigate allegations or suspicions of fraud, corruption or bribery committed against the Council and subsidiary holdings such as Barnet Group.
- 2.2 The CAFT are also the only authorised Council service to conduct financial investigations under the Proceeds of Crime Act on behalf of all Council Services (and subsidiary holdings) and to further investigate individuals who are suspected of money laundering against the Council, whether it be internally or externally.
- 2.3 In order to prevent any allegations of impropriety, it is the Council's policy that no valuable gifts (including money) may be asked for or accepted. Any supplier found to have been involved in such actions will be deemed to be in breach of their contract with the Council; any person employed by or working for the Council who is found to be involved in such actions will be seen to have abused their position of trust and will be appropriately dealt with under the disciplinary procedures.
- 2.4 All members, officers' employees and contractors are instructed to report any suspicions of fraud or other crime to the CAFT; failure to do so may result in disciplinary action. All reports will be given the same protection as that granted to Whistle-blowers under the Council's Whistleblowing Policy: no member of staff will suffer demotion, penalty or other adverse consequences as a result of raising honestly held concerns to CAFT.

Counter Fraud Framework – Counter Fraud, Bribery and Corruption Policy Statement

- 2.5 Regardless of how suspicions come to light, we will examine them carefully, investigate thoroughly, if appropriate, and take firm timely action where required.
- 2.6 Where anyone is found to have committed (or attempted to commit) criminal offences against any of the systems we operate, or to have threatened or abused those who work for or with us, we will normally prosecute them to the full extent allowed by law.
- 2.7 Where anyone has caused a loss to the Council, we will normally seek to recover that loss, through the civil courts if necessary.
- 2.8 Where anyone is found to have abused their position this will normally constitute Gross Misconduct and lead to dismissal without notice or compensation.
- 2.9 Anyone working within or alongside the Council is required to cooperate fully with any investigation under this policy (subject to the rules about self-incrimination). Obstructing an investigation will normally constitute Gross Misconduct, with the normal consequences.
 - 2.9.1 We require that all staff, whether employed permanently or temporarily, including agency staff, contractors and partner's to:
 - 2.9.1 (i) act honestly and with integrity at all times and to safeguard the resources for which they are responsible ; and
 - 2.9.1 (ii) comply with the spirit, as well as the letter of all Barnet Council's policies and of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

3. Scope

- 3.1 This policy applies to all types of wrongdoing against the Council (subsidiary holdings, partners and contractors) and covers both internal fraud issues as well as external frauds committed against the council.
- 3.2 This policy covers staff at all levels and grades, those permanently employed, temporary staff, agency staff, contractors, partners, agents, Members (including independent members), volunteers and consultants – hereafter referred to as 'workers'.
- 3.3 In line with this, all Directors, Assistant Directors, Heads of Service, Managers, senior members of staff and Members are expected to set high examples of conduct in their day to day work which is beyond reproach. All staff are expected to be fully accountable during their employment with the Council and to comply with all laws and regulations applicable to the Council's business.
- 3.4 Within the Council the responsibility to control the risk of fraud occurring resides at all levels of the organisation. It is the responsibility of management to ensure that a sound system of internal control exists within their area of responsibility, CAFT and Internal Audit will review arrangements periodically to provide assurance to relevant stakeholders.
- 3.5 This policy is part of a coherent and consistent Counter Fraud Framework that will enable everyone to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable persons to identify and effectively report a potential breach.
- 3.6 The Council recognizes its particular duties with respect to *Money Laundering* and intends that the strongest possible steps be taken to prevent its systems being used for this purpose. It intends that any instances be identified and reported to the appropriate authorities. It instructs the Assurance Assistant Director to produce and make available procedures and processes to cover the Council's duties in relation to this to relevant services.

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- 3.7 The Council recognizes the possibility that it may be targeted by persons or organisations seeking to gain an advantage by the use of bribes or other improper inducements. The Council will not tolerate the offering, soliciting or acceptance of corrupt payments of any sort; any worker found to have been involved in actual or attempted bribery or corrupt payments will be deemed to have breached the duty of trust; for staff this will normally amount to gross misconduct ; for suppliers, the Council will treat this as a breach of contract, which will usually cause immediate termination of any relationship with that supplier. It instructs the Assurance Assistant Director to produce and circulate procedures and processes to cover the Council’s duties in relation to this.
- 3.8 It is recommended that partners, providers, contractors and local authority controlled schools either adopt this policy or adhere to a policy consistent with the principles set out in this policy. In such instances, the Council may request annual confirmation of the policy that they have in place.

4. Powers of Barnet Council’s Corporate Investigators

- 4.1 CAFT Investigators are authorised to :
- 4.1.1 enter any premises owned or occupied by the Council (with the exception of private residential premises that are not currently vacant) ;
 - 4.1.2 enter and search any vehicle owned or leased to the Council ;
 - 4.1.3 interview any member or employee of the Council, and anyone else found on Council’s premises ;
 - 4.1.4 search for evidence when on Barnet Council’s premises ;
 - 4.1.5 make copies of, photograph or in any other way record anything they find on Council’s premises ;
 - 4.1.6 seize anything they find on Council’s premises.
- 4.2 In doing any of the above, they will follow any relevant investigation law or code.
- 4.3 All those appointed as investigators by the Council will have a written certificate of appointment.

5. Proactive Work

- 5.1 The CAFT will, in addition to their reactive work, provide *at the Assurance Assistant Director’s discretion* a proactive investigation service including data matching exercises. This may be either at the request of an operational manager or director or of her own volition (for example: with reference to the *Risk Register*).
- 5.2 If the CAFT elects to undertake a proactive investigation, those working in the area concerned must give their full cooperation.

6. London Borough of Barnet’s commitment to action

- 6.1 We will set out a clear anti-fraud policy and keep it up to date.
- 6.2 We will produce an annual strategy for countering fraud and corruption.
- 6.3 We will create an annual work plan to put the strategy in to effect.
- 6.4 We will make sure that all ‘workers’ are aware of their responsibilities to adhere strictly to this policy at all times.
- 6.5 We will provide fraud awareness training for all ‘workers’ so that they may recognise and avoid the use of fraudulent activity by themselves and others.

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- 6.6 We will always encourage our ‘workers’ to be vigilant and to report any suspicions of fraud, supporting those who do by providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- 6.7 We will seek to recruit and retain the highest quality of investigation staff. We will provide them with the training and support they need to carry out their role and maintain their membership of relevant professional bodies.
- 6.8 We will ensure that investigators always act in accordance with the law surrounding investigations, and that they act without bias. They will always be allowed to investigate without fear or favour.
- 6.9 We will appropriately investigate all alleged instances of fraud, corruption or other wrongdoing.
- 6.10 We will prosecute or apply other sanctions to relevant cases and assist the police and other appropriate authorities in any prosecutions they undertake on our behalf.
- 6.11 We will take firm and consistent action against any person or organisation involved in fraudulent activity in connection with the Council.
- 6.12 The Council will in all cases take necessary steps to recover any funds lost through fraudulent behaviour.
- 6.13 We will maintain a full set of procedures and process maps that put this policy in to effect.
- 6.14 All workers are expected to share this commitment, in order that the Council may protect the public funds which have been entrusted to it.

7. Deterrence

- 7.1 The Council is committed to deterring potential cases of fraud through the implementation of robust systems and procedures and will act quickly and efficiently where fraud is alleged, leading to the most appropriate outcome. In addition to this the Council will:
- 7.2 Publicise the Council commitment to fighting fraud in any way possible, including: providing information on the Council website, adding information and contact numbers on outgoing Council correspondence, issuing press releases, taking part in various types of related publicity campaigns such as taking part in television programmes.
- 7.3 To act as a deterrent we will commit to publishing details of public legal cases of fraud involving the Council. Other examples of fraud may also be publicised as a deterrent, although in all non-public legal cases, personal details will be omitted from the publications.
- 7.4 We will take all steps possible to ensure appropriate penalties are sought in cases where fraud is proven, strenuously attempt recovery of any monies lost as a result of fraud and thoroughly assess the systems and processes to ensure fraud is minimised in the future.
- 7.5 Following investigations changes to systems and processes may be necessary, if so formal recommendations will be made by CAFT and progress on these reported to senior management and members.
- 7.6 Ensure all workers are made aware of the Council’s commitment to fight fraud through fraud awareness learning package and publishing of the Counter Fraud Framework Manual.

8. Procedural Guidance

- 8.1 The Assurance Assistant Director is instructed to produce and circulate such documents as she deems necessary to ensure that the following are carried out consistently and

Counter Fraud Framework – Counter Fraud, Bribery and Corruption Policy Statement

professionally, in accordance with the law and best practice, and to ensure that they are kept up-to-date with changes in the law and best practice :

- 8.1.1 prevention of fraud and corruption (including bribery) ;
- 8.1.2 detection of offences and other breaches ;
- 8.1.3 prosecution and other sanction of offenders ;
- 8.1.4 reduction of risk ; and
- 8.1.5 recovery of losses.

8.2 Procedural guidance on matters under investigation is often sensitive, as it discloses methods used in law enforcement which may assist those committing offences. For that reason the Council instructs all those who have access to the procedures and process maps produced for investigation purposes that these documents **must be kept securely and not published**.

9. Staff and Management Responsibilities

9.1 The prevention, detection and reporting of fraud and forms of corruption are the responsibility of all those working for the organisation or under its control. All workers are required to avoid activity that breaches this policy.

9.2 You must:

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

9.3 As well as the possibility of civil and criminal prosecution, breaches of this policy by staff could result in disciplinary action, which could result in dismissal for gross misconduct.

9.4 Management are also responsible for ensuring the Council's commitment to fraud is communicated to all staff responsible to them, and will be held accountable for failing to do so.

9.5 Management are responsible for a sound system of internal control. Managers should assess the risks of Fraud within their area of responsibility and put in place adequate mitigating controls where perceived or actual risks exist. Managers should record their risk assessments in line with the Council's Risk Management Policy.

9.6 Internal control systems, in particular the accounting and record keeping practices will be subject to regular internal audits to provide assurance that they are effective in countering fraud and or corruption.

9.7 Members recognise that it would not be proper for them to be seen to have any influence on outcomes. In order to protect them from any wrongful allegations, they will **at no time** be given details of on-going investigations.

10. Other relevant Barnet Policies

10.1 This policy should be read in connection with other counter-fraud and corruption policies including :

- 10.2 The Whistleblowing Policy
- 10.3 The Regulation of Investigatory Powers Act Policy
- 10.4 The Employee Handbook and Code of Conduct

Counter Fraud Framework – Counter Fraud, Bribery and Corruption Policy Statement

11. Oversight of Policy

- 11.1 Members shall have oversight of this policy. This function is delegated to the Audit Committee. The Constitution requires the Audit Committee to monitor the Council's Counter Fraud Framework and Policies and recommend their application across the Council
- 11.2 The Audit Committee shall receive a report on investigations by officers of Barnet Council every three months.
- 11.3 The report to members shall be produced by the Assurance Assistant Director and presented to the Audit Committee (or to such other committee as the full Council shall nominate) by the Assurance Assistant Director. The report must not contain any information that identifies whistle-blowers, nor may it identify specific allegations until all associated investigations are completed.
- 11.4 Following that report, the Audit Committee may make such recommendations as they deem necessary relating to the policy, and may give such directions as they deem necessary to Assurance Assistant Director in order to ensure that the Council's policy is followed.
- 11.5 Members recognise that it would not be proper for them to be seen to have any influence on outcomes. Their function is, with reference to the reports, to satisfy themselves that Barnet Council's policy is robust and that it is being followed by all officers involved in this area of work. In order to protect them from any wrongful allegations, members will at no time be able to direct investigations or be given details of on-going investigations.

12. Adoption of Policy and Amendments

- 12.1 This policy was adopted by The London Borough of Barnet on XXXDATEXXX. It replaces any previous policy.
- 12.2 The Assurance Assistant Director is instructed to make any changes that are necessary to this and any associated documents in order to ensure that they comply with changes to primary legislation and with codes of practice. Changes to the policy made under this section must be reported to members in the next quarterly report.

Help and Advice

If you wish to report concerns about fraud, bribery or corruption, please see 'Reporting Suspicions – Procedural Guidance'.

If you wish to make a whistleblowing report, please see the Whistleblowing Procedural Guidance.

If you suspect money-laundering, you must follow the guidance in the Money Laundering Procedural Guidance.

If you wish to raise any concerns about fraud or corruption (including bribery), or if you have any questions about this policy, please contact - the Assurance Assistant Director on **0208 359 7791**

or the CAFT on **0208 359 2007**.

Counter Fraud Framework Manual 2016

Whistleblowing Policy Statement

DRAFT

Counter Fraud Framework – Whistleblowing Policy Statement

Document Control

Document Description	Counter Fraud Framework Manual – Whistleblowing Policy Statement	
Project Name	LBB / CAFT / CFF / 2014	
Version	V3	
Date Created	April 2016	
Status	DRAFT	
Authorisation	Clair Green –Assurance Assistant Director	Date
Prepared By:	Clair Green –Assurance Assistant Director	
Approved By:	Strategic Commissioning Board	
Approved By:	Audit Committee	

Version History

Version number	Date	Author	Reason for New Version
Version 1 2013 Final Issued	May 2013	Clair Green	2013 Update
Version 1	September 2013	Clair Green	Further Review 2013
Version 2 2014	October 2014	Clair Green	Annual Review
Version 3 2016	April 2016	Clair Green	Policy review Separation of policies from procedures

Counter Fraud Framework – Whistleblowing Policy Statement

1. Policy Statement

- 1.1 The London Borough of Barnet firmly believes in open and honest governance. It is the policy of this Council that all those who raise honest concerns about anything this Council does will be treated with respect, supported and protected from any adverse treatment. All members and senior staff, partners and contractors strongly endorse this policy and wish to put on record how committed we are, both individually and as an Authority, in being open, honest and accountable in all we do. We are committed to the highest possible standards of openness and probity, and the aims and objectives of the Public Interest Disclosure Act 1998.
- 1.2 The essence of a whistleblowing system is that staff should be able to by-pass their direct management line, as this may be the area about which their concerns arise. They should be able to go outside the organisation if they feel the overall management is engaged in an improper course of action.
- 1.3 The role of the whistleblowing policy is to assist with the deterrent and detection of wrongdoing. The Policy explains how concerns should be raised and seeks to allay any fears whistle-blowers may have.
- 1.4 It is our policy that **any person** (staff at all levels, those permanently employed, temporary staff, agency staff, contractors, non-executives, partners, agents, Members (including independent members), volunteers and consultants, residents, service users, members of the public or other partner or contracted organisations) may raise concerns within the Council (or, under certain circumstances, with a prescribed regulator or external body) without fear that they may be victimised, discriminated against or disadvantaged in any way as a result.
- 1.5 If any person raises concerns under this policy, they are to be perceived as and treated as a witness and not as a complainant.
- 1.6 All concerns, including those raised anonymously, regardless of their nature, raised under this procedure will be treated seriously and sensitively by highly trained and experienced Whistleblowing Reporting Officers.
- 1.7 Staff are encouraged to report wrongdoing and have the right to be heard and taken seriously when they do so. The Council will take all reasonable steps to protect staff who make such disclosures from any detrimental action which may occur as a result of making the disclosure.
- 1.8 The Council neither tolerates improper conduct by its staff, members, or its partners or contractors, nor the taking of reprisals against those who come forward to disclose such conduct.
- 1.9 The Council recognises the value of both confidentiality and accountability in its core functions and fully supports the making of disclosures to reveal corrupt conduct, mismanagement of public resources, or conduct which involves risk to service users, public health and safety, or the environment.
- 1.10 This whistleblowing policy has been drawn up in conjunction with the Public Interest Disclosure Act 1998. The Act establishes a framework for responsible whistleblowing and is intended to encourage staff and the public to report any concerns that they may have of improper conduct or malpractice or abuse within the Council or to any of its service users.
- 1.11 This policy is designed to complement normal communication channels between staff members, partners, contractors and management. All staff are encouraged to continue to raise matters via their respective Line Managers, however sometimes employees may feel more comfortable making disclosure of improper conduct using this procedure.

2. Scope

- 2.1 Whilst the Public Interest Disclosure Act lists specific times when formal protection must be granted to those who report suspicions of wrongdoing, it is our policy that any reports of

Counter Fraud Framework – Whistleblowing Policy Statement

wrongdoing by the Council which are made in good faith to an appointed Whistleblowing Reporting Officer will gain the reporter the protection set out in this policy.

2.2 Notwithstanding the previous paragraph, the policy does **not** cover reports about :

- 2.2.1 Issues affecting you as an employee (these should be raised through the Council's Grievance Procedure)
- 2.2.2 Service requests or complaints from the public about Council services
- 2.2.3 Lobbying for or against Council policy
- 2.2.4 Trade union or staff consultation

3. Protection from reprisal

- 3.1 The Public Interest Disclosure Act 1998 gives statutory protection for employees who report on crime, illegality, miscarriages of justice, danger to health or safety, damage to the environment or on deliberate concealment of these. The protection covers reports to the employer or to a regulating authority; otherwise the statutory protection depends on the circumstances.
- 3.2 Any person who makes a report will be protected from victimisation or reprisal. The Act protects the employee from being subjected to discipline, dismissal or any other detriment from making the report. In addition, the Council will treat any victimisation or harassment of an employee who has made the report under this procedure as a serious disciplinary offence – **harassment of a whistleblower will almost certainly amount to gross misconduct and will normally lead to dismissal without notice.**
- 3.3 An individual who victimises or harasses an employee who has made a protected disclosure can be personally liable in court for their actions.
- 3.4 No action will be taken against any person if a report has been made but is not confirmed by the investigation.
- 3.5 **Conversely, any person should not make a report, which they do not reasonably believe to be true, or which is malicious. Disciplinary proceedings may be taken against a member of staff who makes false allegations maliciously or with a view to personal gain.**
- 3.6 If a member of staff making a report is already the subject of disciplinary, capability or redundancy procedures they will not necessarily be halted as a result of a whistleblowing allegation.

4. Oversight of Policy

- 4.1 Members shall have oversight of this policy. This function is delegated to the Audit Committee. The Constitution requires the Audit Committee to monitor the Council's Counter Fraud Framework and Policies and recommend their application across the Council
- 4.2 The Audit Committee shall receive a report on whistleblowing by officers every three months. This report will form part of the Corporate Anti-Fraud Team Quarterly update / Annual report.
- 4.3 The report shall be produced by the Assurance Assistant Director and presented to the Audit Committee (or to such other committee as the full Council shall nominate) by the Assurance Assistant Director. The report must not contain any information that identifies whistleblowers, nor may it identify specific allegations until all associated investigations are completed.
- 4.4 Following that report, the Audit Committee may make such recommendations as they deem necessary relating to the policy, and may give such directions as they deem necessary to Assurance Assistant Director in order to ensure that the Council's policy is followed.

Counter Fraud Framework – Whistleblowing Policy Statement

4.5 Members recognise that it would not be proper for them to be seen to have any influence on outcomes. Their function is, with reference to the reports, to satisfy themselves that the policy is robust and that it is being followed by all officers involved in this area of work. In order to protect them from any wrongful allegations, members will **at no time** be able to direct investigations or be given details of on-going investigations.

5. Adoption of Policy and Amendments

5.1 This policy was adopted by The London Borough of Barnet on XXXDATEXXX. It replaces any previous policy.

5.2 The Assurance Assistant Director is instructed to make any changes that are necessary to this and any associated documents in order to ensure that they comply with changes to primary legislation and with codes of practice. Changes to the policy made under this section must be reported to members in the next quarterly report.

5.3 The Assurance Assistant Director is authorised to amend the list of Whistleblowing Reporting Officers (WBO) in the following circumstances :

5.3.1 If a WBO is replaced in their substantive post, the new holder of the post may be added to the list, subject to the training requirement being satisfied.

5.3.2 If a WBO fails to attend training or does not meet the required standard, they may be suspended or removed from the list and replaced by another officer of equivalent rank who has attended training and met the appropriate standard.

5.3.3 In the case of reorganisation, the Assurance Assistant Director may substitute officers of similar rank, always providing that the number of WBO will not exceed the number approved by members.

Help and Advice

For information on how to make a whistleblowing report, please see the Whistleblowing Procedural Guidance.

If you wish to raise any concerns about there is dedicated whistleblowing phone line **0208 359 6123**

Or, a dedicated email address **whistleblowing@barnet.gov.uk** that you can use.

If you have any questions about this policy, please contact the Assurance Assistant Director on 0208 359 7791

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Counter Fraud Framework Manual 2016

Regulation of Investigatory Powers (RIPA) Policy Statement

DRAFT

Counter Fraud Framework – RIPA Policy Statement

Document Control

Document Description	Counter Fraud Framework Manual – Regulation of Investigatory Powers (RIPA) Policy Statement	
Project Name	LBB / CAFT / CFF / 2016	
Version	V3	
Date Created	April 2016	
Status	Draft	
Prepared By:	Clair Green – Assurance Assistant Director	
Approved By:	Strategic Commissioning Board	
Approved By:	Audit Committee	

Version History

Version number	Date	Author	Reason for New Version
Version 1 2013 Final Issued	May 2013	Clair Green	2013 Update
Version 2 2014	October 2014	Clair Green	Annual Review
Version 3 2016	April 2016	Clair Green	Policy review Separation of policies from procedures

1. Policy Statement

- 1.1 It is the policy of The London Borough of Barnet that all activity that could be authorised under the Regulation of Investigatory Powers Act 2000 will only be carried out if it is authorised in accordance with that Act, this policy and associated guidance.
- 1.2 Furthermore, Investigation Officers may only carry out Directed Surveillance (DS), use the services of a Covert Human Intelligence Source (CHIS) or seek to acquire Communications Data (CD) in accordance with this policy and associated procedural guidance.
- 1.3 The Council does not usually make use of CHIS. However, officers must bear in mind the possibility of a CHIS arising in circumstances where it was not contemplated. A member of normally be considered to be a CHIS. However, if specific instructions are provided to that member of the public a CHIS situation may arise.
- 1.4 Investigation Officers may not apply for permission to carry out the activities covered by this policy unless they are familiar with the contents of this policy and associated procedural guidance. They are further instructed to have regard to the guidance contained within the statutory Codes of Practice published by the Secretary of State.
- 1.5 Before undertaking activities covered by this policy, the Council must be satisfied that it is undertaken either in connection with a “Core Function” (a function that only a public /regulated body can carry out, such as criminal investigation) or with an “Ordinary Function” (a function that any ordinary employer might have - such as the investigation of staff /false claims). As all surveillance is likely to intrude upon the subject’s privacy, the investigator must be able to justify that the breach of privacy is necessary, proportionate and lawful. It is also ESSENTIAL that the reasoning is documented and the correct authorisations gained, in order that the Council may be accountable for its actions.
- 1.6 Whilst the Regulation of Investigatory Powers Act is not available to use for investigations that do not form part of Council’s Core Functions, this does not preclude the Council’s investigators from using Directed Surveillance. In the event that an investigation into a non-Core Function requires the use of this technique, the investigator must apply in the same way, using the same forms, to the same Authorising Officer, endorsing the forms clearly in red ink, “NON-RIPA”.
- 1.7 Furthermore, there are some activities that, whilst being *Core Functions*, fall outside the scope of RIPA (due to the introduction of a test requiring the investigation to be in regard to matters that constitute a criminal offence carrying a sentence of six months unless certain specific offences are being investigated). In such cases, where there is a need to use the techniques covered by this policy, the investigator must apply, using the “NON-RIPA” process.
- 1.8 The use of overt CCTV is not normally considered to be Directed Surveillance and does not normally fall within the scope of this policy; where, however, targeted use is made of CCTV cameras, this may constitute Directed Surveillance and officers are instructed to follow this policy and associated procedures and processes under such circumstances.
- 1.9 The authoritative position on the Regulation of Investigatory Powers is, of course, the Act itself and any Officer who is unsure about any aspect of this Policy and Procedure Document should contact, at the earliest possible opportunity, Barnet Council’s RIPA Monitoring Officer for advice and assistance.
- 1.10 The Council shall ensure that Officers with responsibility for authorising or carrying out surveillance or accessing communications data are aware of their obligations to comply with the Act and with the Council’s policy. Furthermore, Officers shall receive appropriate training and be appropriately supervised in order to carry out functions under the Act.

Appointments

Counter Fraud Framework – RIPA Policy Statement

- 1.1 The Council appoints the Assurance Assistant Director to discharge the functions of the RIPA Monitoring Officer (RMO). She is instructed not to authorise any person listed in appendix one unless she is satisfied that that person has successfully completed appropriate training in the assessment and authorisation of applications under this policy.
- 1.2 The Council further instructs the RMO to maintain such records as may, from time to time, be required by legislation and the Council's policies and procedures.
- 1.3 The RMO is instructed to produce procedural guidance that will put into effect this policy.
- 1.4 The Council appoints the Director of Assurance to discharge the functions of the "Senior Responsible Officer (SRO)".
- 1.5 The Council uses a Gatekeeper to provide advice and assistance to both Authorising Officers and Investigating Officers.
- 1.6 The Gatekeeper will be a designated legal officer/s within the council's Shared Legal Service: Harrow and Barnet Public Law. In addition to providing advice, they are responsible for keeping abreast of updates and changes to RIPA, associated legislation, Codes of Practice and any Guidance issued. The Gatekeeper must notify the RMO and SRO of all changes, so that this Policy and all associated guidance may be kept up to date.
- 1.7 The Council appoints Authorising Officers and Designated Persons as detailed in appendix 1. (These appointments may be substituted, from time to time, in accordance with section 3 of the policy). However, even if a person is identified in the list that person is not authorised to sign any RIPA forms unless he has been certified by the RIPA Monitoring Officer to do so.
- 1.8 The Council hereby appoints all investigation officers and managers to make applications under this part (in accordance with s. 223(1) of the Local Government Act 1972), subject to their inclusion in the approved list by the RIPA Monitoring Officer. The Council authorises the *RMO* to appoint as many investigation officers and managers to make applications under this part as she sees fit. Those officers must be listed at appendix 1(a) and any additions to or deletions from that list must be notified to members as part of the regular reporting protocols.
- 1.9 **Failure to follow the provisions of this policy (for example: carrying out surveillance without following the requirements of the policy) is gross misconduct and will normally lead to dismissal without notice.**

Oversight of Policy

- 1.10 Members shall have oversight of this policy. This function is delegated to the Audit Committee. The Constitution requires the Audit Committee to monitor the Council's Counter Fraud Framework and Policies and recommend their application across the Council
- 1.11 The Audit Committee shall receive a report on the use of RIPA regulated activity by officers of the Council every three months. This report will form part of the Corporate Anti-Fraud Team Quarterly update / Annual report.
- 1.12 The report to members shall be produced by the RMO and presented to the Audit Committee (or to such other committee as the full Council shall nominate) by the RMO and/or the SRO. Members recognise that it would not be proper for them to be seen to have any influence on outcomes. In order to protect them from any wrongful allegations, they will **at no time** be able to direct or be given details of on-going investigations.

Counter Fraud Framework – RIPA Policy Statement

- 1.13 Alongside this report, the RMO and/or SRO will report details of ‘Non-RIPA’ surveillance in precisely the same fashion.
- 1.14 Following that report, the Audit Committee may make such recommendations as they deem necessary relating to the policy, and may give such directions as they deem necessary to Assurance Assistant Director in order to ensure that the Council’s policy is followed.
- 1.15 Members recognise that it would not be proper for them to be seen to have any influence on individual surveillance authorisations. Their function is, with reference to the reports, to satisfy themselves that Barnet Council’s policy is robust and that it is being followed by all officers involved in this area of work. In order to protect them from any wrongful allegations, members will **at no time** be able to direct or be given details of on-going investigations.

2 Adoption of Policy and Amendments

- 2.1 This policy was adopted by the London Borough of Barnet on XXXDATEXXX. It replaces any previous policy.
- 2.2 The RMO is instructed to make any changes that are necessary to this and any associated documents in order to ensure that they comply with changes to primary legislation and with codes of practice. Changes to the policy made under this section must be reported to members in the next quarterly report.
- 2.3 Authorising Officers and Investigation Officers must bring to the attention of the RMO and/or SRO any suggestions for continuous improvement of this Document.
- 2.4 The RMO is authorised to amend the list of Authorising Officers in the following circumstances :
 - 2.4.1 If an Authorising Officer is replaced in their substantive post, the new holder of the post may be added to the list, subject to the training requirement being satisfied.
 - 2.4.2 If an Authorising Officer fails to attend training or does not meet the required standard, they may be suspended or removed from the list and replaced by another officer of equivalent rank who has attended training and met the appropriate standard.
 - 2.4.3 In the case of reorganisation, the RMO may substitute officers of similar rank, always providing that the number of Authorising Officers will not exceed the number approved by members.

Help and Advice

If you have any questions about this policy, please contact RMO / Assurance Assistant Director on 0208 359 7791.

APPENDIX 1

LIST OF AUTHORISING OFFICERS

POST

Chief Executive Officer
Assurance Assistant Director
Counter Fraud Manager (Corporate)
Counter Fraud Manager (Tenancy)

LIST OF DESIGNATED PERSONS FOR APPROVING THE ISSUE OF A NOTICE IN RESPECT OF ACCESS TO COMMUNICATIONS DATA

POST

Chief Executive Officer
Assurance Assistant Director
Counter Fraud Manager (Corporate)
Counter Fraud Manager (Tenancy)

IMPORTANT NOTES

- A. Even if a post is identified in the above list, the persons currently employed in such posts are not authorised to sign RIPA forms unless they are certified by the RMO to do so and are NAMED in the list.
- B. Only the Chief Executive or, in his absence, delegated deputy is authorised to sign forms relating to Juvenile Sources, Vulnerable Individuals and where knowledge of confidential information is likely to be acquired.
- C. If the RMO wishes to add, delete or substitute a post, she may do so but must report this change in the next quarterly report to the Audit Committee.

APPENDIX 1 (A)

COUNCIL’S AUTHORISED APPLICANTS

In order for the Council’s RIPA authorisations to take effect, they must be approved by a Magistrate. That process requires applicants in person to appear for the Council, and the official court service guidance makes it clear that these should be investigators not lawyers.

Any person from the Council wishing to make an application must be named in this annex and must take to court a copy of this annex, together with their official identification.


List of officers authorised to appear on behalf of the London Borough of Barnet in connection with RIPA Applications.

I certify that the following have been appointed under section 223(1) of the Local Government Act 1972 to appear for the London Borough of Barnet in connection with applications under the Regulation of Investigatory Powers Act, in accordance with section 2.7 of this policy :

Name	Section	Appointed from	Appointment terminated
Note: List of names to be completed before publishing of policy			

RIPA Monitoring Officer

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	<p>Audit Committee 19th April 2016</p>
<p>Title</p>	<p>Audit planning report 2015/16</p>
<p>Report of</p>	<p>Chief Operating Officer</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix A – Planning report to the Audit Committee</p>
<p>Officer Contact Details</p>	<p>Gillian Clelland – Gillian.clelland@barnet.gov.uk, 0208 359 5310</p>

<p>Summary</p>
<p>This report advises the committee of BDO’s audit planning report for 2015/16.</p>

<p>Recommendations</p>
<p>1. The Audit Committee are asked to note BDO’s audit planning report for 2015/16.</p>
<p>2. The Audit Committee are asked to note the fee of £170,025 for the 2015/16 audit and the fee of £21,617 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 The purpose of the audit planning report 2015/16 is to highlight to the Committee the key elements of BDO's 2015/16 external audit strategy for the Council.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The audit plan for 2014/15 was noted by the Audit Committee at its meeting on 30 April 2015. This report is to recommend the Council's new external auditor's (BDO LLP) planning report for 2015/16.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 BDO's audit planning report for 2015/16 will dictate what is reported to the Audit Committee as part of the audit process.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The audit planning report will assess fundamental aspects of financial standing and performance management in Barnet, that relate to the key theme of 'value for money' relating to the Council's corporate priorities.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 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. The fee for the audit of £170,025 will be paid out of Corporate Fees within Central Expenses.

5.3 Legal and Constitutional References

- 5.3.1 The Constitution details the functions of the Audit Committee including "to consider the external auditor's annual letter, relevant reports, and the report to those charged with governance" and "to comment on the scope and depth of external audit work and to ensure it gives value for money".

5.4 Risk Management

- 5.4.1 The audit planning report 2015/16 highlights the Council's statutory responsibility in respect of producing the financial statements. Without appropriate closedown 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 auditor's views or concerns. The consequence of this could result in a qualified audit opinion on the financial statements or a qualified value for money opinion.

5.5 Equalities and Diversity

5.5.1 The audit planning report 2015/16 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.

5.6 Consultation and Engagement

5.6.1 None

6. BACKGROUND INFORMATION

6.1 The purpose of the audit planning report is to highlight the key elements of BDO's 2015/16 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.

6.2 The audit planning report 2015/16 sets out the planned BDO external audit team and the engagement timetable (detailed in Appendix 1).

6.3 The audit planning report for 2015/16 details the audit scope and objectives in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO. This will enable BDO to form an opinion on whether:

6.3.1 The financial statements give a true and fair view of the financial position of the group and authority and their expenditure and income for the period in question.

6.3.2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

6.3.3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).

6.3.4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.

6.3.5 The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

6.4 The audit planning report 2015/16 also sets out group and component materiality and clearly trivial threshold levels:

- 6.4.1 The concept of materiality will be applied by BDO in both planning and performing the audit, and in evaluating the effect of misstatements.
- 6.4.2 The estimated group and component materiality levels for the 2015/16 audit are as follows:
- Group - £13.8m
 - Significant components - £13.8m
 - Non-significant components (Barnet Homes Limited) - £5.0m
 - Non-significant components (Regional Enterprise Limited) - £5.0m
- 6.4.3 Planning materiality levels are estimated at this stage and will be confirmed by BDO when the draft financial statements are received for audit.
- 6.4.6 The clearly trivial threshold for all group and components detailed in section 6.4.2, is set at £0.276m, which is based on 2% of the materiality level of the Group (£13.8m). Any uncorrected misstatements above this level identified through the audit process are required to be reported to the Audit Committee.
- 6.5 The audit planning report 2015/16 also details the overall audit strategy.**
- 6.5.1 This encompasses a risk based audit of the group and authority's financial statements and the authority's use of resources based on BDO's understanding of the group, authority and other component entities' businesses and specific risks and of the adequacy of the accounting systems and records as the basis for preparation of the financial statements.
- 6.5.2 For the use of resources audit, BDO consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.
- 6.5.3 The approach to the audit of components of the group financial statements is designed to ensure that BDO obtain the requisite level of assurance across the whole group:
- 6.6 For the financial statements audit, under International Standard on Auditing 315 'Identifying and assessing the risks of material misstatement through understanding the entity and its environment', BDO are required to consider significant risks that require special audit attention.**
- 6.6.1 The key audit risks that have been identified in relation to the audit of the financial statements are as follows, with further details and the planned audit approach set out on pages 10-13 of the audit planning report:
- Management override of controls
 - Revenue recognition
 - Property, plant and equipment valuations
 - Investment property valuations

- Pension liability assumptions
- Allowances for non-collection of receivables
- Highways network assets
- Consideration of related party transactions

6.6.2 The audit will also consider whether the 'Narrative Report' (formerly the Explanatory Foreword) included in the financial statements meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom ('The Code') and is consistent with the auditors' understanding of the council and the financial statements.

6.6.3 The audit will also consider throughout the process the possibility of material misstatement due to fraud or error.

6.6.4 The use of resources audit will focus on the sustainability of the Council's finances through review of the assumptions used in the Medium Term Financial Strategy (MTFS) and monitoring of the delivery of the budgeted savings in 2015/16 and the plans to implement savings in the coming years.

6.7 Under Auditing and Ethical Standards, BDO are required as auditors to confirm their independence to the Audit Committee. BDO have not identified any potential threats to their independence as auditors.

6.8 The audit planning report confirms the indicative audit fee of £170,025 for the 2015/16 Council audit and a separate fee of £21,617 for the certification of the housing benefit subsidy return.

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LONDON BOROUGH OF BARNET COUNCIL

PLANNING REPORT TO THE AUDIT COMMITTEE
Audit for the year ending 31 March 2016

18 March 2016



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INTRODUCTION

PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the authority and consolidated entities (together the 'Group') and use of resources of the authority for the year ending 31 March 2016. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit Committee and should not be shown to any other person without our express permission in writing.

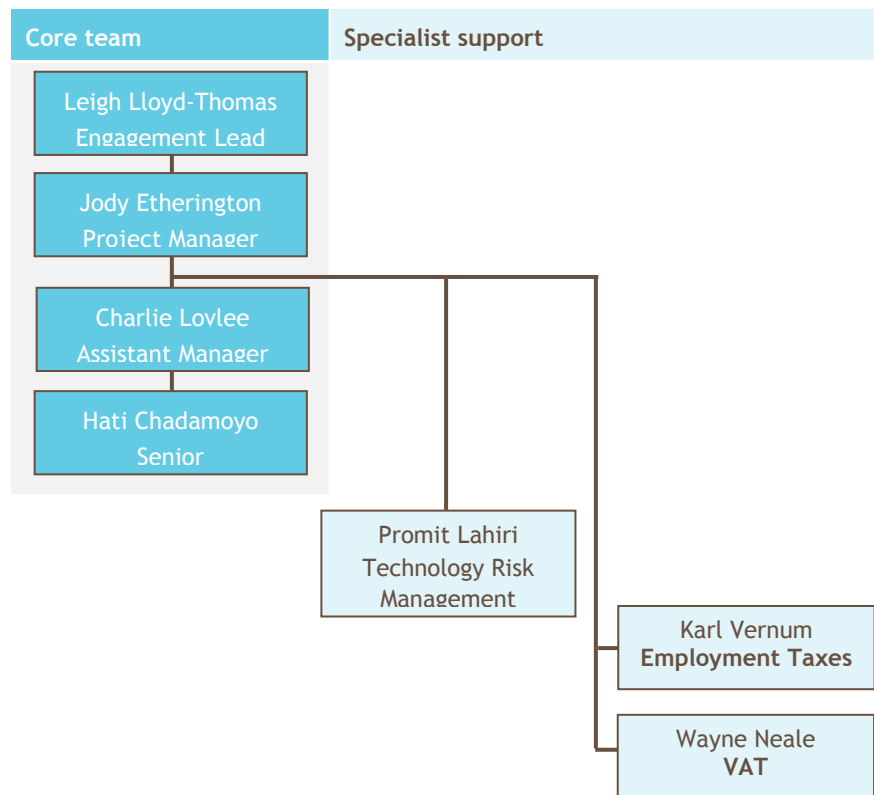
In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

CONTENT OF OUR REPORT

In this report, we set out the following:

- Our team and responsibilities for this year's audit
- Our client service commitment
- An overview of the audit timetable with key dates and deliverables
- The audit scope and objectives
- Our preliminary evaluation of materiality
- Our overall audit strategy
- Our initial assessment of the key audit risks and other relevant matters along with our planned audit approach
- Confirmation of independence and consideration of any independence related matters
- Our proposed fees for the audit.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Leigh Lloyd-Thomas Engagement Lead	Tel: 020 7893 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
Jody Etherington Project Manager	Tel: 020 7893 2763 jody.etherington@bdo.co.uk	Management of the audit
Charlie Lovlee Assistant Manager	Tel: 01473 320 774 charlie.lovlee@bdo.co.uk	Day to day management and supervision of the audit
Hatidani Chadamoyo Senior	Tel: 0207 893 3202 Hatidani.Chadamoyo@bdo.co.uk	Day to day supervision of the on-site audit
Promit Lahiri Technology Risk Manager	Tel: 0207 893 3526 Hatidani.Chadamoyo@bdo.co.uk	Manage IT review for audit purposes
Karl Venum Employment Tax Manager	Tel: 0207 893 3549 karl.vernum@bdo.co.uk	Manage employment tax review for audit purposes
Wayne Neale VAT Senior Manager	Tel: 01603 756 914 wayne.neale@bdo.co.uk	Manage VAT review for audit purposes

Leigh is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Leigh is responsible for the overall quality of the engagement.

OUR CLIENT SERVICE COMMITMENT TO YOU

CLIENT SERVICE EXPECTATIONS

1

High quality audit service at a reasonable cost.

2

A quality team, with relevant expertise.

3

Clear communication.

4

Concentrating our work on areas of higher risk.

5

Avoiding surprises through timely reporting of issues.

6

Consulting with management to resolve matters early.

7

Meeting deadlines.

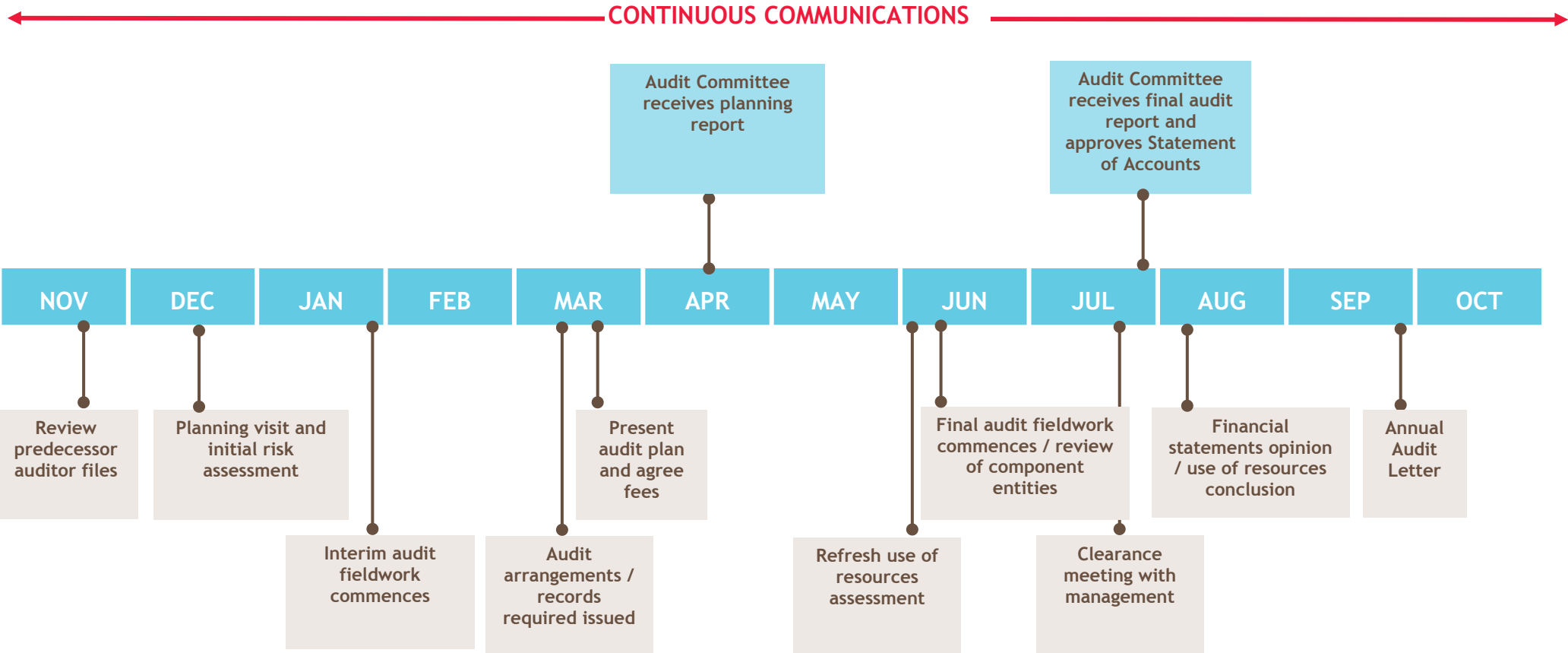
8

Identifying shortcomings in controls and processes.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p>1 The financial statements give a true and fair view of the financial position of the group and authority and its expenditure and income for the period in question.</p>	<p>2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p>3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p>4 The return required to facilitate the preparation of WGA consolidated accounts is consistent with the audited financial statements.</p>	<p>5 The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

ADDITIONAL POWERS AND DUTIES

6 To consider the issue of a report in the public interest.
To make a written recommendation to the authority.

7 To allow electors to raise questions about the accounts and consider objections.
To apply to the court for a declaration that an item of account is contrary to law.
To consider whether to issue an advisory notice or to make an application for judicial review.

MATERIALITY

GROUP AND COMPONENT MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Group	£13,800,000	£276,000
Significant components:		
• Council	£13,800,000	£276,000
Non-significant components selected for review:		
• Barnet Homes Limited [100% subsidiary]	£5,000,000	As per group trivial
• RE (Regional Enterprise) Limited [49% Joint venture]	£5,000,000	As per group trivial
Non-significant components:		
• The Barnet Group Limited [100% subsidiary holding company]	n/a	n/a
• Your Choice (Barnet) Limited [100% subsidiary]	n/a	n/a
• Barnet (Holdings) Limited [100% subsidiary holding company]	n/a	n/a
• The Inglis Consortium LLP [13.9% joint venture]	n/a	n/a

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the group and the Council have been based on 1.5% of gross expenditure, rounded down to the nearest £100,000. At this stage, the figures are based on prior year financial statements. This will be revisited when the draft financial statements are received for audit.

Component materiality is set for those entities where component auditors perform an audit or a review for purposes of the group audit. The local materiality applied for the statutory audit of the component financial statements, where required, cannot exceed the component materiality and is likely to be lower than the component materiality set as part of the group audit.

The clearly trivial amount for the group and Council is based on 2% of the materiality level of the group.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the group and authority's financial statements and the authority's use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the group, authority and other component entities' businesses and the specific risks it faces. We discussed the changes to the businesses and management's own view of potential audit risk during our planning visit in order to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements, group-wide controls and the consolidation process, and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to risks.

Approach to components of the group financial statements

Our approach is designed to ensure we obtain the requisite level of assurance across the whole group.

We are aware that there is some uncertainty whether local authority controlled companies are able to take advantage of the size and threshold exemptions for audit or whether the requirement for audit remains in place where the authority itself is preparing consolidated accounts. It is our understanding that local authority controlled companies are not able to take advantage of the audit exemption.

Total coverage is expected to be as shown opposite.

SCOPE	NET COST OF SERVICES EXPENDITURE COVERAGE 2015/16	NET ASSETS 31/3/16	NET COST OF SERVICES EXPENDITURE COVERAGE 2014/15	NET ASSETS 31/3/15
Full scope procedures	TBC	TBC	£891m	£632m
Specific scope procedures	TBC	TBC	£0	£0
Desktop review	TBC	TBC	£3m	(£2m)
Total	* TBC	TBC	£894m	£630m

* The amounts for 2015/16 will be updated once the draft financial statements have been provided.

OVERALL AUDIT STRATEGY

Group matters

COMPONENT NAME	% GROUP EXPENDITURE	% GROUP NET ASSETS	COMPONENT AUDITOR	OVERVIEW OF WORK TO BE PERFORMED	OVERVIEW OF THE NATURE OF OUR PLANNED INVOLVEMENT IN THE WORK PERFORMED BY THE COMPONENT AUDITOR
Full scope procedures:					
Council	100%	106%	BDO UK	Code audit of the financial statement prepared under CIPFA Code of Practice on Local Authority Accounting	Undertaken by the group audit team
Barnet Homes Limited	<1%	(6%)	Grant Thornton	Audit of the financial statement prepared under IFRS	Full Group Reporting Pack prepared by Grant Thornton. Review planning and audit results memo from Grant Thornton. Agree inter-group adjustments for management fee and debtor / creditor balances. Review pension liability assumptions.
RE (Regional Enterprise) Limited	<1%	<1%	KPMG	Audit of the financial statement prepared under IFRS	Full Group Reporting Pack prepared by KPMG. Review planning and audit results memo from KPMG. Agree inter-group adjustments for income and debtor / creditor balances.
Desktop review:					
The Barnet Group Limited	<1%	<1%	-	-	-
Your Choice (Barnet) Limited	<1%	<1%	-	-	-
Barnet (Holdings) Limited	<1%	<1%	-	-	-
The Inglis Consortium LLP	<1%	<1%	-	-	-

OVERALL AUDIT STRATEGY

Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 “Identifying and assessing the risks of material misstatement through understanding the entity and its environment”, we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Other issue

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent. We consider the manipulation of financial results through the use of journals and management estimates as a significant fraud risk.</p> <p>In every organisation, management may be in a position to override routine day to day financial controls. Accordingly, our audit has been designed to consider this risk and adapt procedures accordingly.</p>	Not applicable.
Revenue recognition	<p>Under International Standard on Auditing 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements” there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We consider there to be a significant risk over completeness and existence of fees and charges revenue in the Comprehensive Income & Expenditure Statement (CIES).</p> <p>We also consider there to be a significant risk over existence (recognition) of revenue and capital grant income in the CIES that are subject to performance and / or conditions before these may be recognised as revenue.</p>	<p>We will carry out audit procedures to gain an understanding of the authority’s internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We will test a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We will test a sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p>	Government grant funding will be agreed to information published by the sponsoring Department, including any grant conditions.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment (PPE) valuations	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The Council engage with valuers to carry out an annual valuation of dwellings, land and buildings covering approximately 90% by value each year, with the remaining assets valued on a 4-year rolling programme.</p> <p>There is a risk over the valuation of dwellings, land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.</p>	<p>We will review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert.</p> <p>We will confirm that the basis of valuation is appropriate based on their usage.</p> <p>We will review valuation movements against indices of price movements for similar classes of assets and follow up valuation movements that appear unusual against indices.</p>	<p>We will review valuation movements against an independent valuers report on regional valuation trends (Gerald Eve LLP) provided to auditors by Public Sector Audit Appointments Ltd.</p>
Investment property valuations	<p>The Code has introduced a change in the basis of valuation of investment properties (IFRS 13), from a market value to a 'highest and best use' valuation. There is a possibility that valuations may be significantly different in certain circumstances particularly where an investment property could be developed for use with alternative consents, such as residential conversion.</p> <p>The Council will instruct the valuers to carry out the annual valuation of the investment property portfolio having regard to the possibility of significant change in valuations under the highest and best use approach.</p>	<p>We will confirm that the valuer has undertaken an assessment of potential change in valuation using a highest and best use basis of valuation with particular focus on investment properties where the tenant is nearing the end of the primary rental period.</p>	<p>We will review valuation movements against an independent valuers report on regional valuation trends (Gerald Eve LLP) provided to auditors by Public Sector Audit Appointments Ltd.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>The group net pension liability comprises the Council, Barnet Homes Limited and Your Choice (Barnet) Limited's share of the market value of assets held in the London Borough of Barnet Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We will agree the disclosures to the information provided by the pension fund actuary.</p> <p>As the auditor of the London Borough of Barnet Pension Fund, we will obtain assurances over the controls for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will make use of the report provided by PwC, as consulting actuary commissioned by Public Sector Audit Appointments Ltd on behalf of auditors, to review of the methodology of the actuary and reasonableness of the assumptions.</p>
Allowances for non-collection of receivables	<p>The Council's bad debt provision on aged debt is determined for each income stream using available collection rate data. The significant provisions include council tax arrears, non-domestic rates arrears, housing benefit overpayments, housing rents arrears and car parking.</p> <p>There is a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates for that income stream.</p>	<p>We will review the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.</p>	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Highways network assets	The Code will adopt the revised basis for valuations of highways network assets from 2016/17 (depreciated historic cost to depreciated replacement cost), and this will require implementation from 1 April 2016 but with no restatement for 2015/16.	We will review the 'new standards adopted but not yet implemented' disclosure note to ensure that the potential impact (where quantified) on the 2016/17 financial statements on the valuation of the highways network asset is disclosed.	Not applicable.
Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	We will document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management and review councillors and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.	Companies House searches for undisclosed interests.
Narrative reporting	The Council will be required to produce a 'Narrative Report' replacing the Explanatory Foreword in the financial statements. The Narrative Report includes additional information not previously included in the Explanatory Foreword.	We will compare the narrative report against the Code requirements to ensure that all elements of the narrative report are correctly included. We will review the narrative report to ensure consistency with our understanding of the entity and the financial statements.	Not applicable.
Fraud and error	We are required to discuss with you the possibility of material misstatement, due to fraud or error. We are informed by management that there have not been any cases of material fraud or error, to their knowledge.	We will continue to consider throughout the audit process and discuss with management.	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances	<p>The Medium Term Financial Strategy (MTFS) has forecast a funding gap of £81 million between 2016/17 and 2019/20, and requires savings to be made of approximately £20 million each year.</p> <p>The Council's funding settlement for 2016/17 was £5.5 million lower than expected and has been mitigated through additional the use of reserves, reduction in contingency and surplus on the collection fund.</p> <p>The MTFS includes a number of strategies to close this gap:</p> <ul style="list-style-type: none"> • Making some use of the additional tax raising powers for the adult social care precept • Growth in collection fund income from council tax and business rates • Additional new homes bonus funding and growth in the collection fund from new homes • Redesign of service provision such as providing additional in-home support for elderly residents rather than higher cost residential accommodation • Productivity improvements across front-line services • Reduced estates costs through new ways of working. <p>The Council has successfully delivered savings of £75 million over the past five years. However, the level of savings required in the next four years will be challenging in order to allow the Council to effectively support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>We will review the assumptions used in the MTFS and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied. We will monitor the delivery of the budgeted savings in 2015/16 and the plans to implement savings in the coming years.</p>	<p>Benchmarking of assumptions on income growth and cost pressures in the MTFS.</p>

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2016.

We have not identified any potential threats to our independence as auditors.

On the following page, we have recorded details of any non audit services.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team and the planned year of rotation.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2016 are:

	£
Audit fee	170,025
Certification fee (Housing benefits subsidy)	21,617
Total audit and certification fees:	191,642
Fees for audit related services	0
Fees for non audit services	0
TOTAL FEES	191,642

Fee invoices will be raised as set out below, following which our firm's standard terms of business state that full payment is due within 14 days of receipt of invoice:

- Instalment 1 £98,821
- Instalment 2 £98,821
- Certification of the housing benefits subsidy claim will be billed on completion of the work.

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY


- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Leigh Lloyd-Thomas - Engagement lead	1	31 March 2021
Engagement quality control reviewer	1	31 March 2023
Jody Etherington - Project manager	1	31 March 2026



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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