

MEETING

AUDIT COMMITTEE

DATE AND TIME

THURSDAY 27TH JULY, 2017

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Hugh Rayner

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

Councillor Geof Cooke
Councillor Arjun Mittra

Councillor Anthony Finn
Councillor Peter Zinkin

Councillor Kathy Levine

Independent Members

Geraldine Chadwick

Richard Harbord

Substitute Members

Councillor Melvin Cohen
Councillor John Marshall

Councillor Eva Greenspan
Councillor Reema Patel

Councillor Anne Hutton
Councillor 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 deadline at 10am Monday 24 July 2017. Requests must be submitted to Maria Lugangira at maria.lugangira@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: Maria Lugangira 020 8359 2761

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

| Item No | Title of Report | Pages |
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| 1. | Minutes of last meeting | 5 - 10 |
| 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) | |
| 6. | Members' Items (If any) | |
| 7. | Internal Audit Exception Recommendations Report and Q1 Progress Report - 1st April to 30th June 2017 | 11 - 36 |
| 8. | Corporate Anti-Fraud Team (CAFT) Q1 Progress Report - 2017-18 | 37 - 48 |
| 9. | Draft Annual Governance Statement | 49 - 70 |
| 10. | Annual Report of the Audit Committee | 71 - 84 |
| 11. | External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2016/17 | To Follow |
| 12. | Audit Committee Work Programme - 2017/18 | 85 - 90 |
| 13. | Any item(s) the Chairman decides are urgent | |

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Decisions of the Audit Committee

20 April 2017

Members Present:-

AGENDA ITEM 1

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

Councillor Geof Cooke
Councillor Kathy Levine
Councillor Arjun Mittra

Councillor Peter Zinkin
Councillor Hugh Rayner

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 30 January 2017 were approved as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

None.

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

Councillor Brian Salinger declared a non-pecuniary interest in Item 9, Internal Audit Opinion 2016-17, as he is the chair of governors at Moss Hall Nursery School and was at the time (but is no longer) a governor at Holly Park School.

Councillor Geof Cooke declared a non-pecuniary interest in Item 9, Internal Audit Opinion 2016-17, as he is a governor at Summerside School. He further declared that up until recently his wife had been a governor at Danegrove school and that his son was about to leave the school.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

There none.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

The Committee noted the details of the received public questions and the public answers which were published ahead of the meeting. Responses to the supplementary public questions were provided verbally by the Chairman and Officers at the meeting.

6. MEMBERS' ITEMS (IF ANY)

There were none.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q4 PROGRESS REPORT - 1ST JANUARY TO 31ST MARCH 2017

The Head of Internal Audit introduced the report and provided a summary of the Q3 report issued that provided limited assurance:

- Highways programme
- Estates Health and Safety
- Dollis Junior School

Highway Programme

The Committee requested that the Highways Programme audit report is referred to the Re Review Working Group to ensure that all of the points picked up in the audit report are covered as part of the review **[ACTION]**.

The Committee further requested that these matters be brought to the attention of the Performance and Contract Management Committee **[ACTION]**

Estates Health and Safety

The Head of Internal Audit provided a brief summary of the findings.

The interim Chief Operating Officer confirmed that action had been taken against each recommendation as detailed within appendix 2.

He confirmed that the council's Monitoring Officer had reviewed the council's corporate health and safety polices to ensure compliance – the polices are reported to the council's General Functions Committee. He further confirmed that the Monitoring Officer had looked at the systems used by CSG to both log and track compliance testing and remedial work and had confirmed the system to be robust.

Concern was expressed by the Committee around those schools that had failed to respond to requests for information. Clarification was sought on how non-responsiveness was dealt with and what action would be taken to ensure this matter is taken seriously by the school.

The Head of Estates, LBB confirmed that a clear and robust escalation protocol had now been developed. The Head of Estates, CSG confirmed a programme of testing and inspection had been undertaken which included specific compliance tests across various properties within the estate portfolio.

The Committee requested that the escalation protocol for schools compliance include a final escalation whereby the Chairs of Governors of schools that fail to respond to requests for compliance data are invited to attend whichever committee is deemed to be the most relevant to explain why **[ACTION]**

Officers agreed to also ensure that a note be included in the Weekly Schools Circular to reiterate the importance of responding to the request for up to date compliance data and

for the Director of Education & Skills to send direct to Chairs of Governors whose schools have yet to respond **[ACTION]**

The committee members requested a briefing note on how sub-contractor performance and quality is assured, and how the health and safety teams assist with workplace safety and compliance **[ACTION]**

The Interim Assurance Director confirmed for the committee that there would be a follow up audit reported in Q1, which would look to confirm if all the actions had been implemented and evidenced. She further clarified the audit would also review water safety testing.

Dollis Junior School

The Head of Internal Audit provided a brief summary of the findings confirmed that they had been approached by the Headteacher and governors who had concerns particularly around budget monitoring - this is where the high priority finding lay.

The school voluntary funds had been closed down in 2015. Clarification was sought as to whether between 2009 and 2015 they had been audited. The Head of internal audit confirmed that the schools Finance committee would be taking ownership of this to ensure the audit takes place.

RESOLVED –

- 1. That the Committee noted the work completed to date on Internal Audit Q4 progress report - 1st January to 31st March 2017.**
- 2. That the Committee noted the LBB Response to the internal audit report Health and Safety – Estates.**
- 3. That the Committee approved the updated Internal Audit Charter.**

8. CORPORATE ANTI-FRAUD TEAM (CAFT) ANNUAL REPORT 2016-17

The interim Assurance Director introduced the report which provides an overall summary on the outcome of all CAFT work undertaken during 2016-17 including CAFT progress and outcomes set against the objectives as set out in the annual strategy and work plan.

It was noted that Tenancy Fraud and Blue Badge Fraud and misuse both featured significantly on the work programme for the last year as did the teams increased working with internal audit reviews.

The interim Assurance Director detailed for the Committee the work involved in the proactive fraud reviews conducted throughout the year and the outcome of those reviews.

With regards to blue badges 23 cases were prosecuted for fraud or misuse during the year with 43 formal cautions and 37 warning letters issued.

With regards to tenancy fraud, within the last year 64 properties were recovered through the work carried out by the Tenancy Fraud Team.

With regards to any CAFT investigation cost or confiscation that comes back through the courts or proceeds of crime or compensation, it was noted that this is logged and monitored centrally within CAFT. If it is proceeds of crime, the monies come in directly from the courts. Other monies such as costs come in via HB Public Law.

The Chairman conveyed the Committees thanks to the CAFT team for the comprehensive work undertaken

RESOLVED - That the Audit Committee considered and commented on the CAFT Annual Report 2016 -17.

9. INTERNAL AUDIT ANNUAL OPINION 2016-17

The Head of Internal Audit introduced the report which gives an overall opinion on the system of internal control and corporate governance within the Council and that in 2016-17 the annual opinion overall is **Reasonable Assurance**.

She explained that the annual opinion is timed so as to inform the Council's Annual Governance Statement (AGS) which will be considered by the Committee in July. The opinion had identified key themes that should be considered for inclusion in the AGS, they are:

- Governance, accountability and roles and responsibilities
- Information Technology (IT)
- Contract management
- Quality Assurance systems supporting Social work practice
- Audit trails and documentation

Regarding the note under the 'Summary of worked performed table' the Head of Internal Audit confirmed the date should read *2016/17 and not 2017/18.

RESOLVED - That the Committeed note the contents of the Annual Internal Audit Opinion 2016-17.

10. INTERNAL AUDIT & ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2017-18

The Interim Assurance Director introduced the report and provided the Committee with brief summary of work undertaken by Corporate Anti-Fraud and Internal Audit.

Regarding the Performance Indicators – Internal set out Page 156, the Committee felt that 75% target was too low agreed that the target should revert back to 90% **[Action]**

RESOLVED - That the Committee approved the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2017-18.

11. EXTERNAL AUDIT PLAN 2016/17

Mr Leigh Lloyd-Thomas from BDO presented the report.

Following consideration of the item the Committee

RESOLVED -

1. **The Audit Committee noted BDO's audit plan for 2016/17.**
2. **The Audit Committee noted the fee of £170,025 for the 2016/17 audit and the fee of £20,310 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.**

12. AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the work programme for 2017-18.

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

There were no urgent items from the Chairman.

At the close of the meeting the Deputy Chairman, Councillor Sury Khatri extended his thanks to the Chairman, Councillor Brian Salinger, on behalf of the Committee for his effective Chairmanship of the Committee over the last year.

The meeting finished at 9.25 pm

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AGENDA ITEM 7



Audit Committee

27 July 2017

| | |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Title | Internal Audit Exception Recommendations Report and Q1 Progress Report 1st April to 30th June 2017 |
| Report of | Head of Internal Audit |
| Wards | Not Applicable |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | Appendix 1 - Internal Audit Q1 progress report (1 st April to 30 th June 2017) |
| Officer Contact Details | Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721 |

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) Plan 2017-18 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 | Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income | Limited |
| 2 | Nursery Places – Free Early Education Funding | Limited |

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>

For the first time the report includes a summary of the Barnet Group annual internal audit opinion (2016/17) which provides **Reasonable Assurance**. This will inform the Barnet Group Assurance Mapping exercise we are undertaking in Q2.

Finally, the report includes an Appendix of relevant recent publications that we hope that members find useful.

Recommendations

1. That the Committee note the work completed to date on Internal Audit Q1 progress report - 1st April to 30th June 2017.

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 2017-18 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 2017-18 in April 2017 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 2017-18 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 internal audit findings are analysed alongside finance and performance information it can provide management with the ability to assess value for money.

5.2.2 The Internal Audit Plan 2017-18 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>

6.4 Audit Committee 20 April 2017 (Decision Item 10) – the Audit Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2017-18.

<https://barnetintranet.moderngov.co.uk/documents/g8829/Printed%20minutes%2020th-Apr-2017%2019.00%20Audit%20Committee.pdf?T=1>

Internal Audit – London Borough of Barnet



Internal Audit Progress Report 1 April – 30 June 2017



Cross Council Assurance Service

1.0 Summary

1.1 Purpose of this report

1.1.1 We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

1.2 Progress against the 2017/18 internal audit plan

1.2.1 We have completed 18 audits, [20%] of our 2017/18 internal audit programme for the year, which is below the target for the agreed profile for our work. Please see Appendix A for further narrative on our performance indicators. In line with our reporting protocol with the Audit Committee we present any no assurance or limited assurance reports for discussion. For this Audit Committee, we present the following final reports:

- Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income – Limited Assurance
- Nursery Places – Free Early Education Funding – Limited Assurance

1.3 Findings of our Follow Up Work

1.3.1 We have undertaken follow up work on all high priority actions with an implementation date of 30th June 2017 or sooner. We have discussed with management the progress made in implementing actions falling due in this period and have sought evidence to support their response.

1.3.2 A total of 14 actions have been followed up this quarter. 7 actions have been implemented (50%) and 7 have been partially implemented (50%). Progress is summarised in Section 4.

1.4 Other Matters

1.4.1 As part of our regular reporting to you, we plan to keep you up to date with the emerging information relevant to local government risk, governance and control. We have included a summary of publications which may be of interest at Appendix A.

1.4.2 In Q1 we planned to undertake audits of Council Support for Children's Safeguarding, Safeguarding – Health Visitors and School Nurses and Domestic Violence. Due to the Council having been inspected by Ofsted during the quarter, these have provisionally been moved to later in the year. We planned to undertake an audit of the Fixed Asset Register - Corporate Landlord. Due to the Estates Transformation Programme this has been moved to Q3. We planned to undertake an audit of Health & Safety – Project Management. Due to the Estates Health & Safety follow-up work in Q1 and a member of the Internal Audit team being temporarily seconded into the Electoral Registration team this has moved to Q3.

1.5 Recommendations

- That the Audit Committee notes the progress made against our 2017/18 Internal Audit Programme.

2.0 No and Limited Assurance reports issued since the previous meeting

Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income – Limited Assurance

Number of findings by risk rating

| | |
|----------|------------------|
| Critical | 0 |
| High | 1 (Finding 1) |
| Medium | 4 (Findings 2-5) |
| Low | 1 |
| Advisory | 1 |

Summary

The objective of this audit was to review the design and operational effectiveness of key controls associated with the administration of the Council's CIL scheme and S106 agreements. This phase (Phase I) considered the processing of CIL charges, monitoring of income and income projection. Phase II will be performed in Q2 of 2017/18 and will focus on expenditure, benefits monitoring and governance.

Our high risk finding was:

CIL calculation accuracy (Finding 1, high) - There is currently no formal proactive management review or oversight of the performance of calculations to confirm the accuracy of CIL calculations and no proactive review or approval of the application of discounts and reliefs to confirm that these have been applied appropriately and in line with the scheme or relevant legislation. The Council received £9.6m of CIL income in 2016/17 and £4.5m of reliefs and discounts were offered in the period. CIL represents a significant income stream for the Council and individual charges can be high in value. The manual nature of certain calculations and the potential incentive to commit fraud due to transaction values mean that it is important to have management oversight and segregation of duties embedded into the calculation process and issuing of reliefs/discounts to mitigate discrepancies due to fraud or error

Our medium risk findings were:

- **Internal procedure documents (finding 2, medium)** – There are a number of teams across the Council, Re and CSG that are involved in processing CIL and S106 liabilities. There are no procedure documents in place to clearly define respective responsibilities of Officers/Teams involved in the process;
- **CIL and S106 schedules (finding 3, medium)** – CIL and S106 schedules are currently maintained within Excel spreadsheets to assist in the management of charges and agreements. Data integrity issues were identified where there appeared to be a duplicate trigger point status, legacy schemes which had not been deleted and duplicate schemes where planning applications had been superseded. The spreadsheets require a considerable amount of manual input to maintain and keep up to date. The manual nature of the process heightens the risk of data accuracy issues arising due to fraud or error;
- **CIL charge identification (finding 4, medium)** – Planning officers assert that a review occurs of the CIL form submitted by the planning applicant which is subsequently used to identify CIL eligible

schemes and inform the CIL charge calculations to ensure that the details set out are correct and consistent with the planning application. This control is not formally mapped into planning team procedures and it is not clear what is performed as part of these checks. We found two instances where Planning Officers had not marked eligible applications as 'CIL liable' in the Uniform system and therefore a CIL charge was not created. There are no mitigating controls in place to identify schemes that were not identified by planning officers as potentially being CIL liable and marked within the system due to manual error;

- **Payments to Transport for London (TfL) (finding 5, medium)** – We found that payments made to TfL regarding Mayoral CIL had not been made on-time, potentially leading to the Council being liable to a 5% charge on the Mayor CIL amount due. In Q4, 2015/16, this would have represented 5% of £1.5m.

Management accepted our findings and agreed appropriate actions to be implemented by 30 June 2017. We have confirmed implementation of the actions to address the high risk finding – see section 4.4, Completed Actions.

Nursery Places – Free Early Education Funding – Limited Assurance

Number of findings by risk rating

| | |
|-----------------|-------------------------|
| Critical | - |
| High | 1 (Finding 1) |
| Medium | 3 (Findings 2-4) |
| Low | 2 |
| Advisory | 1 |

Summary

This joint review between Internal Audit and CAFT focused on the core controls in place for processing Free Early Education (FEE) funding, with a particular focus on ensuring eligibility of payments made to providers on behalf of children and ensuring the monies awarded are appropriate and adhere to guidance. This review also focussed on the susceptibility of the scheme to fraud by providers, notably private, voluntary or independent nurseries where, due to their size, there is less separation of duties and there is an increased risk that the individual responsible for submitting FEE claims would benefit from making erroneous or false claims. As part of our review we undertook our own spot check audits on two providers.

Our high risk finding was:

Early Years' Team Audits on providers (Finding 1, high). We found the following issues:

- **Frequency of Early Years Team Audits:** Early Years Team Audits on Private, Voluntary and Independent (PVI) providers - which were developed as a result of historic cases of fraud against the Council - had not been completed on a regular basis, with none performed in 2016 and only two completed so far in 2017 (both were completed in February);
- **Referrals to CAFT:** An Early Years Team Audit performed in 2017 found that the provider had claimed for three children in spring 2017 but they had in fact not attended the nursery during that term. CAFT consider that as a result of this Early Years Team Audit a referral should have been made to

them to make an assessment as to whether the claim could have been fraudulent;

- **Distribution of Early Years' Team Audit Reports to Family Services Finance Team:** The Early Years Team Audit placed an action on the Provider to submit an adjustment form to Family Services Finance Team for the three children. We found no evidence to confirm this was completed but the Early Years Team did subsequently notify the Finance Team and an adjustment was made. We consider that the Finance Team should be automatically included in distribution lists detailing the outcomes of Early Years Team Audits to ensure that adjustments are made as early as possible and prevent overpayments to providers;
- **Actions resulting from the Early Years Team Audit process:** At the time of our audit we could not find evidence that actions recommended as a result of an Early Years Team Audit performed on 10 February 2017 had been completed or resolved by the Early Years Team; and
- **Completeness of Early Years Team Audit findings:** Internal Audit and CAFT revisited one provider who was spot checked in 2017. We found that another child claimed for had not attended the nursery in spring 2017. Whilst this child was not included in the final Early Years Team Audit report we did find evidence that the error had been identified by the officer completing the audit but had been omitted from the final report and therefore not rectified.

Our medium risk findings were:

Interim and Final Payments (finding two, medium):

- **80% interim payment:** We found that for the spring term of 2017 £71,013 was over paid as a result of the interim payment being higher than the actual amount due to providers. We were informed that the 80% interim payment was a higher percentage than that awarded by other Local Authorities.
- **Headcount Claim issues:** 'Headcount week' – where providers insert the actual children attending that nursery for a term - is the third Thursday of every term. Thereafter – for a significant proportion of the term - adjustment forms should be submitted by providers to the Family Services Finance Team. We found this places emphasis on the providers to return information regarding child non-attendance and increases the risk that monies will be awarded to providers where children have left the nursery or have not attended the nursery for the maximum number of weeks. Management confirmed their intention is to allow for a rolling headcount which allows more time for providers to insert actuals and input changes to attendance and allows the process to be more proactive than is currently allowed through the adjustment form process.

Updating of FEE guidance for providers (finding three, medium): We found that the '*Barnet Handbook for Free Early Education and Childcare for two, three and four years olds*' required updating to show current contacts at the Council and to include revised processes. We found instances where providers were unaware

of their expectations regarding FEE and considered there was scope to better engage with providers.

Single point of failure (finding four, medium): We found instances where tasks were not occurring in line with expectations as a result of a single officer not being available and no cover arrangements being in place.

Management accepted our findings and agreed appropriate actions to be implemented by 30 September 2017.

3.0 Progress against plan

| Stage | Name of review | Report classification | Total findings | Ratings | | | | |
|-----------|------------------------------------------------------------------------------|-----------------------|----------------|----------|------|--------|-----|----------|
| | | | | Critical | High | Medium | Low | Advisory |
| Quarter 1 | | | | | | | | |
| Completed | Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income | Limited | 7 | - | 1 | 4 | 1 | 1 |
| Completed | Nursery Places – Free Early Education Funding | Limited | 7 | - | 1 | 4 | 1 | 1 |
| Completed | Contract Register Maintenance | Reasonable | 5 | - | 1 | 2 | 1 | 1 |
| Completed | Non-Schools Payroll | Reasonable | 5 | - | - | 5 | - | - |
| Completed | Pensions Administration | Reasonable | 4 | - | - | 3 | 1 | - |
| Completed | Water Safety | Reasonable | 3 | - | - | 3 | - | - |
| Completed | Commercial Waste – achieving income target (Joint with CAFT) | Reasonable | 5 | - | - | 5 | - | - |

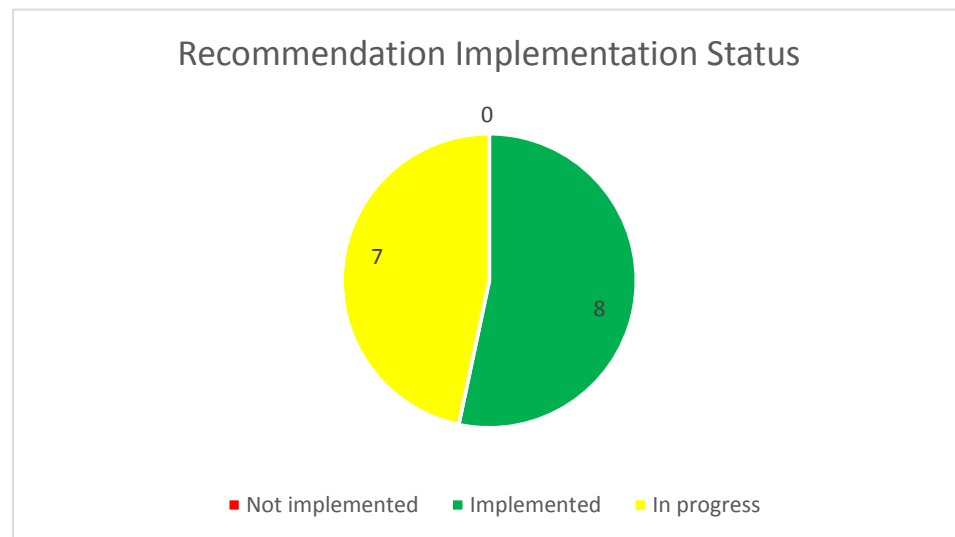
| | | | | | | | | |
|--------------|-------------------------------------------------------------------------|-------------|---|---|---|---|---|---|
| Completed | Livingstone School | Reasonable | 5 | - | - | 2 | 3 | - |
| Completed | St. John's N11 School | Reasonable | 7 | - | - | 2 | 5 | - |
| Completed | Brunswick Park School | Reasonable | 7 | - | - | 2 | 5 | - |
| Completed | Hollickwood | Reasonable | 5 | - | - | 3 | 2 | - |
| Completed | Northway | Reasonable | 4 | - | - | 3 | 1 | - |
| Completed | Safeguarding – Family Services | Substantial | 1 | - | - | 1 | - | - |
| Completed | Beis Yaakov School | Substantial | 3 | - | - | 1 | 2 | - |
| Completed | Mapledown School | Substantial | 3 | - | - | 1 | 2 | - |
| Completed | Troubled Families - Payment by Results Q1 | N/A | - | - | - | - | - | - |
| Completed | Estates / Health & Safety compliance & Subcontractor ordering follow-up | N/A | - | - | - | - | - | - |
| Draft Report | Prevent | N/A | - | - | - | - | - | - |
| Fieldwork | SWIFT to Mosaic Data Migration | TBC | - | - | - | - | - | - |
| Fieldwork | IT Change Management follow-up | TBC | - | - | - | - | - | - |
| Fieldwork | Purchase Cards follow-up | TBC | - | - | - | - | - | - |
| Fieldwork | Re Operational Review – Planning (Joint with CAFT) | TBC | - | - | - | - | - | - |
| Fieldwork | IT Risk Diagnostic | TBC | - | - | - | - | - | - |
| Fieldwork | Performance Management Framework (Advisory) | TBC | - | - | - | - | - | - |
| Fieldwork | Commercial – Contract Management Toolkit (Advisory) | TBC | - | - | - | - | - | - |
| Planning | Emergency Planning | TBC | - | - | - | - | - | - |
| Planning | Transformation - Benefits Realisation | TBC | - | - | - | - | - | - |

| | | | | | | | | |
|---------------------------|------------------------------------------------------------------------------------------------------------|-----|---|---|---|---|---|---|
| Planning | Project & Programme Management toolkits | TBC | - | - | - | - | - | - |
| Planning | Better Care Fund - development of protocol for joint Internal Audits with the Clinical Commissioning Group | TBC | - | - | - | - | - | - |
| Planning | Investing in IT – Lessons Learnt (Advisory) | TBC | - | - | - | - | - | - |
| Planning | Contract Management – The Fremantle Trust | TBC | - | - | - | - | - | - |
| Planning | HR Core efficiency review | TBC | - | - | - | - | - | - |
| Planning | Eligibility to Work - Pre-Employment Checks (Joint with CAFT) | TBC | - | - | - | - | - | - |
| Deferred to later in year | Council Support for Children’s Safeguarding | TBC | - | - | - | - | - | - |
| Deferred to later in year | Safeguarding – Health Visitors and School Nurses | TBC | - | - | - | - | - | - |
| Deferred to later in year | Domestic Violence | TBC | - | - | - | - | - | - |
| Deferred to Q3 | Fixed Asset Register - Corporate Landlord | TBC | - | - | - | - | - | - |
| Deferred to Q3 | Health & Safety – Project Management | TBC | - | - | - | - | - | - |

4.0 Follow Up

4.1 Summary

4.1.1 The wheel below demonstrates how many high priority actions due this period have been implemented, are in progress or are not implemented.



4.2 Estates Health & Safety follow-up

The London Borough of Barnet (the "Council") owns or maintains approximately 800 properties that make up the Council's corporate estate. The Council is the duty holder for these properties and has a statutory responsibility to address health and safety risks to reduce the risk of harm to a satisfactory level. There are six main health and safety risk areas: Asbestos, Legionella, Fire, Gas, Electrical and lift safety.

The Council should have an adequate framework in place to assess and identify relevant health and safety risks and then take reasonable action to address issues of non-compliance and potential risk. Operational responsibility for performing certain health and safety related activities has been outsourced to CSG as part of the broader agreement the Council has with Capita. The Council, as duty holder, is still ultimately responsible for health and safety risks associated with the corporate estate.

A full audit review was undertaken in 2016/17 and identified a number of areas for further improvement, mainly in relation to remedial work and governance. As a result of these control deficiencies "limited assurance" was awarded.

The objective of this review was to check that the agreed actions in the audit report have been implemented. Management provided an update on progress against agreed actions at the April 2017 Audit Committee meeting. Progress highlighted in this report to committee has been verified as part of this review.

| Status | Description | High Priority | Medium Priority | Low Priority | Total |
|-----------------------|------------------------------------------------------------------------------------------|---------------|-----------------|--------------|---------|
| Implemented | Evidence provided to demonstrate that the action is complete | 3 / 5 | 11 / 12 | - | 13 / 18 |
| Partially Implemented | Evidence provided to show that progress has been made but the action is not yet complete | 2 / 5 | 1 / 12 | 1 / 1 | 5 / 18 |
| Not Implemented | No evidence seen of the action being progressed or completed | - | - | - | - |

The status against the High Priority recommendations is summarised in sections 4.3 and 4.4 below.

4.3 Outstanding actions

4.3.1 Outstanding high priority actions are summarised below:

| Name of report | Agreed Action | Status (Not Implemented / In Progress) | Owner | Due Date |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Highways Programme (March 2017) | <p>Performance Management – Conway Aecom</p> <p>The current suite of KPIs in place will be reviewed. As part of this exercise obsolete indicators will be removed and the KPIs set out in the framework agreement will be reviewed to determine what potential indicators would add value to the current performance management framework.</p> <p>These indicators will be added to those measured and reported by the contractor on a monthly basis as appropriate.</p> | <p>In Progress</p> <p>Note: The Council calls off The London Highways Alliance Contract (LoHAC) for highways services.</p> <p>TFL are undergoing a review of the Performance measures for the LoHAC contract. We are in close communication with TFL and have received their first draft.</p> <p>The existing and the draft performance measures will be taken into consideration through the FSR to incorporate a more robust measure of performance. The final draft is expected to be concluded by October 2017. We will apply those measures at that time even if TFL and LoHAC have not fully finalised their review process. If that is the case, we will then revisit if necessary once they have reached their final position.</p> | <p>Interim Lead Strategic Commissioner - Highways and Transport;</p> <p>Associate Director- Highways, Re</p> | <p>Original: 30 June 2017</p> <p>Revised: 31 October 2017</p> |

| | | | | |
|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <p>Highways Programme (March 2017)</p> | <p>Performance Management – Conway Aecom</p> <p>The Council and Re will discuss the alignment of performance targets between the LoHAC contract and those in place to monitor Re's performance where applicable. This will be considered as part of the contract KPI review highlighted in action (a) as well as the 4 year review of the overarching Re contract which will consider the suite of KPIs that are in place to assess Re's performance.</p> | <p>In Progress</p> <p>As above</p> | <p>Commercial Performance and Development Manager;</p> <p>Interim Lead Strategic Commissioner - Highways and Transport;</p> <p>Associate Director-Highways, Re</p> | <p>Original: 30 June 2017</p> <p>Revised: 31 October 2017</p> |
| <p>Estates Health & Safety Compliance - (February 2017)</p> | <p>Performance Reporting</p> <p>We will continue to progress with SPIR 3 to ensure the contractual position between CSG and the Council in relation to responsibilities for all of the non-civic estate is agreed. We will submit a change request to alter the contract once the entire suite of KPI's has been reviewed in March 2017.</p> | <p>In Progress</p> <p>We have reviewed the draft report which evidences progress with contract variation to ensure the contractual position between CSG and the Council is up to date, with clearly defined roles and responsibilities as well as including KPIs to assess operational health and safety compliance performance.</p> <p>The draft has been agreed between the two parties verbally but has not gone through formal authorisation between respective commercial teams to date. A target date of 31st August 2017 has been set for the contract to be agreed and finalised between both parties.</p> | <p>Director of Estates, CSG</p> <p>Head of Estates, LBB</p> | <p>Original: 28 April 2017</p> <p>Revised: 31 August 2017</p> |
| <p>Estates Health & Safety Compliance - (February 2017)</p> | <p>Performance Reporting</p> <p>We will put mechanisms in place to provide Council management with assurance that CSG are fulfilling their responsibilities. This may include employing a client-side Compliance Officer or making use of CSG's compliance arrangements.</p> | <p>In Progress</p> <p>Evidence of how the Council are obtaining assurance that CSG are fulfilling their responsibilities was demonstrated through a draft report for May. This report supports the compliance data.</p> <p>The CSG compliance team undertakes assurance activity on a monthly basis to determine whether operational responsibilities with regards to health and safety compliance have been fulfilled.</p> | <p>Director of Estates, CSG</p> <p>Head of Estates, LBB</p> | <p>Original: 28 April 2017</p> <p>Revised: 31 August 2017</p> |

| | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------|
| | | <p>The methodology that the CSG compliance team will adopt has been set out in a terms of reference (ToR) that has been shared with the Council. The CSG compliance team plans to report back to the Council on a monthly basis setting out the results of assurance activity.</p> <p>We reviewed the ToR that is in place to support the activity undertaken by the CSG compliance team. The monthly testing activity that is planned under this regime had not been fully undertaken at the date of testing (May 2017).</p> | | |
| <p>Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness</p> <p>Investigating and resolving alleged breaches of planning control</p> <p>(January 2017)</p> | <p>Backlog of cases</p> <p>Management will review the 619 enforcement cases which are currently without a recommended action and ensure appropriate action is being taken. Management will prioritise the 175 cases that have been open for over a year.</p> | <p>In Progress</p> <p>Of the 175 of the 619 cases considered a priority owing to them being open for more than a year, 53 (30%) had been actioned but 122 (70%) had not.</p> <p>Of the remaining cases within the 619 cases, we tested a sample of 30 cases to determine the action taken. Within our sample, 12 (40%) had been actioned but 18 (60%) had not.</p> <p>Management referred to plans having already been put into action to rectify previous shortcomings, including a team restructure and the recruitment of a 'backlog officer'.</p> | <p>Planning Enforcement Manager, Re</p> | <p>Original: 30 April 2017</p> <p>Revised: 31 July 2017</p> |
| <p>Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness</p> <p>Investigating and resolving alleged breaches of planning control</p> <p>(January 2017)</p> | <p>Learning Lessons</p> <p>Management will investigate cases where action is not taken in reasonable timescales to ensure that recurrent delays are prevented and that lessons are learnt from the review.</p> | <p>In Progress</p> <p>Of the 1012 new cases since 1/10/2016, we tested whether the 90 day working day KPI target for issuing breach/enforcement notices had been met.</p> <p>At the time of audit testing, 116 cases were still open without action and had already exceeded the 90 days target.</p> <p>Management confirmed that each case now has a current officer assigned who will deal with the cases as appropriate. If</p> | <p>Planning Enforcement Manager, Re</p> | <p>Original: 30 April 2017</p> <p>Revised: 31 July 2017</p> |

| | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------|
| | | <p>for whatever reason the officer no longer has capacity to deal with their caseload some will be reassigned to the newly recruited 'backlog officer'.</p> <p>Of the remaining cases, we tested a sample of 9 cases against which action had been taken. 4 of these (44%) were not resolved within the 90 days KPI target.</p> <p>In terms of lessons to be learnt, Management confirmed that these issues have primarily been caused by the number and experience of officers and their retention. Plans have already been put into action to rectify these shortcomings. The team has been augmented to assist in the speed of decision making.</p> | | |
| <p>Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness</p> <p>Investigating and resolving alleged breaches of planning control</p> <p>(January 2017)</p> | <p>Records retention</p> <p>Management will remind Enforcement Officers of the importance of ensuring all relevant information and evidence is retained on file in the event of a query being raised at a later date.</p> | <p>In Progress</p> <p>Staff confirmed attendance at appropriate training that emphasised document retention. Testing also confirmed that planning officers retained sufficient documentation to support their recommendations. Where officers make a recommendation this is correctly authorised by a manager.</p> <p>However, we did find cases where a manager was involved operationally in the case and also closes it off without any authorisation by a second manager, which represents a lack of segregation of duties. In these instances, although verbal explanations seemed reasonable the documentation supporting the manager reasoning was not clear.</p> | <p>Planning Enforcement Manager, Re</p> | <p>Original: 30 April 2017</p> <p>Revised: 31 July 2017</p> |

4.4 Completed actions

4.4.1 During this period we followed up 8 high priority actions which are deemed to have been implemented. We have summarised these below:

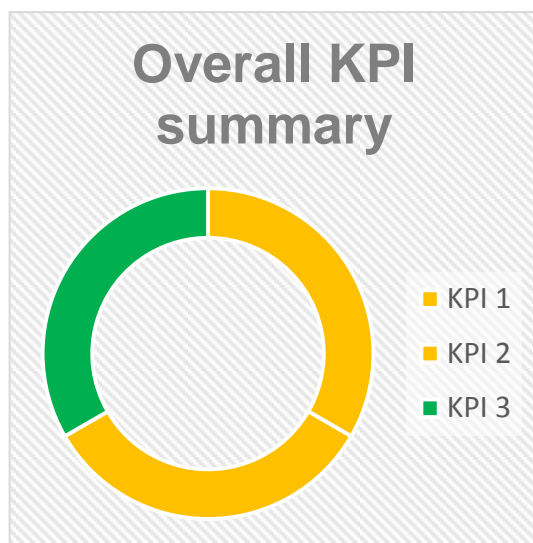
| Name of report | Agreed Action and Due Date | Implemented |
|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income (April 2017)</p> | <p>CIL calculation accuracy – due 30 June 2017 Proposals for a revised approach will be agreed at the next meeting of the Strategic Planning Operations Board (SPOB) in May 2017.</p> | <p>The paper presented to the SPOB in May contained the revised approach which was approved.</p> |
| <p>Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income (April 2017)</p> | <p>CIL calculation accuracy – due 30 June 2017 Mechanisms for review and oversight of the calculation and discount/relief process will be established. We will develop parameters to ensure that high value/complex calculations are reviewed by another officer and high value discounts will be reviewed and authorised before processing. A sample of other CIL calculations and charges generated by Planning Obligations Officers will be verified on a periodic basis. Evidence of such checks will be documented and kept on file.</p> | <p>The SPOB meeting had a mechanism for management oversight and review. We saw the output of management review in June in which Management challenged some of the calculations.</p> |
| <p>Estates Health & Safety Compliance (February 2017)</p> | <p>Performance Reporting – due 28 April 2017 We will establish a mechanism to ensure that operational performance and compliance status in relation to the whole of the non-civic estate is reported back to senior stakeholders within the Council. This will provide them with an opportunity to scrutinise and challenge Health and Safety activity.</p> | <p>We reviewed the latest reporting (LBB property Compliance Performing Report- May 2017) to senior stakeholders within the Council and checked that it includes the operational performance and compliance status in relation to the whole of the non-civic estate and confirm that it facilitates oversight and scrutiny.</p> <p>We found:</p> <ul style="list-style-type: none"> - The report includes an analysis of compliance across the non-civic estate and categorises properties into compliant or non-compliant, highlighting if properties have overdue inspections, outstanding remedial actions or outstanding documentation; - A detailed listing of properties that reconciles to the summary dashboard reporting is also produced to support the figures; and - A report section has been established in the template which facilitates further scrutiny of areas of non-compliance to flag key issues to Council management. This section was not fully completed in the May report but management assert this will be completed in subsequent reports. |

| | | |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Estates Health & Safety Compliance (February 2017)</p> | <p>Performance Reporting – due 28 April 2017</p> <p>We will document an escalation protocol that sets out what the Council want to be notified of and how the Council should be notified. This protocol will be followed in the event that issues are identified.</p> | <p>An escalation protocol that sets out what the Council want to be notified of and how the Council should be notified was provided and evidence that this had been shared with the appropriate staff within CSG.</p> <p>The escalation protocol policy document was reviewed and deemed fit for purpose. It clearly defines the priority levels and remediating action for each, with clear process documentation on how to report this back to the Council.</p> |
| <p>Estates Health & Safety Compliance (February 2017)</p> | <p>Performance Reporting – due 28 April 2017</p> <p>Monitoring arrangements will be defined to ensure activity set out in the programme to understand the compliance state of the non-civic is delivered in line with requirements.</p> | <p>The CSG compliance team has undertaken monitoring to ensure activity set out in the programme to understand the compliance state of the non-civic estate is delivered as planned.</p> <p>Monitoring information is shared with the Council on a monthly basis and supported by smaller weekly reports setting out progress. We obtained and reviewed an example of the monthly and weekly reports provided by CSG Estates setting out progress.</p> |
| <p>Statutory Complaints – Adults and Communities (November 2016)</p> | <p>Learning from Complaints form – due 31 March 2017 (revised 30 June 2017)</p> <p>Management will ensure that Learning from Complaints forms are completed and returned by Heads of Service to ensure lessons learned from complaints can be documented.</p> | <p>We saw that there were six partially and fully upheld complaints in Q1 of 2017/18. We selected three for our testing and asked to see completed lessons learned forms from the relevant 'complaint owner'. We saw that in all cases the form had been completed and returned to the Complaints Manager.</p> |
| <p>IT Change Management* (March 2016)</p> | <p>Process Lifecycle - Configuration records – due 31 August 2016 (revised 30 June 2017)</p> <p>Upgrade to a scalable relational Configuration Management Database (CMDB) tool to enable the auditable capture of CI dependencies and configuration information.</p> | <p>Service Now CMDB went live in June 2017.</p> <p>* Note that completion of other Audit follow-up work on IT Change Management to occur in August 2017 to enable more valuable review once Service Now is more embedded.</p> |
| <p>Dollis Junior School (March 2017)</p> | <p>Budget Monitoring – due</p> <p>Monitoring and control should be a continuous process throughout the financial year. Monitoring reports should be accurate so that early detection of significant deviation from the financial plan is possible.</p> <p>This has been noted. The School had already set up a more rigorous monitoring system since October 2016 and have worked tirelessly to</p> | <p>Follow up audit visit 19 June 2017 confirmed that the school made cost savings to March 2017, and set a budget for 2017/18 with great care. They are monitoring costs closely, and, without unforeseen expenditure, should be able to repay the deficit shortly.</p> |

| | | |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | <p>reduce the original forecasted deficit. These systems will continue to be reviewed as part of our on-going structural changes in this area. In the interim, we will continue to monitor our budget using FM4S and the Finance Committee.</p> | |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

Appendices

Appendix A: Key performance indicators (KPIs)



Fully Achieved



Partially Achieved

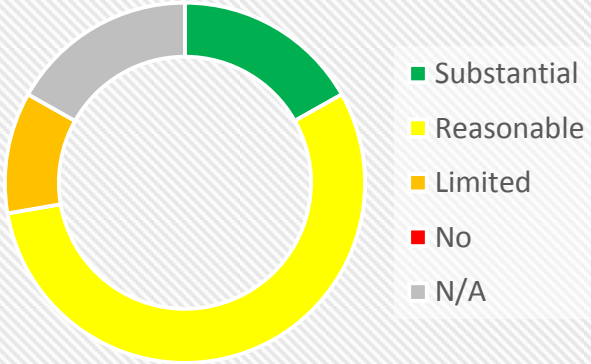


Not Achieved



| KPI | Target | Results | Comment |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. % of Plan delivered | 34% Based on 95% complete of those due in quarter | 20% | Although this is below the target for Q1, there are another 15 audits already underway and we are confident that we will deliver 95% of our plan by the end of the year. In Q1 a member of the internal audit team was seconded into the Elections team for 7 weeks to support the snap election which temporarily reduced internal audit's capacity. 0-17% = Not Achieved 18-33%% = Partially Achieved 34% = Fully Achieved |
| 2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up | 90% | 53% | 0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved |
| 3. Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys | 85% | 100% | 0-49% = Not Achieved 50-84% = Partially Achieved 85% = Fully Achieved |
| 4. % of reports year to date achieving: •Substantial | N/A | 17% | |

Assurance Ratings



| | |
|---------------|-----|
| •Reasonable | 56% |
| •Limited | 11% |
| •No Assurance | 0% |
| •N/A | 17% |

Appendix B: Summary of The Barnet Group Internal Audit Annual Report 2016/17

Below is a summary of the Barnet Group Internal Audit Annual Report 2016-17 which provides an annual opinion of **Reasonable Assurance**. It states:

“...The Barnet Group has an adequate, effective and reliable framework of internal control and effective risk management and governance processes, which provides **reasonable assurance** regarding the effective and efficient achievement of the Group’s objectives...”.

The report, compiled by The Barnet Group’s internal auditors Mazars, reflects 19 audits, including compliance and follow up. The results of the 19 audits are summarised below:

The results of our audit work during 2016/17 are summarised below:

| Audit Area | Assurance level | Recommendations | | | | Accepted | Not accepted |
|----------------------------------------------|-----------------|-----------------------------------------|-----------|-----------|-----------|-----------|--------------|
| | | F | S | HK | Total | | |
| Business Continuity Planning | Substantial | - | - | 2 | 2 | 2 | - |
| Stock Investment | Adequate | - | 2 | - | 2 | 2 | - |
| Fraud advisory review | N/A | No recommendations raised for this work | | | | | |
| Compliance – Q1 2016/17 | N/A | - | 1 | 1 | 2 | 2 | - |
| Fire | Adequate | - | 3 | - | 3 | 3 | - |
| Legionella | Adequate | - | 3 | - | 3 | 3 | - |
| Regulatory Compliance (Open Door) | N/A | No recommendations raised for this work | | | | | |
| Governance (Open Door) | Substantial | - | - | 2 | 2 | 2 | - |
| Business plan and stress testing (Open Door) | Substantial | - | - | 3 | 3 | 3 | - |
| Treasury Management (Group) | Substantial | - | - | 4 | 4 | 4 | - |
| Compliance – Q3 2016/17 | N/A | - | 1 | 1 | 2 | 2 | - |
| Tenancy Fraud ¹ | Adequate | - | 1 | 4 | 5 | 5 | - |
| QL follow up review | Substantial | - | - | - | - | - | - |
| YCB Scheme Visits | Limited | 1 | 3 | 4 | 8 | 8 | - |
| Data Integrity | Various | - | 6 | 4 | 10 | 10 | - |
| Compliance – Q4 2016/17 | N/A | - | 1 | 2 | 3 | 3 | - |
| Fraud resilience | Adequate | - | 2 | 3 | 5 | 5 | - |
| Follow up | N/A | No recommendations raised for this work | | | | | |
| Asbestos | Limited | 2 | - | 1 | 3 | 3 | - |
| Total | - | 3 | 23 | 31 | 57 | 57 | - |

F = Fundamental S = Significant HK = House keeping

Appendix C: Recent publications



CIPFA Audit Committee Update Issue 22, March 2017

Audit Committee Update is a briefing for members of public sector audit committees and those working with the committee. It is available for organisations that subscribe to the CIPFA Better Governance Forum.

The main topic of Issue 22 is the development of the Annual Governance Statement for 2016/17 in accordance with the latest guidance. It also considers good practice in producing an effective governance statement.

In addition the briefing covers recent developments, consultations, legislation and regulations which are of relevance to the work of the audit committee. The briefing will help to keep committee members up to date with new developments and provides access to further reading and resources.

<http://www.cipfa.org/services/networks/better-governance-forum/corporate-governance-documentation/audit-committee-update-issue-22>



2017 State of the Internal Audit Profession Study; Navigating disruption

A look at the influences disrupting organizations today... and how Internal Audit can build the resilience to evolve and increase its organizational value amidst disruption.

<https://www.pwc.com/us/en/risk-assurance/internal-audit-transformation-study.html>



Public Sector Internal Audit Standards, April 2017

These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

The Standards have been revised from 1 April 2017 to incorporate new and revised international standards and consequent amendments to the additional public sector requirements and interpretations.

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

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|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Audit Committee</p> <p>27 July 2017</p> |
| <p style="text-align: right;">Title</p> | <p>Corporate Anti-Fraud Team (CAFT) Q1 Progress Report 2017-18</p> |
| <p style="text-align: right;">Report of</p> | <p>Clair Green – Assurance 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;">Urgent</p> | <p>No</p> |
| <p style="text-align: right;">Key</p> | <p>No</p> |
| <p style="text-align: right;">Enclosures</p> | <p>Appendix 1 - CAFT Q1 Progress Report April – June 2017</p> |
| <p style="text-align: right;">Officer Contact Details</p> | <p>Clair Green – Assurance Director clair.green@barnet.gov.uk 0208 359 7791</p> |

| |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <h3>Summary</h3> |
| <p>This report covers the period 1st April 2017 – 30 June 2017 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.</p> |

| |
|-----------------------------------------------------------------------------------------------------------------|
| <h3>Recommendations</h3> |
| <p>1. That the Committee note the CAFT Progress Report covering the period 1st April – 30 June 2017.</p> |

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2017/18 that a Quarterly 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 N/A.

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 28th July 2016 - (Decision item 12) – the Audit committee included in the Committee Forward Work Programme for 2017/18 that quarterly progress reports on the work of the Corporate Anti-Fraud Team be produced to this meeting.

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Corporate Anti-Fraud Team (CAFT) Progress Report: April – June 2017

1. Introduction
2. Pro-Active Fraud Plan
3. Performance Information
4. Noteworthy Investigations summaries

1. Introduction

This report covers the period 1st April 2017 – 30th June 2017 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

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 Finance 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 on 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.

During the last quarter CAFT have further developed relationships with other local authorities namely London Borough of Haringey where joint working and assistance has been established to utilise the enhanced investigative powers of the CAFT Financial Investigators in relation to Proceeds of Crime investigations.

The tables below will show that the CAFT investigators have dealt with a total of 357 allegations of fraud in this first quarter of 2017/18

2. Pro-active fraud plan

Table 1 provides an update against any CAFT pro-active activity undertaken in this period as set out within the 2017/18 plan

| CAFT Pro-active review | Outcome |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Disabled Blue Badge Street Operation.</p> <p>Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.</p> | <p>CAFT have conducted two intelligence led pro-active 'street' Operations in quarter 1 – during these exercises CAFT officers are accompanied by NSL Parking Enforcement Officers and Barnet Police.</p> <p>The first Operation spanned a half day and was carried out on 25th May 2017 in the Golders Green area. <i>As a result of this exercise 7 cases were identified for further investigation. Out of these 1 was a forgery, 2 were cancelled and 4 were being misused. 6 badges were seized during the day.</i></p> <p>The second Operation was carried out on 28th June 2017 in the Edgware and Mill Hill areas.</p> <p><i>As a result of this operation 13 cases were identified for further investigation. Out of these 1 was a cancelled badge and 12 were being misused. 5 badges were seized during the day.</i></p> |

3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2017/18 fraud plan. *(No targets are set against each of these indicators, they are the results of CAFT re-active and continuous investigation work – with the exception of 'Properties Recovered' which is agreed with Barnet Homes as an annual figure of 60 properties).*

| Performance Indicator | Q1 2017-18 | 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 16-17 | 27 | |
| Number of new fraud investigations | 21 | |
| Total number of Cases dealt with in Q1 | 48 | |
| Total Number of closed fraud investigations | 21 | 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. | 1 | Please refer to noteworthy investigations sections (case 7) of this report for further details of closed cases. |
| Total number of closed cases in Q1 | 22 | |
| Number of cases awaiting legal action | 1 | There is currently 1 investigation that is with our legal team for prosecution. |
| Total number of on-going fraud investigations | 25 | 5 relate to School Admissions, 5 relate to assisted travel (NFI), 4 relate to schools and Learning, 2 relate to Parking, 2 relate to Re - planning, 2 relate to Safeguarding Adults, 1 relates to Electoral registration 1 relates to Street scenes waste, 1 relates to Procurement, 1 relates to Facilities 1 relates to Direct Payments |
| Total number of cases carried into Q2 | 26 | |
| Disabled Blue Badge Misuse and Fraud this details the investigation of Blue Badge Misuse as well as Blue Badge fraud. Blue badges can only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances. | | |
| Number of carried forward Fraud investigations from 16-17 | 37 | |
| Number of new referrals received | 54 | As a result of these referrals 22 badges have been seized. |
| Total number of BB cases dealt with in Q1 | 91 | |
| Number of cases that were closed after prosecution in Q1 | 6 | These cases were put before the courts in this first quarter and resulted in 6 guilty verdicts. Please refer to noteworthy investigations sections of the report for further details |
| Number of cases closed with Cautions being Administered in Q1 | 12 | Please refer to noteworthy investigations sections of the report for further details |
| Number of cases closed with a warning letter sent to badge holder in Q1 | 12 | Warning letters* are issued where there is a strong suspicion that a holders badge is being misused. *some relate to Barnet badges seized by other local authorities |
| Number of cases closed with no further action by the Authority | 14 | 2 were closed as no Fraud identified, 2 were referred to Police, and 10 were closed due to insufficient evidence. |
| Total number of BB cases closed in Q1 | 44 | |
| Number of cases with legal awaiting court action | 9 | All of these cases are already with our legal team for prosecution |
| Number of On-going BB investigations | 38 | |
| Total number of BB cases Carried into Q2 | 47 | |

| Financial Investigations - 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 16-17 | 11 | |
| Number of new Financial investigations | 1 | |
| Total number of Financial cases in Q1 | 12 | |
| Number of closed Financial investigations | 3 | Of these 3 cases, 1 was referred to Police, 1 was closed no fraud identified and 1 closed due to insufficient evidence |
| Total number of closed Financials in Q1 | 3 | |
| Total Number of on-going Financial investigations | 9 | Of these investigations, 4 relate to planning, 2 relate to Tenancy Fraud, 1 relates to Schools & Learning, 1 relates to Adults and Communities. There is a further 1 investigation which is a joint venture with Haringey Council. Details of cases are reported on closure if fraud is proven or another sanction given. |
| Total number of Financials carried into Q2 | 9 | |
| <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 16-17 | 91 | |
| Number of new Tenancy Fraud Cases | 65 | |
| Number of new Right to Buy Cases checked | 50 | As from April 2017 CAFT took on the responsibility for vetting all Right to Buy Applications submitted to Barnet Homes. |
| Number of cases dealt with in Q1 | 206 | |
| Number of Tenancy cases closed due to property being recovered by the Authority | 19 | These were recovered due to the properties being sublet or where the tenants were not in occupation: 5 relate to succession applications 6 relate to emergency housing 8 relate to standard tenancies |
| Number of cases closed relating to Housing Applications that were denied as a result of CAFT intervention | 3 | CAFT now work closely with the Housing Options Team and carry out checks to identify inaccurate applications for housing. |

| | | |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of Right to Buy cases closed due to applications being denied as a result of CAFT intervention | 5 | A saving of £103,900 in discounts on 1 property was achieved by CAFT preventing the sale of the property due to the application being withdrawn as a result of CAFT involvement. 4 of the cases did not get to the valuation stage due to our investigations so the discount was not applied. |
| Number of Tenancy cases Closed | 42 | These cases were investigated but no tangible evidence was identified to substantiate the allegations. <i>These cases were closed as Insufficient Evidence or No Fraud Identified</i> |
| Number of Right to Buy cases closed as eligible to apply | 22 | All Right to Buy cases are now validated by CAFT. These cases were validated has having no issues and so allowed to progress through the system |
| Total number of cases closed in Q1 | 91 | |
| Total number of on-going Tenancy Fraud Investigations. | 92 | Of these 92 cases 3 are with legal awaiting Criminal prosecution and 6 are with legal awaiting Civil action. |
| Total number of on-going Right to Buy Investigations. | 23 | |
| Number of Housing cases carried into Q2 | 115 | |
| 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 quarter. This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners. | |
| Number of referrals received under the council's whistleblowing policy. | Nil this quarter. This is reported in accordance with Policy. | |

4. Noteworthy investigation summaries:-

Tenancy Fraud Investigations

Mr A had a one bedroom flat in Barnet. A referral was received from the housing team as there were concerns the tenant was not resident in the property. Following an investigation, Mr A was found to be living abroad. The property was recovered through civil proceedings as the tenant did not make any contact.

Mrs B had a one bedroom flat in Barnet. During a key fob exercise, it was found that she had a mortgage elsewhere prior to obtaining the tenancy in Barnet. Mrs B was interviewed under caution regarding the matter and the property was subsequently recovered when an outright possession order was granted. Bailiffs attended the property to recover the property and there is currently an on-going criminal case that is with our legal department.

Mrs C had a two bedroom flat in Barnet. A referral was received following the gas safety team visiting the property and having concerns that the tenant was not resident. Further checks showed that the tenant actually

owned another property and was living elsewhere. Following an interview under caution, Mrs C decided to hand the keys back and surrender the tenancy. There is currently an on-going criminal case that is with our legal department.

Mrs D had a two bedroom flat in Barnet. A referral was received stating that the tenant was sub-letting the property. Unannounced visits were made to the property without success and further investigation showed that Mrs D was not resident. She was interviewed under caution and subsequently relinquished the tenancy to the property in Barnet.

Mrs E had a one bedroom flat in Barnet. A referral was received from the neighbourhood team voicing concerns that the tenant was not resident. Unannounced visits were made to the property without response and further investigation linked the tenant to another property. Following discussions, the tenant decided to surrender the tenancy to the property.

Mrs F had a one bedroom emergency accommodation outside of the borough. A referral was received from the emergency accommodation team that there were concerns Mrs F was not resident. Investigations established that Mrs F had actually moved abroad so the property was subsequently recovered and her name was removed from waiting list

Blue Badges & Corporate Fraud Investigations

Case 1 – relates to an Estate Agent who was misusing a cancelled disabled Blue Badge to park for business. Following an investigation he was summoned to court in April 2017 and was sentenced to a fine of £660, ordered to pay costs of £964 and a Victim Surcharge of £66.

Case 2 – relates to the misuse of a stolen disabled badge. The defendant stated that she had found the badge prior to displaying it on her vehicle. She was summoned to court in April 2017 and pleaded guilty by post and was sentenced to a fine of £253, ordered to pay costs of £502 and a victim surcharge of £30.

Case 3 – relates to the misuse of a disabled badge by the badge holders son who had parked for free without his mother being present and had continued to deny that he misused the badge although CCTV evidence showed he had. He was summonsed to court in April 2017 and was sentenced to a fine of £600, ordered to pay costs of £600 and a £60 victim surcharge.

Case 4 – relates to the misuse of a child's disabled badge by the badge holder's mother. Despite the mother's attempts to miss-lead investigators by providing false documentation, she was summoned to court in April 2017 and pleaded guilty by post. She was sentenced to a fine of £440, ordered to pay costs of £936 and a victim surcharge of £44.

Case 5 – relates to the misuse of a disabled badge by a restaurant owner who had used his elderly mother's badge without her being present. He had previously been subject to an investigation into the same offence and was given a warning. When he committed the offence a second time, he was summoned to court in June 2017 and pleaded not guilty. He subsequently changed his plea to guilty after reviewing the compelling evidence against him. He was sentenced to a fine of £500, ordered to pay costs of £500 and a victim surcharge of £50.

Case 6 – relates to the misuse of a child's blue badge by the badge holder's mother. She had used his badge whilst he was at school and had been advised this was a criminal offence by the Civil Enforcement officer. She later that day used the badge for a second time and received two penalty charge notices. She admitted in interview that she had misused her son's blue badge. She was summoned to court in June 2017 and pleaded guilty by post. She was sentenced to a fine of £300, ordered to pay costs of £300 and a victim surcharge of £30.

Case 7 – relates to the submission of inaccurate expense claims. Hand written invoices were accepted and allowed to be processed. The ensuing investigation found that weak processes and poor record keeping had led to the approval of these claims. CAFT have made recommendations to the area affected on how to improve these processes and highlighted the issues to the Audit Department. Due to the unverifiable origins of the amounts being claimed it was not possible to calculate an accurate overpayment figure (estimated to be in the

region of a few hundred pounds). The member of staff involved resigned from his post prior to disciplinary action being taken by the authority and the case was closed.

Simple Cautions (formerly known as Formal or Police Cautions)

The aims of the simple caution scheme are:

To offer a proportionate response to low-level offending where the offender has admitted the offence;

To deliver swift, simple and effective justice that carries a deterrent effect;

To record an individual's criminal conduct for possible reference in future criminal proceedings or in criminal record or other similar checks;

To reduce the likelihood of re-offending;

To increase the amount of time police/investigation officers spend dealing with more serious crime and reduce the amount of time officers spend completing paperwork and attending court, whilst simultaneously reducing the burden on the courts.

Twelve cautions were administered by CAFT in Q1 where disabled blue badges were found being misused. Following investigative interviews under caution, the circumstances of these cases allowed CAFT to consider them to be dealt with by way of the administration of a formal caution.

Six of these cases related to instances where errands were being run by family members on behalf of the badge holder. These errands related to the collection of items such as medication. The offenders stated that they believed that the badge could be used for such action but when the Blue badge scheme was explained to them they realised that their actions fell outside of what was permitted.

Five cases related to situations where the offenders had been given permission by the badge holder to use the badge. The offenders stated that they believed that they could use the badge with permission. When the Blue badge scheme was explained to them they realised that their actions fell outside of what was permitted. In all five cases warning letters were sent to the Badge holders.

One case related to a situation where the offender was adamant that the blue badge in question was left on the dashboard after dropping off the badge holder. Whilst an offence had been committed which the offender agreed, it was deemed to be inappropriate to pursue the case through the courts.

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|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| | <h2>Audit Committee</h2> <h3>27 July 2017</h3> |
| <p style="text-align: right;">Title</p> | <p>Draft Annual Governance Statement</p> |
| <p style="text-align: right;">Report of</p> | <p>Assurance Director</p> |
| <p style="text-align: right;">Wards</p> | <p>None</p> |
| <p style="text-align: right;">Status</p> | <p>Public</p> |
| <p style="text-align: right;">Urgent</p> | <p>No</p> |
| <p style="text-align: right;">Key</p> | <p>No</p> |
| <p style="text-align: right;">Enclosures</p> | <p>Appendix A: Draft Annual Governance Statement 2016/17</p> |
| <p style="text-align: right;">Officer Contact Details</p> | <p>Clair Green, Assurance Director, 020 8359 7719 clair.green@barnet.gov.uk</p> |

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <h2>Summary</h2> |
| <p>The council is required to produce an Annual Governance Statement (AGS), which is a statutory reported public statement, and will be included within the statement of accounts for 2016/17. The Annual Governance Statement summarises the key processes the council uses to deliver systems of control, governance and assurance across its functions. The report seeks approval for the Annual Governance Statement 2016/17 to be included in the annual accounts.</p> |

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| <h2>Recommendations</h2> |
| <p>That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2016/17</p> |

1. WHY THIS REPORT IS NEEDED

- 1.1 Part 2 Section 6 of the Accounts and Audit Regulations 2015 requires a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement each year with the authority's financial statements.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee is required to consider the Annual Governance Statement and recommend its adoption and inclusion within the Statement of Accounts.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None considered. The Council is required to have an Annual Governance Statement.

4. POST DECISION IMPLEMENTATION

- 4.1 The governance issues identified within the Annual Governance Statement will be monitored throughout the year.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Annual Governance Statement is a public document that shows that the council recognises that there are areas for improvement:

- 5.1.2 The committee's scrutiny of their progress supports the priorities in the 2015-2020 Corporate Plan of Barnet as place:

- 'Where services are delivered efficiently to get value for money for the tax payer' within which is the further aim; and
- 'To improve Customer Services and increase transparency.'

- 5.1.3 Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

- 5.1.4 Barnet Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the Code and also meets the requirements of Part 2 Section 6 of the Accounts and Audit Regulations 2015 in relation to

the publication of a statement of internal control.

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

5.2.1 The council is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). In addition, the authority's assurance arrangements conform to the governance requirement of the CIPFA Statement on the role of the Head of Internal Audit.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2013 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going.

5.4 Legal and Constitutional References

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

5.4.2 The Council's Constitution under Responsibilities for Functions - the Audit Committee terms of reference includes "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

5.5 Risk Management

5.5.1 The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

5.5.2 The Annual Governance Statement is a process of identifying governance issues and suggesting key actions to mitigate potential risks to the Council. These are then monitored throughout the year until resolution.

5.6 Equalities and Diversity

5.6.1 Effective systems of audit, internal control and corporate governance provide assurance on compliance with laws, regulation, internal policies and procedures, including compliance with the Council's duties under the 2010 Equalities Act.

5.7 Consultation and Engagement

5.7.1 Not applicable

5.8 Insight

5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 Accounts and Audit Regulations 2015:

http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf

6.2 CIPFA / SOLACE – Delivering Good Governance in Local Governance Framework 2016 Edition:

<http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

6.3 CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2015:

<http://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-chief-financial-officer-in-local-government>

6.4 Audit Committee, 28 July 2016 (Decision item 10) approved the Annual Governance Statement for inclusion within the Statement of Accounts for 2015/16:

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=8826>

LONDON BOROUGH OF BARNET

Annual Governance Statement 2016-2017



CERTIFICATION

To the best of our knowledge, the governance arrangements, as defined have been effectively operating during the year 2016/17 with the exception of those areas identified in Section 4.

We propose over the coming year to take steps to address the matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

SIGNED: _____

Date: _____

Leader of the Council

SIGNED: _____

Date: _____

Chief Executive

1. INTRODUCTION

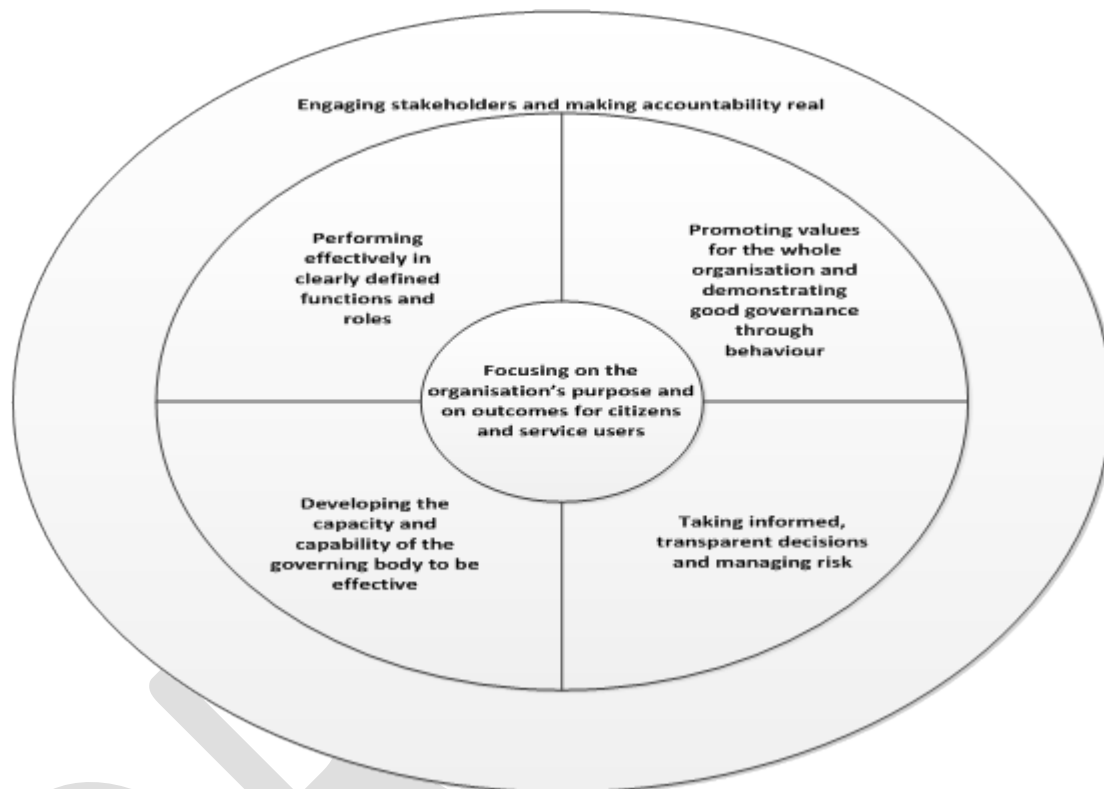
- Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.
- Barnet Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the 2012-2016 CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.
- The current Code of Corporate Governance is included within the Constitution and is in the process of being reviewed and updated in accordance with new CIPFA/SOLACE revised guidance and principles issued at the end of 2016 for adoption and implementation with the Council during 2017/18.

2. THE GOVERNANCE FRAMEWORK

- The governance framework encompasses the systems and processes, culture and values, by which the Council is directed and controlled together with the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level – it cannot eliminate all risk only provide reasonable not absolute assurance of effectiveness.
- The system is based on an on-going process designed to (i) identify and prioritise the risks to achievement of the Council's policies, aims and objectives, (ii) evaluate the likelihood of those risks being realised together with the impact should they be realised, and (iii) manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

3. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

The Council's governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.



The key elements of the principles can be summarised as follows:

3.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and services user.
- The Corporate Plan approved by Full Council sets out the Council's vision up to 2020.
- Commissioning Plans, each one approved by the relevant Theme Committee set out the strategic priorities and commissioning intentions for the next five years and also performance measures for each Committee.
- In place is our Customer Care Charter where we state there is a '*...need to be clear about the services we can and can't provide; sometimes other organisations will be better placed to meet your needs.*'

Assurance received

- Published Corporate Plan 2015-2020 and further addendum to the Corporate Plan as approved at Full Council on 7 March 2017.
- Theme Committees approved five year Commissioning Plans (2015-2020) at the start of the 2015/16 financial year. Theme Committees are currently in the process of approving Commissioning Plan 2017/18 addendums for the 2017/18 financial year.
- Published Customer Care Charter

- Internal Audit & Anti-Fraud Strategy and Annual Plan 2016/17 – supports the delivery of Council's key objectives by providing an auditor judgement on the effectiveness of the management of the risks associated with delivery of the Council's services.

3.2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Ultimate strategic direction and control lies with elected Members who collectively are responsible for the governance of the Council. Officers are responsible for delivering the strategic direction and outcomes set by Members.
- The Council's constitution provides a summary and explanation of how the Council operates. It documents the terms of references for committees and the appropriate point of authority for decisions, rules of procedure, plus various codes and protocols, including a protocol for working arrangements between Members and officers. Further documented is a scheme of delegated authority to officers which defines how chief officers delegate the operational decisions within their respective remits. As such, the constitution augments the statutory framework in setting out the Council's decision making powers.
- The Council's governance structure, a 'committee system', which is distinct from a leader/cabinet model, permits cross-party political discussion at all committee meetings.
- As Head of Paid Service the Chief Executive and Chief Officers work closely with elected Members to deliver:
 - Strategic direction – ensuring all staff understand and adhere to the strategic aims of the organisation and follow the directions set by Members.
 - Policy advice – act as principal policy advisers to Members, to lead the development of work strategies to deliver set by Members.
 - Partnerships – leading and developing strong partnerships to achieve improved outcomes and better public services for citizens and service users.
 - Operational management – overseeing financial and performance management, risk management, people management and change management within the Council.

Assurance received

- The following are included in the Council's constitution which is published document on our website:
 - Protocols for Member/officer relations
 - Functions delegated to committees
 - Functions of authority delegated to officers
 - Who constitutionally are the designated Chief Officers and their functions as Statutory Officers
 - Regular briefings between Chief Officers, the Leader and Deputy Leader
 - Meetings with Committee Chairman take place in support of the committee system. There are also similar regular briefings between chief officers and Members of the opposition.
- Development of the Corporate Plan: Members and officers working together in consultation with the local community and key stakeholders.

3.3 Promoting values for the authority and demonstrating the values of good governance through upholding standards of conduct and behaviour

- The Council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members, staff and partners.
- The codes of conduct and protocols set out in the constitution document the expected standard of conduct and personal behaviour of Members and staff.

- The Council now has a Standards Committee with independent persons available to chair that determines alleged breaches of the Code of Conduct for Members
- Managing the risk of fraud – the Council is committed to tackling fraud, abuse and other forms of malpractice. Allegations are investigated independently by the Corporate Anti-Fraud Team which ensures that the corrective action taken is robust.
- Contained within the Employee Handbook are relevant policies from the Counter Fraud Framework Manual, which sets out the Council's Whistleblowing Policy Statement and Procedure and the Fraud Policy Statement and Procedure.
- The Assurance Director is responsible for delivering all assurance functions including the Corporate Anti-Fraud Team, Internal Audit and Governance Service all of which contribute to supporting good governance. The Monitoring Officer is responsible for making sure that decisions are made not only in accordance with the constitution but are within the appropriate legal framework. The Monitoring Officer has a duty to promote and maintain high standards of conduct by supporting the Constitution, Ethics and Probity Committee. In addition, the Monitoring Officer has a duty to conduct investigations into alleged breaches of the Members Code of Conduct.
- Contract Procedure Rules (CPRs) set out in the constitution, provide the governance structure within which the Council may procure works, supplies and services.

Assurance received

- Standards of conduct and personal behaviour are communicated on a number of ways including the following:
 - Codes of conduct for Members and officers set out in the Constitution.
 - Register of interests for both Members/officers with guidance
 - Declaration of gifts and hospitality with guidance
 - 'Our Stars' staff award is a scheme that recognise outstanding practice and those who go the extra mile for the good of our community. It further seeks to encourage employees to contribute to new ideas and innovate.
- Published Corporate Complaints Policy
- Published guidance on complaints about (i) the conduct of a Member, and (ii) Council services.
- The Whistleblowing Policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith.
- The Counter-Fraud guidance is designed to assist in both the detection and reporting of fraud.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The decision making framework and scheme of delegated authority to officers are contained within the constitution and reviewed regularly. They make sure the committee and decision making processes are open, transparent and free from bias and conflict of interests.
- Committee work programme – this is a programme listing the decisions that will be made during the municipal year either by the committee or Full Council. Further detailed in the document is the intended date of decision, a brief description of the decision requested and the lead officer.
- The Council's revised Risk Management Framework was approved by Performance and Contract Management Committee on 5 January 2017. The new framework has been embedded across service areas, commissioned services and projects and programmes. The

Strategic Risk Register and escalated service risks are reviewed by Chief Officers on a quarterly basis.

- Senior officers (including the Section 151 Officer and the Monitoring Officer) support Members in the policy and decision making process by providing assessments and advice.
- The implementation of decisions is made in a manner that promotes the Council's vision and values.
- The Audit Committee provides independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. Appointed to the Committee are two independent members.

Assurance received

- Publication of committee agendas, reports and decisions on the website. Publication of officer decisions on the website. Committee's terms of reference and procedure rules are out in the constitution.
- Monthly publication of theme committee work programmes.
- Scrutiny and reporting on performance via the Performance and Contract Monitoring Committee.
- Audit Committee Annual report which is ratified by Full Council.
- The risk management framework was reviewed during 2016-17 year and an updated version was approved by Performance and Contract Management Committee on 5 January 2017. The Strategic Risk Register and escalated service risks are reviewed by Chief Officers at the Council's Strategic Commissioning Board (SCB) on a quarterly basis.
- Internal Audit Opinion and CAFT Annual and Quarterly reports.
- External Auditors Annual Letter.
- Internal Audit continues to review and report on Risk Management arrangements and provide a statement on the adequacy of risk management arrangements across the Council.
- Business Planning 2016/17 - 2019/2020 –General Budget Consultation 2016/17. The final consultation finds are published and presented for consideration by Full Council as part of the Business Planning Report.
- The 2017/18 Business Plan was approved by Full Council on 7 March 2017.

3.5 Developing the capacity of Members and officers to be effective

- Member Development sessions are held to brief Members on relevant areas of legislation on key areas and issues covering areas such as planning, safeguarding, growth and regeneration, new contracts, etc. Members may request attendance on relevant external courses; such skills based training on public speaking or presentation skills etc.
- There is an ongoing management development programme in place to meet specific needs across the organisation both qualifications based and developmental workshops.
- Bi-Annual Staff Survey helps the organisation understand where possible changes can be made.
- The Council is committed to ensuring that our staff receive a comprehensive induction which includes a video of the Leader introducing Barnet, introduction to the organisation but equally recognises that individual employees have to take ownership of this. Induction into Barnet focuses on five key areas:
 - On-boarding – this site is on the internet and once candidates have accepted an offer of employment they are provided with the link. This site contains information about the Council, how it operates, the services we provide, local information
 - Corporate Induction – this is a half day event led by the Chief Executive and finishes with a tour of the borough and a discussion about the corporate plan.
 - Local Induction – Each delivery unit holds a local event with a tailored programme centred on the Department and business units.

- E-Learning – takes new starters through a comprehensive programme of all areas staff need to have knowledge of e.g. health & safety, information management, fraud awareness, HR, finance, procurement
- Buddy scheme – upon arrival new starters are allocated a buddy who can navigate them around the building and support them during their first couple of months.

Assurance Received

- Member training and development.
- Each delivered unit is required to report to SCB on actions in response to the results of the bi-annual staff survey.
- Individual staff learning and development plans captured as part of Performance Review process.
- Corporate Induction for every new employee.
- Each ward now has an officer from the Senior Leadership team assigned as the lead link officer who offers to meet and/or go out around the ward with the ward Councillors and takes an interest in helping to resolve any issues.

3.6 Engaging with local people and stakeholders

- The Council regularly engages and consults with residents on a range of local and diverse issues.
- The outcome and results of all consultations are published on the website and where it relates to a policy/strategy, the information is presented to the relevant Committee.
- The Resident's Perception Survey is currently conducted twice a year to help inform our new performance management system more regularly.
- A proportion of Community Infrastructure Levy funding is allocated to Area Committees for spending on local environmental projects brought forward by Members on behalf of residents. The Council also operates a Corporate Grants Programme to support local charities and community groups and has recently launched a Crowdfunding platform to support local initiatives.
- The Communities Together Network; This is a community resilience forum and is designed to operate at a proactive and reactive level in response to any emergency incidents, so that emergency services and the community can work together to monitor, understand, reduce and prevent community tension. It also forms part of the Council's continuing commitment and refreshed approach to equalities.
- Members of the public are able to make representations at committees via the public questions and comments process.

Assurance Received

- Business Planning 2016/17-2019/2020 - General Budget Consultation 2016/17. The final consultation finds are published and presented for consideration by Full Council as part of the Business Planning Report.
- Annual Equalities Report approved by Policy and Resources Committee
- 6-monthly Resident Perception survey
- The Area Committee Budget and application process has been by agreed the Policy & Resources Committee and Community Leadership Committee respectively.
- The Communities Together Network Annual Report is considered by Community Leadership Committee and published on the Council's website.
- Corporate Grant decisions taken by Community Leadership Committee.
- Crowdfunding platform launched July 2017 with a number of projects now 'live'.

4. SIGNIFICANT GOVERNANCE ISSUES – 2016/17

This year has been a period of continued financial pressures. Despite this challenging environment, there have been achievements and improvement in the Council's governance arrangements. Where we have identified areas for further improvement (see below) we will continue to take the necessary action to implement changes that will further develop our governance framework.

4.1 **Family Services OFSTED Inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board'.**

Ofsted, the Office for Standards in Education, Children's Services and Skills, inspect and regulate services that care for children and young people, and services providing education and skills for learners of all ages.

Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board from 24 April 2017 to 18 May 2017. As a result of the inspection, Ofsted judged these services to be 'inadequate'.

The Council fully accepted the findings of the Ofsted report and in response has developed an action plan which sets out the continued improvement journey we need to make to transform our social care services for children, young people and their families from inadequate to outstanding.

Issues about the quality of children's social care services in Barnet were previously identified by the Council and presented to Members of Children's, Education and Local Safeguarding (CELS) Committee in September 2015 and July 2016. As a result the Council established a Social Work Improvement Board and began a major improvement programme working with Essex County Council as Improvement Partners.

Although there is emerging evidence of practice improvement, especially since the appointment of Practice Leaders in October, this is not sufficiently consistent and there needs to be, as Ofsted recommend '*...a continued and sustained focus on improving core social work practice strategically and operationally, to equip practitioners and managers to deliver good-quality services to children and their families*'.

The focus of the Improvement Action Plan is to enhance our practice leadership and core social work skills, ensuring that there is more understanding of the lived experience of children and young people and on improving their outcomes. This is to be achieved at pace.

A report was presented to the Council's Children, Education, and Libraries & Safeguarding (CELS) Committee on the 18 July 2017. This report included the key findings from the inspection report as well as an overview of the draft 'written statement of action' (draft Improvement Action Plan) which the authority is required to complete and submit. The report also includes the immediate actions which have been undertaken since the Ofsted Inspection.

The report summarises guidance from Ofsted and the Department of Education in relation to Local Authorities which have received an overall judgement of inadequate. Ofsted will undertake a series of activities including an action planning visit, a programme of quarterly monitoring visits and a re-inspection once the period of monitoring has ended. The authority is also subject to intervention by the Department of Education (DfE) until services are improved.

4.2 Electoral Services – Electoral Registration and Elections Continuous Improvement

It is a statutory requirement that the process of administering and running elections is held entirely separately from politicians.

The external and independent 'Review of Barnet's Electoral Registration and Elections Services' was conducted by Dr Dave Smith (former Returning Officer for Sunderland City Council) following the final recommendation from the Heath Investigation which was that Barnet's Returning Officer should *"...initiate a review of the way in which elections are delivered and how the electoral services function operates with a view to producing suitable recommendations on resources, future management, support arrangements, operating practices, compliance issues and responsibility/accountability for the electoral services function."*

In summary, Dr Smith's review found that the Electoral Registration and Elections Services in Barnet has strong and effective professional knowledge and experience and is compliant with both the law and Electoral Commission guidance, but that there are areas in which the services can be challenged to perform at a higher level and achieve beyond compliance.

Dr Smith's report proposed 16 recommendations for Barnet's Electoral Registration and Elections services. These recommendations are all accepted by the Council and the Returning Officer. They were reported to at General Functions Committee (GFC) on the 9th November 2016 and agreed by the Committee.

We will also be conducting a full internal review of the planning and implementation of all activities for the conduct of the General Election held on 8 June 2017. The 'Smith Review' reported to GFC on 9 November 2016, commended as good practice Barnet's use of such post-election reviews, and therefore these will now also be presented to GFC following each election in future.

Not surprisingly, the calling of a snap General Election posed significant logistical challenges for election teams and Returning Officers across the country, and overall, teams responded very well to this challenge. In Barnet the process for the administration of the General Election ran smoothly across all three Parliamentary constituencies and the level of turnout (both in-station and postal voting) across the constituencies indicates that voter engagement and participation was at an extremely high level.

The preparations in Barnet involved confirmation of nearly 100 polling venues (including in a few instances where pre-designated venues had to be replaced at very late notice), the count venue, and the coordination of multiple statutory processes that involved over 700 staff across polling stations, security and logistics, postal voting and finally, the count and declarations. It also involved providing additional resources to manage the typical surge in registration around national elections, as well as the preparation and issuing of polling cards, postal votes, proxy votes and so on. Further to this the requirements of staff recruitment and training and the preparation of materials and equipment for ballot boxes, polling stations and the count were all successfully delivered in just 50 days.

Although this snap General Election necessarily paused many of the planned activities to implement the complete suite of recommendations made by the Smith Review (and accepted in full by the Returning Officer), these will now be rescheduled with progress also being reported to the General Functions Committee (GFC) during 2017/18.

4.3 Oversight, accountabilities and roles and responsibilities

The Head of Internal Audit's opinion identified oversight, accountabilities, and roles and responsibilities across commissioning, finance and contract management as a key area for improvement for 2016/17 this was also an area of improvement that was previously highlighted in the 2015/16 opinion.

In June 2017, the Chief Executive made changes to the roles and responsibilities of the Council's senior management team in order to ensure that accountabilities were clearer. A programme of work is under way, led by the Commercial Director to more precisely define accountabilities, roles and responsibilities with regards to commissioning and contract management, particularly of the Council's major contracts such as CSG, Re and Cambridge Education. This work is being progressed through an officer working group. Initial proposals have been developed and consultation is taking place with relevant stakeholders in order to refine and finalise those proposals. The remit of the working group includes ensuring that there are robust arrangements for the discharge of these roles and responsibilities through clearly defined contract management activities.

The overall governance and performance reporting framework is also being looked at reviewed and updated as part of this programmes. This is important, given that weaknesses were identified around clarity of accountabilities and responsible for discharging oversight and governance functions as well as clearly defining expectations and requirements in relation to services being provided by third parties through partnership agreements.

4.4 Health and Safety Compliance

The KPI measuring building compliance within the CSG Estates contract has been revised to fully encompass building compliance on the whole of the maintained estate i.e. all buildings for which LBB retains responsibility for repair & maintenance. Detailed compliance reports are being provided to LBB's Head of Estates as part of the monthly and quarterly reporting cycle, with any areas of risk highlighted, together with relevant mitigating action. In addition, monthly performance meetings are being chaired by the LBB Head of Estates, at which such risks & issues will also be discussed. Significant risks will also be escalated to the CSG Partnership Operations Board (POB) and Strategic Commissioning Board (SCB) by the LBB Head of Estates and / or Head of Health, Safety & Wellbeing, as required.

Over the past nine months, over 300 statutory compliance tests have taken place across the maintained estate including testing for asbestos, fire safety and legionella. A small number of actions were identified and these were implemented. Moving forward, the Council, through its partnership with CSG, will continue to carry out health and safety compliance testing in accordance with statutory timetables.

Formal escalation procedures are now in place, should high risk issues with buildings be identified as part of routine compliance management. Similarly, formal escalation procedures are also in place to ensure that compliance in community schools is reported back to the Council by the schools in a timely fashion. This ensures that relevant senior personnel within LBB and CSG are made aware of issues as they are identified and that decisions relating to controlling risk can be made promptly.

The Capita National Compliance Team is also providing an important assurance function by holding weekly meetings with the local delivery team to ensure continuity in statutory compliance practice. They will share performance reports, known issues and service shortfalls to relevant personnel both in LBB and CSG Estates, in order to highlight and / or

escalate areas of non-compliance so that appropriate action can be taken in a timely manner.

The Council's actions in response to the fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea will be outlined in the 2017/18 Annual Governance Statement.

4.5 Pensions Administration

During 2016/17 the Director of Resources (Section 151 Officer) identified concerns relating to pensions administration in relation to: i) ensuring annual benefit statements are sent on time to scheme members in respect of 2016/17; ii) queries that have been open for longer than 12 months have some focused and senior input into reviewing to ensure they are resolved as soon as possible; iii) pensions returns are completed on time; and iv) regular reporting on management information to ensure robust internal processes.

A number of steps have been taken to improve focus on pensions administration including: regular meetings with Capita Employee Benefits Pensions Team to ensure that the Council receives timely management information and task / actions to improve reporting / compliance; undertaking a best practice review for the Local Pension Board to ensure that it can be an effective forum for scrutinising pensions administration, including providing the Board with relevant and accurate information to enable them to do that; improved reporting in relation to Admitted Bodies; and a review of complaints cases.

Pensions administration will continue to be a focus during 2017/18.

5. PREVIOUS YEAR'S SIGNIFICANT ISSUES UPDATE (2016/17)

Set out below are the governance issues identified for monitoring within 2016/17.

- 5.1 Having reviewed these issues we either: i) no longer consider them significant issues for 2016/17 as all associated actions have either been implemented or are in the process of being implemented; ii) or have noted where they have been carried forward as part of 2017/18 significant issues.

| Electoral Services – Electoral Registration and Elections | Update | C/F to 17/18 |
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| <p>It is a statutory requirement that the process of administering and running elections is held entirely separately from politicians.</p> <p>During the London Mayor and GLA elections on 5 May 2016, voters in Barnet experienced problems with voting during the morning of the elections as a result of incomplete electoral registers being sent to the 155 Polling Stations across the borough. This led to a number of voters not being able to cast their vote during the morning of the 5 May 2016 – for which the Council apologised. An independent review was commissioned into what the caused the problem. The final report was published and recommendations from the independent review were accepted by the Chief Executive and reported to Barnet Council's General Functions Committee on 9th June.</p> <p>The recommendations were implemented prior to the referendum which was held on 23rd June and which ran effectively in Barnet. The Electoral Commission and Returning Officer for London were involved throughout to assure themselves of the appropriateness of the actions that the Council has taken.</p> <p>It was also recommended and agreed that a wider external review of the elections and electoral registration function be carried out. External challenge and a public call for evidence</p> | <p>The external and independent 'Review of Barnet's Electoral Registration and Elections Services' was conducted by Dr Dave Smith (former Returning Officer for Sunderland City Council) following the final recommendation from the Heath Investigation was that Barnet's Returning Officer should <i>"...initiate a review of the way in which elections are delivered and how the electoral services function operates with a view to producing suitable recommendations on resources, future management, support arrangements, operating practices, compliance issues and responsibility/accountability for the electoral services function."</i></p> <p>In summary, Dr Smith's review finds that the Electoral Registration and Elections Services in Barnet has strong and effective professional knowledge and experience and is compliant with both the law and Electoral Commission guidance, but that there are areas in which the services can be challenged to perform at a higher level and achieve beyond compliance.</p> <p>Dr Smith's report proposes 16 recommendations for Barnet's Electoral Registration and Elections services. These recommendations are all accepted by the Council and the Returning Officer and initial responses are contained within this report. They were reported at GFC Committee on the 9th November 2016 and agreed by the Committee. Work is underway within the service to implement them.</p> | <p>Yes</p> |

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| <p>will be part of this to ensure that public confidence is regained in the electoral processes in Barnet. The outcome of the review will be reported back to General Functions Committee in November.</p> | | |
| <p>Information Technology (IT) - We recognise that Improvement is required to support services, with a particular focus on the IT service following a recent audit and service performance issues;</p> | <p>Update</p> | <p>C/F to 17/18</p> |
| <p><u>IT Disaster Recovery (ITDR)</u> An audit was concluded in the last quarter of 2015/16 into the IT Disaster Recovery provision from CSG in relation of the requirements set out in the CSG contract. The limited assurance audit highlighted a number of areas of improvement:</p> <ul style="list-style-type: none"> ➤ The governance of ITDR is not clear ➤ The disaster recovery requirements in the CSG are not being delivered by the ITDR project ➤ The inter-dependencies between systems has not been mapped and detailed recovery documentation is not available ➤ Interim ITDR arrangements are not documented or tested | <p>Extensive work has taken place in 2016/17 to increase the robustness of IT Disaster Recovery arrangements. Remaining actions from the internal audits of ITDR have been completed, with the DR test taking place in February 2017 and the recovery manuals for all tiers now complete.</p> <p>Oversight continues on ITDR, with formal reports presented to the quarterly Business Continuity Forum and a regular cycle of testing in place.</p> | <p>No</p> |
| <p><u>IT Change Management</u> An audit was held in March 2016 to review the appropriateness and effectiveness of the Council's IT Change Management process, including related governance, policies, process, procedures and controls that are in place to manage changes to the IT applications and infrastructure that support the Council's services. The audit highlighted a number of areas for improvement;</p> <ul style="list-style-type: none"> ➤ Process Lifecycle: <i>Control design</i> | <p>There has been considerable emphasis in 2016/17 on improving the IT Change Management process. Following the initial internal audit and the follow-up, the remaining actions were reliant on the implementation of a new service desk toolset to put in place the required robust and auditable processes, along with the Configuration Management Database. This new toolset (ServiceNow) was implemented on schedule in June 2017.</p> | <p>No</p> |

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| <ul style="list-style-type: none"> ➤ Change Testing & Validation: <i>Control design</i> ➤ Result of Sample Records Testing: <i>Operating effectiveness</i> ➤ Governance of IT Change Management: <i>Control design</i> ➤ Expectations Management: <i>Control design</i> | | |
| <p><u>Failure of the Library Management System</u></p> <p>In March 2016 the Vubis library management system failed meaning that the following services became unavailable for residents and library staff: the library catalogue, online library accounts for reservations and online renewals, some ebooks, extended hours opening at Edgware Library, PCs for use by children and teenagers, and the stock / acquisitions model for library staff. The library management system has been rebuilt and provided back for testing to Libraries staff on 31st March 2016. Following thorough testing, the system was operational again to the public on 11th April, with the online catalogue and ability to renewal books online operational for residents on 6 May.</p> | <p>Resolved and implemented at time of reporting 2015/16 AGS – however noted as part of overall ITDR issues.</p> | <p>No</p> |
| <p>Human Resources</p> | <p>Update</p> | <p>C/F to 17/18</p> |
| <p><u>Unified Reward</u></p> <p>The Unified Reward project’s aim is to ensure that those that work for Barnet have a simpler, fairer, more flexible reward framework that rewards performance. After extensive negotiation with the Unions and consultation with staff a collective agreement has been reached and outputs from Unified Reward are now being implemented. In order to communicate accurately with staff on the individual impact of Unified Reward to them personally there was an extensive refresh of the Establishment list in order to ensure that 1,600 letters to directly Council employed staff were 100% accurate. This extensive exercise has resulted in a very low error rate on individual staff letters.</p> | <p>The 6 month audit follow up on the establishment confirmed that appropriate controls were in place and that all the actions were now implemented. The Unified Rewards project implementation achieved 100% accuracy which was a testimony to the required controls being practically implemented.</p> | <p>No</p> |

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| <p>We recognise that we need to have enhanced monitoring of how the Council complies across its services on the management and HR practices including appraisals, health and safety compliance and management of sickness absence, with particular regard to:</p> <p><u>Establishment lists</u> Certain areas of weakness around establishment lists were identified as part of an audit review:</p> <ul style="list-style-type: none"> ➤ inaccurate establishment data ➤ the current change process does not operate at a sufficient enough level to function as intended. | | |
| <p><u>Children’s Social Worker Recruitment</u> Barnet like many local authorities nationally has experienced the pressures of trying to recruit and retain sufficient children’s social workers to meet the increasing demand and to improve practice. To address this a recent extensive recruitment Campaign ‘More to Believe In’ has now been supplemented with other recruitment initiatives which include converting current agency staff into permanent roles and recruiting through Barnet Works. This has successfully reduced vacancies levels in social worker recruitment by 35 in the last few months.</p> | <p>There has been considerable emphasis on the recruitment and retention programme, which was recognised by Ofsted as ‘innovative’ during the recent inspection and working with Capita partners key achievements have included:</p> <ul style="list-style-type: none"> • A more stable workforce, turnover rate reduced from 39% (Sept 2015) to 12.76% (March 2017) as part of a focus on recruitment, development and retention of social workers and social work managers in frontline practice <p>The focus on recruitment, retention and workforce development will continue and form part of the Family Services Improvement Plan going forward.</p> | <p>Yes (include in Children’s Social Care issues)</p> |
| <p><u>Safeguarding Risks</u> – Social work practice (managing demand, transforming services)</p> | <p>Update</p> | <p>C/F to 17/18</p> |
| <p><u>Children’s Social Care</u> Ensuring the best possible social care practice for our most vulnerable children is a priority for us. We want to ensure improvement in the quality and consistency of social work practice across Children’s Services is to ensure that the needs of our most vulnerable residents are met effectively and efficiently. We will achieve this by focusing on the three</p> | <p>The Council established the Social Work Improvement Board in May 2016, following the Director of Children’s Service’s commission of a review of the service, which confirmed systematic failures. This board oversaw the delivery of a major change programme which delivered on the three improvement priorities. Some of the Key achievements to date have included:</p> <ul style="list-style-type: none"> ➤ 90% of social workers were trained in Signs of Safety to develop a unifying | <p>Yes</p> |

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| <p>improvement priorities:</p> <ul style="list-style-type: none"> ➤ empowering and equip the social care workforce to understand the importance of our model of resilience-based practice ➤ ensuring that social workers have the tools to effectively carry out their tasks ➤ Ensuring there are sufficient high quality social workers in Barnet to meet needs and demands. | <p>use of theoretical models of evidence-based social work practice</p> <ul style="list-style-type: none"> ➤ More manageable social care workloads with a reduction from 37.5 cases (January 2016) to 12.7 cases (April 2017) in the Duty and Assessment team and from 18.7 cases to 14.6 cases in Intervention & Planning team over the same time period ➤ Creation of smaller social care teams to allow team managers to know both staff and families well. There was a reduction in the ratio of managers to social workers from 1:13 in April 2016 to 1:6 in April 2017 and additional management capacity in MASH. ➤ Positive results from social work survey (Jan 2017) ➤ Changes to service design to reduce the number of transfers between teams included a realignment of management arrangements for Early Help and Youth Offending to Children's Social Care improving interface and safeguarding oversight. There were also additional posts to support seamless transfer in No Recourse to Public Funds, Private Fostering and a CSE/Missing Co-ordinator. ➤ Improvements in appropriate practical support - removal of inefficient WISDOM system and configuring the Early Help system to enable partners to access. Over 130 IT issues were resolved including key changes to systems and forms in response to needs. ➤ The Chief Executive, along with partners of the Local Safeguarding Children's Board (LSCB), commissioned a review of the LSCB to understand the effectiveness. <p>The service will continue to focus on the quality and consistency of practice; forming the basis of our improvement activity going forward.</p> <p>Monitoring in 2017/18 will include progress measures relating to social worker recruitment and retention as referred to above.</p> | |
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| <p><u>Adults Social Care</u></p> <p>Providing Adult Social Care services that are of consistently high quality is our top priority. The Council is required to carry out a range of statutory duties under the Care Act 2014 and other key legislation, including Safeguarding vulnerable Adults. We will do this by:</p> <ul style="list-style-type: none"> ➤ Developing of strengths based social work and occupational therapy practice is the priority in our adult social care service. ➤ Social workers will work more in communities and support individuals to prevent the escalation of need. Alongside this, the principles of 'Making Safeguarding Personal' will be embedded throughout the service in safeguarding practice. To support this practice development, a comprehensive staff development programme and refreshed quality assurance programme is being implemented. | <p>Throughout the last year, we have continued to deliver improvements in adult social care practice. We identified improvements that could be made to ensure high quality supervision occurs consistently in both services as well as learning from statutory complaints received is systematically identified and embedded into practice.</p> <p>The strengths based approach has also been implemented amongst the social work and occupational therapy workforce, through a rolling learning and development programme, which included classroom based and field based training, reflective supervision and support from dedicated trainers and dedicated social work practice coach.</p> <p>Two community based assessment hubs were established, co-located with local voluntary sector organisations, enabling social workers to focus more on prevention.</p> <p>By the end of 2016/17, 20% of assessments had been carried out in these settings.</p> <p>Making safeguarding personal is being implemented through the work of the Safeguarding Adults Board (SAB) and is reviewed at the case level through case file audits and supervision. In 2016/17, the SAB starting monitoring data to measure the implementation of Making Safeguarding Personal (MSP).</p> <p>The quality assurance programme was refreshed: independent case file audits now take place 6 monthly: a new quality board has been established, chaired by the assistant director of adult social care. These reports into the monthly Director of Adults Social Services (DASS) Assurance Group.</p> <p>The service will continue to focus on the strengths based approach; forming the basis of our improvement activity going forward.</p> <p>Monitoring in 2017/18 will focus on embedding practice improvements, with an emphasis on safety and the discharge of statutory duties.</p> | <p>Yes</p> |
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| | <h2>Audit Committee</h2> <h3>27 July 2017</h3> |
| <p>Title</p> | <p>Annual Report of the Audit Committee 2016-17</p> |
| <p>Report of</p> | <p>Chairman of the Audit Committee</p> |
| <p>Wards</p> | <p>N/A</p> |
| <p>Status</p> | <p>Public</p> |
| <p>Urgent</p> | <p>No</p> |
| <p>Key</p> | <p>No</p> |
| <p>Enclosures</p> | <p>Appendix A – Annual Report of the Audit Committee 2016-17</p> <ul style="list-style-type: none"> • Annex 1 –Schedule of Planned and Unplanned Work 2016-17 |
| <p>Officer Contact Details</p> | <p>Clair Green, Assurance Director clair.green@barnet.gov.uk</p> |

Summary

The Constitution under Responsibility for Functions includes the following within the Audit Committee’s terms of reference:

“The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness.”

The attached Annual Report describes how the Audit Committee meets its objectives as well as detailing the work of the Committee to date and the outcomes it has achieved for 2016-17

Recommendations

- 1. That the Committee recommend Full Council to note and approve the Annual Report of the Audit Committee for 2016-17 as an accurate record of the outcomes and work programme for the year.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Annual Report describes the work of the Committee to date and the outcomes it has achieved for 2016-17.
- 1.2 The Committee is asked whether they wish to make any amendments and note that the report will be presented to Full Council in due course.

2. REASONS FOR RECOMMENDATIONS

- 2.1 It is a Constitutional requirement for the Audit Committee to present an Annual Report to full Council each year.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

- 4.1 Once agreed by the Committee the report will be sent to the next Full Council meeting.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.11 The Audit Committee provides the Council with independent assurance and effective challenge and, therefore, the Committee is central to the provision of effective governance that supports delivery of all corporate priorities.

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

- 5.2.1 None in the context of this report.

5.3 Legal and Constitutional References

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

- 5.3.2 The Audit Committee's terms of reference are noted in the Council's Constitution under responsibility for functions. Function 16 of the terms of references requires that the Audit Committee "shall prepare a report to Full

Council on annual basis on its activity and effectiveness”.

5.4 Risk Management

5.4.1 None in the context of this report

5.5 Equalities and Diversity

5.5.1 None in the context of this report

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPER

None

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Appendix 1

Audit Committee Annual Report 2016-17

Cllr Hugh Rayner
Chairman of the Audit Committee
27 July 2017

Contents

1. Introduction and overview

2. Summary of Audit Committee outcomes during 2016-7

3. Conclusions

Annex 1 –Schedule of Planned and Unplanned Work 2016-17

1. Introduction and Overview

1.1 Good corporate governance requires independent, effective assurance about both the adequacy of financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Good practice from the wider public sector indicates that these functions are best delivered by an independent audit committee. In this context, "independence" means that an audit committee should be independent from any other executive function. Further, the National Audit Office regards "well-functioning Audit Committees as key to helping organisations achieve good corporate governance".

1.2 It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

Specifically:

1.2.1 **independent assurance** of the adequacy of the control environment within the authority;

1.2.2 **independent review** of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and

1.2.3 **assurance** that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with and that appropriate accounting policies have been applied.

1.3 Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's *Audit Committees - Practical Guidance for Local Authorities* as:

1.3.1 raising greater awareness of the need for internal control and the implementation of audit recommendations

1.3.2 increasing public confidence in the objectivity and fairness of financial and other reporting;

1.3.3 reinforcing the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement); and

1.3.4 providing additional assurance through a process of independent and objective review.

1.3.5 Effective internal control and the establishment of an audit committee can never

1.3.6 eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an audit committee:

➤ **can give additional assurance through a process of independent and objective review**

➤ **can raise awareness of the need for sound control and the implementation of recommendations by internal and external audit**

1.4 **Audit Committee at Barnet Council**

The Council's Constitution includes the terms of reference for the Audit Committee, defining its core functions. The terms of reference describes the purpose of the Audit Committee as:

“to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.”

- 1.4.1 In order to bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.
- 1.4.2 The Audit Committee has a work programme that has been drawn up to effectively discharge its responsibilities as defined by the terms of reference.
- 1.4.3 The Committee relies upon independent, qualified professionals to provide assurance. Directors and Assistant Directors have been requested by the Audit Committee to support the process and to aid in the Committee’s effectiveness/understanding.
- 1.4.4 The Committee undertakes all of its meetings in the public domain. In addition, there have been no instances whereby items have been considered exempt.
- 1.4.5 From the Local Election in 2014 up to Annual Council May 2017 the Audit Committee had been chaired by Councillor Brian Salinger, a member of the administration, for a three year period.
- 1.4.5 The Chairman during 2016-7 required senior officer attendance where there were high priority Audit recommendations and has encouraged public participation at the Audit Committee.

2. Summary of Audit Committee Outcomes during 2016-7

- 2.1 During the financial year (April 2016 – March 2017) the Audit Committee has demonstrated a number of outcomes with a focus on delivering improvement to the organisation. The way in which these were implemented were as follows:-
 - 2.1.1 **Key controls and assurance mechanisms.** The Committee relies upon information presented from qualified, independent and objective officers and external assurance providers. The key controls and assurance mechanisms are as described within the Annual Governance Statement. The Audit Committee is not a working group, it does not carry out the work itself, but relies on the assurance framework to bring significant issues to the Committee for discussion and make recommendations for the Executive and officers to take forward. The Committee recognises that management are responsible for a sound control environment¹.
 - 2.1.2 **Enhanced internal audit methodology.** During 2016/17 the Committee approved the introduction of a scoring methodology within internal audit reports. In particular, this has made it more transparent as to why some audits are given ‘Limited’ as opposed to ‘Reasonable’ assurance ratings. The methodology was designed by and agreed across the Cross Council Assurance Service (CCAS), a group of 6 London boroughs of which Barnet is a founding member. The Committee also approved the alignment of the Schools audit approach with the non-schools audit approach. Now whenever a high priority recommendation is made, the follow-up process is the same, in that evidence is obtained to confirm implementation within the agreed timeframe.
 - 2.1.3 **Cross Council Assurance Service (CCAS).** CCAS, referred to above, was shortlisted for a CIPFA Public Finance Innovation Award for innovation in Internal Audit.

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

2.2. External Audit financial resilience and value for money. For 2016/17 BDO are the Council's appointed external auditors.

2.2.1 In July 2016, in accordance with International Standard on Auditing (ISA) 260, the council's external auditors (BDO) were required to issue detailed reports on matters arising from the audit of the Council's Accounts. The ISA 260 report has to be considered by "those charged with governance" (The Audit Committee) before the external auditor can sign the accounts, which legally had to be done by 30 September 2016. The Council's external auditors did not identify any adjustments affecting the Council's financial position and the accounts were signed accordingly.

2.2.2 The key messages arising from the audit of the 2016/17 financial statements were:

- The auditors identified no evidence of material misstatement as a result of management override of controls, or systematic bias in the making of accounting estimates.
- The work on the significant risk of fraud in relation to revenue recognition identified no issues.
- There were no differences to be corrected in the final Statement of Accounts that affected the reported surplus for the year. A number of amendments to classifications and presentational adjustments were made but there were no unadjusted audit differences.
- The auditors identified some areas for improvement in respect of the Council's Narrative Statement.
- The auditors did not identify any significant control deficiencies, but did make a number of other recommendations.

2.2.3 In providing the opinion on the financial statements, the external auditors, concluded on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion) and presented an unqualified Value for Money Conclusion.

2.4 Improvement agenda – the Audit Committee is committed to improving shortfalls in the control environment, rather than apportioning blame.

2.4.1 The Audit Committee has been provided with assurances on high priority recommendations and the progress against these quarter by quarter. The Audit Committee and its Chairman has asked that leading officers (Directors or Assistant Directors / Strategic Leads) to attend the Audit Committee to explain any deficiencies identified by Internal Audit and how they intend to address and action them. The important aspect that the Audit Committee has been assessing each quarter is whether the direction of travel from one quarter to the next has been improving via recommendations having been implemented. This focus on improving the control environment through follow-up and discussion has made Delivery Units accountable for improvement. We followed up a total of 44 high priority recommendations that had been raised and were due to have been implemented by the end of 2016/17. Of those, we found that 2 were no longer applicable and 1 deadline was extended with Committee approval. 36 had been fully implemented by the year end (88%); the remaining 5

recommendations had been partially implemented at the time of reporting/year end (12%). Overall the direction of travel for implementing audit recommendations on a timely basis improved in 2016-17 with 88% of high priority recommendations confirmed as having been implemented within agreed timescales compared to 83% in 2015-16.

2.4.2 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). The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation and is based on the work performed in 2016-17 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. For 2016-17 a ‘Reasonable’ Annual Internal Audit Opinion was given.

2.4.3 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 2016-17, Internal Audit performed 23 schools visits and undertook 3 follow-up reviews. Additionally the Head of Internal Audit and the Head of Counter-Fraud Operations attended a meeting of all Barnet governors to discuss and explain the audit and anti-fraud approach.

2.4.4 The **Internal Audit and the Corporate Anti-Fraud Team (CAFT)** functions, which are organisationally independent from the rest of the Council, have a combined Annual Plan approved annually by Audit Committee which demonstrates their commitment to joint working, making the best use of resources and avoidance of duplication of effort. This also enables them to ensure that any control weakness identified through fraudulent activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.

2.5 Issues external and internal assurances – during the year the Audit Committee has been presented with various reports regarding control weaknesses. Areas that received an Internal Audit ‘No / Limited’ assurance rating, where the audit review identified areas of weaknesses and high priority recommendations, are listed below. The Committee has also continued to follow up other High priority recommendations within Reasonable Assurance reports where those recommendations are not implemented within the agreed timeframes.-

| Review Title | Assurance rating | Number of High Priority recommendations |
|-------------------------------|------------------|-----------------------------------------|
| Highways Programme | Limited | 1 |
| Estates / H&S compliance | Limited | 1 |
| Insurance | Limited | 1 |
| Parking Permit Administration | Limited | 1 |

2.6 Anti-Fraud – during the year the CAFT operated to an anti-fraud strategy and annual work plan which was approved by the Audit Committee. The Audit Committee has also received quarterly progress as well as an Annual report from CAFT which provide detailed summary on outcomes

including preventative, proactive and reactive anti-fraud work undertaken. There has been consistent good work reported by CAFT in relation to corporate fraud, tenancy fraud and blue badge fraud and misuse.

2.6.2 Blue Badge Fraud and Misuse featured heavily within the CAFT program in 2016-17 with 187 new referrals being received in this area. Officer resource was increased to combat what has proved to be an area of increasing fraud with 23 cases successfully prosecuted and 43 Formal Cautions issued, 37 Warning letters sent out and 6 cases referred to the Police. Five joint street operations took place which resulted in 34 Blue Badges being seized.

2.6.3 In relation to Tenancy Fraud CAFT investigations resulted in 64 properties being recovered during 2016 -17, which include, 6 succession applications being denied and 13 emergency accommodation properties being cancelled. The savings that this number of recovered properties equates to is £9.6m (according to audit commission calculation of £150k per recovered property). Good work was also undertaken in relation to 'Right to Buy' applications – with 17 being denied as a result of CAFT intervention. There is a maximum discount of £103,900 per property on right to buy cases; this work has meant that CAFT have saved the loss of a property and a financial loss of £1,539,600 in discounts in 2016-17 year.

2.6.4 In other areas of internal fraud 1 member of staff is no longer employed / dismissed as a result of CAFT investigations and 1 school place withdrawn as a result of CAFT intervention / investigation.

2.6.5 In relation to Proceeds of Crime (POCA) Investigation CAFT Specialist Financial investigators were able to investigate a case of a landlord who was previously found guilty of breaching a planning enforcement notice using special powers under the POCA to both identify and calculate the criminal benefit that he had received. A confiscation order was made against Mr A for an amount of £555,954 being the profit generated from his criminal conduct. He was also fined £65,000 and ordered to pay £80,000 in costs. Under the governments POCA incentivisation scheme the confiscation amount of £555,954 will be split into 3 parts - £277,977 (50%) goes to the Treasury, £69,494 (12.5%) goes to the courts and £208,482 (37.5%) comes to Barnet council.

2.6.5 Whistleblowing blowing matters are also reported to the Audit Committee. Three matters were referred under whistleblowing policy in the last year – summarised below:-

Q1 A whistleblowing letter was received this quarter but this related to a grievance issue and the whistle-blower was informed how to raise the issue in accordance with the relevant HR Policy.

Q3 A whistleblowing referral was received this quarter which was passed to appropriate service to deal with under the corporate complaints procedure

Q4 A whistleblowing referral was received this quarter which is currently being investigated

2.6.6 In October 2016 CAFT introduced 'Simple Cautions' as an alternative sanction in accordance with our Fraud, Bribery and Corruption Policy.

A 'Simple Caution' is an alternative sanction to prosecution with the following aims:

- To offer a proportionate response to low-level offending where the offender has admitted the offence;
- To deliver swift, simple and effective justice that carries a deterrent effect;
- To record an individual's criminal conduct and can form part of the defendant's criminal record for possible reference in future criminal proceedings or other similar checks;
- To reduce the likelihood of re-offending;
- To increase the amount of time police/council officers spend dealing with more serious crime and reduce the amount of time officers spend completing paperwork and attending court, whilst simultaneously reducing the burden on the courts.

2.7 **Planned and unplanned work** – The Committee has completed its work plan in accordance with its planned level of activity as detailed at annex 1.

3. Conclusions

- 3.1 In conclusion the Audit Committee feels that it has demonstrated that it has added value to the Council's overall Governance Framework.
- 3.2 Throughout 2017-18 the Audit Committee plans to continue to require senior officers to attend Committee meetings to aid in its understanding of the services and the issues identified through the audit process, but mostly to ensure that internal and external recommendations are given the priority required and implemented on a timely basis.
- 3.3 The Audit Committee's focus will continue to be ensuring action is taken of internal control deficiencies and reviewing progress on a regular basis as well as commitment to improving shortfalls in the control environment, rather than apportioning blame.

Annex 1 – Schedule of Planned and Unplanned work 2016 - 17

Detail Reports considered:

| Audit Committee meeting Date | Reports |
|-------------------------------------|-----------------------------------------------------------------------------------------------|
| 19th April 2016 | Exception Recommendations and Internal Audit Progress Report – up 31 st March 2017 |
| | Internal Audit Annual Opinion 2015-16 |
| | Internal Audit and Anti-Fraud Strategy Annual Plan 2016-17 |
| | External Audit Plan 2015-16 |
| | Annual Report of the Corporate Anti-Fraud Team 2015-16 |
| | Counter Fraud Framework Review |
| | External Audit planning report 2015 - 16 |
| | Audit Committee Work Programme 2016-17 |
| 28th July 2016 | Internal Audit Exception Recommendations Report and Progress Report up to 30 June 2016 |
| | Corporate Anti-Fraud Team Q1 Progress Report: April - June 2016 |
| | Annual Governance Statement 2015-16 |
| | Annual Report of the Audit Committee 2015-16 |

| Audit Committee meeting Date | Reports |
|-------------------------------------|---------------------------------------------------------------------------------------------------|
| | External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2015/16 |
| | Audit Committee work programme |
| 3rd November 2016 | Internal Audit Exception Recommendations and Progress Report Q2 - 1st July - 30th September 2016 |
| | Corporate Anti-Fraud Team (CAFT) Q2 Progress Report: July - September 2016 |
| | Audit Committee work programme |
| 30th January 2017 | Internal Audit Exception Recommendations and Progress Report Q3: 1st October - 31st December 2016 |
| | Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1 st October - 31st December 2016 |
| | Invitation to opt-in to the national scheme for auditor appointments |
| | Grants Certification Work Report 2015/16 |
| | Annual Audit Letter 2015/16 |
| | External Auditor Progress Report |
| | Audit Committee Work Programme - January 2017 - May 2017 |

**London Borough of Barnet
Audit Committee Work
Programme
July 2017 to April 2018**

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| Subject | Decision requested | Report Of | Contributing Officer(s) |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------------|
| 27 July 2017 | | | |
| Internal Audit Exception Recommendations and Progress Report Q1 1st April – 30th June 2017 | To note the work completed to date on the Internal Audit Annual Plan 2017-18 and progress against high priority recommendations | Head of Internal Audit | - |
| Corporate Anti-Fraud Team (CAFT) Q1 Progress Report: 1st April – 30th June 2017 | To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2017. To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes | Assurance Director | Head of Counter Fraud Operations |
| Annual Governance Statement | To comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2016/17. | Assurance Director | - |
| Annual Report of the Audit Committee | The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness. | Chairman of Audit Committee | - |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------|
| External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2016/17 | To consider the External Auditors report to those charged with governance on issues arising from the audit of the Council's accounts. The committee will also be asked to approve the audited Statement of Accounts 2016/17. | Section 151 Officer | External Auditors |
| 2 November 2017 | | | |
| Internal Audit Exception Recommendations and Progress Report Q2 1st July – 30th September 2017 | To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2017-18 and high priority recommendations. | Head of Internal Audit | - |
| Corporate Anti-Fraud Team (CAFT) Q2 Progress Report: 1st July – 30th September 2017 | To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st July – 30 September 2017. | Assurance Director | Head of Counter Fraud Operations |
| External Auditor Progress Report | Provides a progress report from BDO on their progress of external Audit activities for 2017/18. | Chief Executive / Section 151 Officer | External Auditors |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------------------|
| 31 January 2018 | | | |
| Internal Audit Exception Recommendations and Progress Report Q3 1st October – 31st December 2017 | To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2017-18 and high priority recommendations. | Head of Internal Audit | |
| Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1st October – 31st December 2017 | To note the the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st October – 31st December 2017 | Assurance Director | Head of Counter Fraud Operations |
| External Audit Annual Audit Letter 2016-17 | To consider the External Auditor's Annual Audit Letter for 2016/2017 on the Council's position in respect of the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience. | Section 151 Officer | External Auditors |
| Grants Certification Work Report 2016/2017 | To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants | Section 151 Officer | |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------|
| External Auditor Progress Report | To note the progress report from BDO on their progress of external audit activities for 2017/18. The report confirms that all work has been completed, other than concluding on matters raised by members of the public regarding the lawfulness of transactions in the financial statements | Section 151 Officer | External Auditors |
| 19 April 2018 | | | |
| Internal Audit Exception Recommendations and Progress Report Q4 1st January – 30th March 2018 | To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2017-18 and high priority recommendations. | Head of Internal Audit | |
| Corporate Anti-Fraud (CAFT Annual Report) 2017-18 | The CAFT annual report provides a summary on the outcome of all CAFT work undertaken During 2017-18 including the objectives as set out in our annual strategy and work plan. | Assurance Director | |
| Internal Audit Annual Opinion 2017-18 | 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 | Head of Internal Audit | |

| Subject | Decision requested | Report Of | Contributing Officer(s) |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------|
| Internal Audit and Anti-Fraud Strategy and Annual Plan 2018-19 | To approve the 2018/19 Internal Audit & CAFT plan | Head of Internal Audit Assurance Director | |
| External Audit Planning Report 2017-18 | This report advises the committee of BDO's audit planning report for 2017/18 | Section 151 Officer | External Auditors |
| Items to be allocated | | | |
| Ad Hoc Audit Reports | To commission work from Internal and External Audit arising from the consideration of other scheduled reports subject to them being proportionate to risk identified and with agreement from the Chief Executive. To review any issue referred to the Committee by the Chief Executive, a Director or any Council body | | |