

MEETING

AUDIT COMMITTEE

DATE AND TIME

MONDAY 19TH OCTOBER, 2020

AT 6.30 PM

VENUE

VIRTUAL MEETING: <https://bit.ly/2l8Xelt>

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Rohit Grover
Vice Chairman: Councillor Alex Prager

Councillor Laithe Jajeh Councillor Kathy Levine Councillor Arjun Mittra
Councillor Alison Moore Councillor Thomas Smith

Independent Members

Geraldine Chadwick
Richard Harbord

Substitute Members

Councillor Peter Zinkin Councillor Lachhya Gurung Councillor Anne Hutton
Councillor Reema Patel Councillor Lisa Rutter 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 Wednesday 14 October at 10AM. 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: Tristan Garrick 020 8359 2454

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	5 - 8
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 Phase 1 Progress Report 1st April to 30th September 2020	9 - 60
8.	Corporate Anti-Fraud Team (CAFT) Combined Q1&Q2 Progress Report 2020-21	61 - 74
9.	Annual Governance Statement	75 - 94
10.	External Auditor's Audit Completion Report for the year 2019/20	95 - 166
11.	Committee Forward Work Programme	167 - 170
12.	Any item(s) the Chairman decides are urgent	

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Decisions of the Audit Committee

14 July 2020

Members Present:-

Councillor Rohit Grover (Chairman)
Councillor Peter Zinkin (Vice-Chairman)

AGENDA ITEM 1

Councillor Kathy Levine
Councillor Arjun Mitra
Councillor Alison Moore

Councillor Alex Prager
Geraldine Chadwick
Richard Harbord

Apologies for Absence

Councillor Laithe Jajeh

1. MINUTES OF LAST MEETING

RESOLVED that the minutes of the meeting dated 30 January 2020 be agreed as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

Apologies were received from Councillor Laithe Jajeh.

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

None.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

6. MEMBERS' ITEMS (IF ANY)

None.

7. ANNUAL INTERNAL AUDIT OPINION 2019-20

The Head of Internal Audit introduced the report which covers the internal audit work completed delivering the 2019/20 audit plan to 31 March 2020, including the work completed more recently to complete the audits that were paused due to the COVID-19 response. It is also informed, where appropriate, by other third-party assurances, for example from Ofsted and the Pensions Regulator. It was noted that this is the first time in 3 years that the annual opinion has been Reasonable Assurance (not Limited).

It was also noted that there has been a percentage increase in the 'positive' assurance reports issued (either Substantial or Reasonable assurance) from 75% to 80%.

Although some high risk rated weaknesses were identified in individual assignments these are broadly isolated to specific systems or processes. Overall the Head of Internal Audit was therefore comfortable issuing a **Reasonable Assurance** annual opinion this year.

Members of the Committee were given an opportunity to ask Officers questions regarding the report.

Councillor Mitra requested a further update on information relating to interest for late payments to Teachers Pensions (p.153) **[Action: Anisa Darr]**.

Councillor Levine requested an update on the status of current staff who have still to complete Safeguarding Level 1 training (p. 154). The Head of Internal Audit confirmed that the Executive Director for Adults and Health has assured the Chairman of the Adults and Safeguarding Committee that this will be actioned promptly, and that this would be followed up by Internal Audit in August/September.

RESOLVED:

1. That the Committee note the contents of the Annual Internal Audit Opinion 2019-20.

8. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND Q4 PROGRESS REPORT 1ST JANUARY TO 31ST MARCH 2020

The Head of Internal Audit introduced the report which was due to come to the cancelled April meeting of the Audit Committee. The report covers the work completed during Q4, much of which has also been incorporated into the Annual Opinion. It was noted that some delivery was affected in March due to COVID and that none of the 12 reviews completed were given a 'No' or 'Limited' assurance rating.

Members of the Committee were given an opportunity to ask Officers questions regarding the report.

RESOLVED;

1. That the Committee note the work completed to date on Internal Audit Q4 progress report - 1st January to 31st March 2020.

9. CORPORATE ANTI-FRAUD TEAM (CAFT) ANNUAL REPORT 2019/20

The Director of Assurance introduced the report which was due to come to the cancelled April meeting of the Audit Committee. The report provides an overall summary of the work of the Corporate Anti-Fraud Team over the past year and an update on the objectives set in the Annual Strategy and Work Plan.

Members of the Committee were given an opportunity to ask Officers questions regarding the report.

Councillor Prager requested an update on the pensions fraud highlighted in Case 3 (p.84). The Director of Assurance noted that an update has been provided on the Capita pensions action plan and that this will be circulated to the Committee [**Action: Clair Green**].

RESOLVED;

1. That the Committee note the CAFT Annual Report covering the period 1st April 2019 – 31st March 2020

10. INTERNAL AUDIT & ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2020-21

The Director of Assurance and Head of Internal Audit introduced the report which was due to come to the cancelled April meeting of the Audit Committee. It was noted that the plan has been reviewed and updated following the COVID-19 pandemic and reflects the responses surrounding this.

Members of the Committee were given an opportunity to ask Officers questions regarding the report.

RESOLVED;

1. That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2020-21.

11. REVISED EXTERNAL AUDIT PLAN 2019/20

The Director of Finance and BDO External Auditor introduced the report which advises the committee of revisions to BDO's audit plan for 2019/20 following the emergence of the Coronavirus and effect on organisations.

Members of the Committee were given an opportunity to ask Officers questions regarding the report.

RESOLVED that;

1. The Audit Committee note the revised BDO's audit plan for 2019/20 as detailed in Appendix A - Updated Audit Planning Report: 2019/20

12. ANNUAL REPORT OF THE AUDIT COMMITTEE

The Chairman introduced the report which 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 2019-20. He thanked the Committee for their contributions and Officers for their work on the report.

Members of the Committee were given an opportunity to ask Officers questions regarding the report.

Councillor Mitra noted that there was a typing error on page 14 of the report which should read,

‘With regards to the rest of the Committee following Local Elections two new Members were appointed in May 2018, Councillor Alex Prager and *Councillor Laithe Jajeh* -they replaced former Councillor Hugh Rayner and former Councillor Sury Khatri.’

RESOLVED;

1. That the Committee recommend Full Council to note and approve the Annual Report of the Audit Committee for 2019-20 as an accurate record of the outcomes and work programme for the year.

13. COMMITTEE FORWARD WORK PROGRAMME

Councillor Moore asked for clarification that the October 19th meeting date would fit in with final external audit reporting and any other formal requirements of the Committee. The Director of Assurance confirmed that the scheduled meeting would work with current timetabling and if anything changed regarding this an additional meeting could be convened.

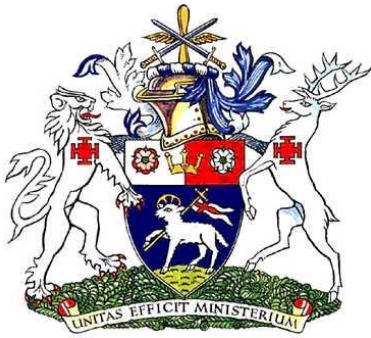
The Committee noted the Forward Work Programme.

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

Councillor Levine thanked the officers for their work in completing the financial statements during this very difficult period. The Chairman and Councillor Moore echoed these thanks to whole team.

The Chairman thanked the Vice-Chairman, Councillor Zinkin for his invaluable contribution during the years he has sat on the Audit Committee.

The meeting finished at 20.33



Audit Committee

19 October 2020

Title	Internal Audit Exception Recommendations Report and Phase 1 Progress Report 1st April to 30th September 2020
Report of	Head of Internal Audit
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - Internal Audit Phase 1 progress report (1 st April to 30 th September 2020)
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 2020-21 and high and medium priority internal audit recommendations. Following the return to 'Business as usual' by the majority of the Internal Audit Team in July, work has concentrated on Phase 1 of the audit plan, which is the Response and Recovery phase.

Work has been undertaken to progress and complete Internal Audits that were underway in Q4 of 2019/20, that were delayed due to a number of factors: officers being unable to support the audits, Internal Audit staff being redeployed to support the COVID-19 response and staff displaying COVID-19 symptoms.

Work has been undertaken to follow-up previously raised high and medium audit actions to confirm whether they have been implemented.

Work has also begun on a number of Phase 2 priority assignments.

This report covers the period 1st April 2020 to 30th September 2021, as at the July Audit Committee a separate quarterly progress update was not provided. This period is referred to as 'Phase 1'.

During Phase 1, the service completed 20 reviews. There was one report issued with a 'Limited' Assurance rating in this period.

There were no reports issued with a 'No' Assurance rating in this period.

	Review	Assurance rating
1	Housing Benefits	Limited Assurance

In response to the Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud and the insourcing of Finance on 1st April 2019, it was agreed that internal audits of Key Financial Systems should be broader in scope than in previous years. It was therefore more likely that the broader scope of internal audits would result in more individual findings. As each individual finding is given 'points' in accordance with the Internal Audit Charter, and the number of total points determines the overall assurance rating, any Limited Assurance ratings in relation to internal audits of Key Financial Systems should be viewed in this context.

Full copies of any '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>

At the end of Phase 1, we have delivered 41% of the audit plan. This is lower than our usual target of 53% at the end of Q2, but this should be viewed in the context of COVID-19. The internal audit team have been redeployed to date for a total of 272 'audit days'. Alongside this, the rest of the Council was delivering critical services only for a large proportion of the period under review which had an impact on the internal audits being undertaken.

Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud

In the 2019/20 Internal Audit plan we committed to completing our work on the remaining GT actions. A summary of how these areas will now be covered in the 2020/21 plan is below.

GT ref	GT finding	Priority	Status
GT4	Managing access and authorisation rights on IT systems	High	This is linked to the wider Starters, Leavers and Movers (SLaM) project being undertaken at the Council. It will now be taken forward in 2020/21 as part of the

			Managing Systems Access Rights audit
GT20	Capital Budget Review	Medium	This is being audited as part of our Follow-Ups programme and will also be covered in the Finance Global Design Principles – Budget Monitoring audit

High and Medium Priority follow-ups

During Phase 1, we followed up on high and medium priority actions with an implementation date of 30th September 2020 or sooner. We have had discussions with management on the progress made in implementing actions falling due in this period and have sought evidence to support their response. Progress had been made where possible, taking into consideration the fact that although Internal Audit has effectively resumed 'BAU', other areas of the Council have been focussing on their own response and recovery plans.

As reported to the Committee in July, during Q1 we confirmed that 12 medium priority actions that have been confirmed as implemented.

A total of 17 high priority and 53 medium priority actions were followed up in Q2.

In Phase 1 in total, we have confirmed the following:

High priority actions: Follow-up Summary	Total	Completed	In progress	Not Implemented	Superseded
Total Number of Actions	17	9	7	0	1
Percentage of Actions		53%	41%	0%	6%

Medium priority actions: Follow-up Summary	Total	Completed	In progress	Not Implemented	Superseded
Total Number of Actions (Q1 and Q2 combined)	65	47	8	0	10
Percentage of Actions		72%	12%	0%	16%

In total, 81% of the actions followed up have been implemented or superseded. This is below the usual target of 90% actions being implemented within agreed timeframes, however this should be viewed in the context of services prioritising their response and recovery activity and the ongoing need to focus on the COVID response as we move into the second wave.

Cross-Council Assurance Service (CCAS) contract

During Phase 1, a number of London based and other local authorities and NHS bodies have signed up to the CCAS framework, bringing the current total number of authorities accessing the framework to 16 with a number of other bodies likely to join shortly.

Recommendations

- 1. That the Committee note the work completed to date on Internal Audit Phase 1 progress report - 1st April to 30th September 2020.**

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 2020-21 Internal Audit Plan and the high and medium 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 2020-21 in July 2020 and this report notes the progress against that plan and progress against high priority recommendations.
- 2.2 The change in approach, whereby a sample of medium priority audit actions will be followed up and the outcome reported to Audit Committee, will lead to a change to the Internal Audit Charter.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

- 4.1 The Internal Audit Plan 2020-21 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 2020-2024, 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 2020-21 agreed by the Audit Committee is being achieved from Internal Audit's current budget.

5.3 Social Value

5.3.1 None in the context of this decision

5.4 Legal and Constitutional References

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

5.4.2 Article 7 of the Council's Constitution, the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

5.5 Risk Management

5.5.1 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.

5.5.2 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.

5.6 Equalities and Diversity

5.6.1 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.

5.7 Corporate Parenting

5.7.1 None in the context of this decision

5.8 Consultation and Engagement

5.8.1 Not applicable

5.9 Insight

5.9.1 None in the context of this decision

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>

6.5 Audit Committee 1 May 2019 (Decision Item 10) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2019-20

<http://barnet.moderngov.co.uk/documents/s52415/Internal%20Audit%20Anti-Fraud%20Strategy%20and%20Annual%20Plan%202019-20.pdf>

Internal Audit – London Borough of Barnet

Appendix 1



Internal Audit Phase 1 Progress Report 1 April – 30 September 2020



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 2020/21 internal audit plan

1.2.1 Due to the COVID-19 pandemic, the majority of the resources of the Internal Audit function were redeployed to the front line to assist with Council's response. 'Business as usual' delivery of the Internal Audit plan was not possible from April until July, when work continued with completion of outstanding work from the end of 19/20 and COVID response work, as set out in the updated audit plan and cover report, presented to the Committee in July.

1.2.2 We have completed 20 reviews in this period and delivered 41% of our 2020/21 internal audit programme for the year, which is below the 53% target for Q2.

This should be viewed in the context of COVID-19, in that the internal audit team have been redeployed to date for a total of 272 'audit days'. To make up for this, where possible audits have been undertaken by our co-sourced partner PwC where they would normally have been undertaken by the in-house team. Alongside this, the rest of the Council was delivering critical services only for a large proportion of the period under review which had an impact on the internal audits being undertaken.

Please see Appendix A for further narrative on our performance indicators (PIs).

1.2.3 There was one 'limited' assurance reports issued in this period. There were no 'No Assurance' rated reports issued in this period.

- Housing Benefits – Limited Assurance

Further detail is provided in section 2.1 of this report.

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 September 2020 or sooner. We have had discussions with management on the progress made in implementing actions falling due in this period and have sought evidence to support their response.

A total of 17 high priority actions have been followed up in Q2:

9 actions have been confirmed as implemented and 1 has been superseded (59%); and

7 have been partially implemented (41%).

High priority actions: Follow-up Summary	Total	Completed	In progress	Not Implemented	Superseded
Total Number of Actions	17	9	7	0	1

1.3.2 We also follow-up a sample of medium priority actions to confirm implementation.

As reported to the Committee in July, during Q1 we confirmed that 12 medium priority actions that have been confirmed as implemented.

A total of 53 medium priority actions have been followed up in Q2:

33 actions have been confirmed as implemented and 9 have been superseded (83% including the actions followed up in Q1);

10 have been partially implemented (15%); and

1 has not been implemented (2%)

Medium priority actions: Follow-up Summary	Total	Completed	In progress	Not Implemented	Superseded
Total Number of Actions (Q1 and Q2 combined)	65	47	8	0	10
Total actions followed up in Phase 1 (High and Medium)	82	56	15	0	11
%		68%	18%	0%	13%

We have currently confirmed **81%** actions as implemented or superseded, which is below the target of 90%. Progress had been made where possible, taking into consideration the fact that although Internal Audit has effectively resumed 'BAU', other areas of the Council have been focussing on their own response and recovery plans. The outturn should be viewed in the context of services prioritising their response and recovery activity and the ongoing need to focus on the COVID response as we move into the second wave.

1.3.3 Until we have clear confirmation that the implementation of audit actions is at an appropriate level and that this is sustainable we will maintain the risk rating as 16 against the following risk within the Assurance Group risk register:

AG020 - If audit actions are not implemented this could lead to a deterioration in the council's control environment and result in the Head of Internal Audit providing a Limited Assurance Annual Opinion.

Progress against audit actions is summarised in more detail in Section 4.

1.4 Other Matters

1.4.1 Grant Thornton Review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud

In the 2019/20 Internal Audit plan we committed to completing our work on the remaining GT actions. A summary of how these areas will now be covered in the 2020/21 plan is below.

GT ref	GT finding	Priority	Status
GT4	Managing access and authorisation rights on IT systems	High	This is linked to the wider Starters, Leavers and Movers (SLaM) project being undertaken at the Council. It will now be taken forward in 2020/21 as part of the Managing Systems Access Rights audit
GT20	Capital Budget Review	Medium	This is being audited as part of our Follow-Ups programme and will also be covered in the Finance Global Design Principles – Budget Monitoring audit

1.5 Recommendations

- That the Audit Committee notes the progress made against our 2020/21 Internal Audit Programme.

2.0 No and Limited Assurance reports issued since the previous meeting

2.1 Housing Benefits – Limited Assurance

Number of recommendations by risk rating				
Critical	High	Medium	Low	Advisory
		7	2	

Background

This review has been undertaken as part of the 2019-20 Internal Audit and Anti-Fraud Strategy and Annual Plan approved by the Council's Audit Committee on 1 May 2019.

This review identified the key controls within Barnet's Housing Benefits systems and processes specifically relating to housing benefits assessments, monitoring and disbursement; and devised an overarching programme of testing to give assurance on the effectiveness of controls. This review focused on the arrangements in place with the CSG Revenues & Benefits team to monitor and ensure that housing benefits are computed accurately, timely and disbursed to the right people.

Finally, we followed up three audit actions from previous audits in this area and found that two had been implemented and one has been superseded by new actions raised within this current review.

The majority of the fieldwork on this review was completed in January and February 2020. The COVID-19 pandemic led to a delay in being able to complete the fieldwork and clear the queries that arose during the audit.

Summary of findings

This audit has identified seven medium and two low risk findings.

We identified the following medium priority issues as part of the audit:

- **Discretionary Housing payments (DHP) (medium)** - During fieldwork, we identified 15/30 (50%) of cases where applications received were not stamped, dated and signed by member of staff. Although documents are registered in a separate log book on receipt, there is a risk that the process could be manipulated if the documents are not date stamped by a separate officer when they are received. We noted that in another 6/30 (20%), DHP application decisions were not prompt and missed the 15 working-day KPI target; while in 1 case (3%) the application was not signed by the applicant or his/her agent; management had accepted a signed cover letter in place of the signature on the form.
- **Discretionary Housing payments - BACs Analysis (medium)** - During fieldwork, we identified that the BACs return resolution/reconciliation is carried out monthly instead of weekly (manually) and there are no written processes for this. We also noted that the reconciliation statements were not reviewed or signed by a senior officer before being passed to finance for necessary action. Notified improvements to this process will be tested when the recommendations made are followed-up.
- **Overpayments – detection and recoupment (medium)** - During fieldwork, we identified 10/30 (33%) of the overpayments made were due to assessors' errors, out of which two (7%) had no repayment arrangement in place.
- **Overpayments - bad debt write-off (medium)** - During fieldwork, we established that there is no write-off policy and no further action by way of debt recovery agencies or legal action after final notices are issued to debtors. There had been no debts written off for several years (since 2015) until the end of the 2019/20 financial year. The total amount outstanding is £324,589, which is currently awaiting a committee decision (delayed by the COVID19 pandemic) to write this off.
- **Appeal process (medium)** - During fieldwork, we noted two (6%) cases where applications were delayed for between 10 - 42 days before reaching the appeal team after reaching the Council, while in 23 (73%) cases, appeal applications were not acknowledged contrary to KPI BEN 026 which states that the service must reply to all correspondence including emails. There is also a backlog of cases to be dealt with.
- **Benefit Fraud (medium)** - During fieldwork, we identified that access to the fraud reporting electronic register is not restricted. There is a risk that unauthorised changes are made to the spreadsheet. Furthermore, the fraud detecting/reporting team have not had any training from CAFT or any other external body recently to facilitate undertaking their responsibilities. The last training session was in 2017. Potential council tax fraud detected from the NFI reports are not forwarded to the CAFT team for action; neither is there any evidence to establish that overpayments above £2,000 are referred to the DWP.
- **Process and Procedure – access to obsolete documents (medium)** – During fieldwork, we identified that a number of policies had not been reviewed and revised in accordance with the Council's policy. Management subsequently informed us that these had been updated; however, staff had access to old versions as they had not been removed from circulation.

3.0 Progress against plan

The table below represents a summary of the work that we have completed during the period 1st April 2020 to 30th September 2020 or that is currently underway.

Stage	Name of review	Report classification	Total findings	Ratings				
				Critical	High	Medium	Low	Advisory
Phase 1 – 1st April 2020 to 30th September 2020								
Complete	Housing Benefits	Limited	9	-	-	7	2	-
Complete	IT Cost Infrastructure	Reasonable	5	-	-	3	2	-
Complete	Schools Payroll	Reasonable	5	-	-	2	3	-
Complete	Teachers' Pensions	Reasonable	1	-	1	-	-	-
Complete	Non-Schools Payroll	Reasonable	6	-	-	3	3	-
Complete	Adults Restructure – Strategic Risk around Safeguarding	Reasonable	4	-	1	2	-	1
Complete	Trent School	Reasonable	5	-	-	3	2	-
Complete	St Paul's CE NW7	Reasonable	6	-	-	4	2	-
Complete	Akiva School	Reasonable	4	-	-	3	1	-
Complete	General Ledger	Reasonable	5	-	-	4	1	-

Complete	Estates Project Management	Reasonable	7	-	-	3	4	-
Complete	Osidge School	Substantial	2	-	-	1	1	-
Complete	Cambridge Education Assurance Mapping	Advisory	3	-	-	1	-	2
Complete	18-25 Service Budget Monitoring	Advisory	7	-	-	-	-	7
Complete	Pension Administration Follow-up	Partially implemented	-	-	-	-	-	-
Complete	Regulation of Investigatory Powers Act (RIPA) – follow-up of action plan	Partially implemented	2	-	-	-	-	2
Complete	Local Bus Subsidy Grant	N/A						
Complete	Troubled Families – Payment by Results Q1 (June submission)	N/A	1	-	-	1	-	-
Complete	Troubled Families - Payment by Results Q2 September submission	N/A	-	-	-	-	-	-
Complete	Risk Management Framework	N/A	1	-	-	-	-	1
Draft Report	Direct Payments – Data Analytics	TBC						
Draft Report	Land Charges – Data Quality	TBC						
Draft Report	Decision making framework - compliance	TBC						
Draft Report	COVID 19 Response and Recovery - Realtime Transaction Analysis (Phase 1)	TBC						
Draft report	Pensions Transition arrangements	TBC						
Fieldwork	Troubled Families - Payment by Results Q4 2019/20	TBC						

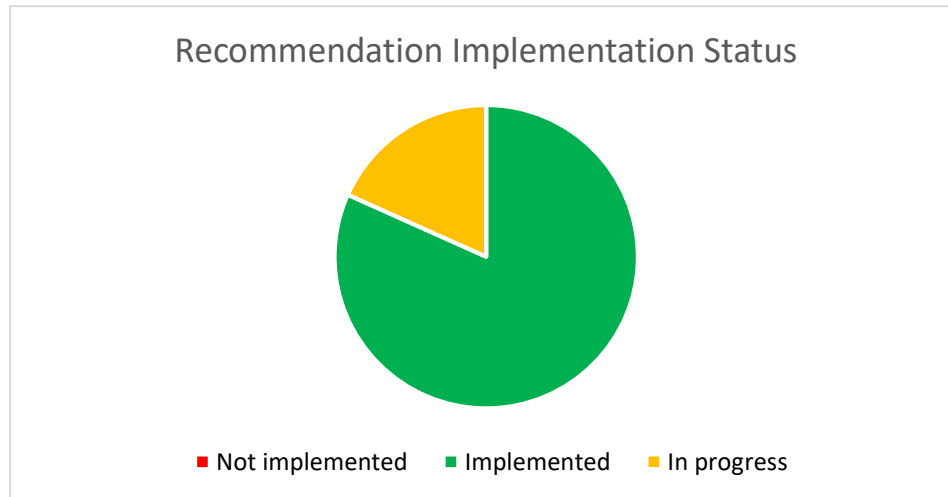
	(March submission – Fieldwork deferred till October due to COVID-19 response).								
Fieldwork	Procurement - compliance with Contract Procedure Rules (CPRs)	TBC							
Fieldwork	Integra Issue Management	TBC							
Fieldwork	Parking - PCN Cancellations	TBC							
Fieldwork	Waste - Health & Safety	TBC							
Fieldwork	Finance Global Design Principles (FGDP) - General Ledger	TBC							
Fieldwork	FGDP - Budget Monitoring	TBC							
Fieldwork	FGDP - Fixed Assets	TBC							
Planning	FGDP - Accounts Payable	TBC							
Planning	FGDP - Accounts Receivable	TBC							
Planning	FGDP - Cash and Bank	TBC							
Planning	Brent Cross Regeneration Project	TBC							
Planning	Highways Health and Safety Deferred to 2020/21 as agreed with the service to enable them to focus on improvement plan	TBC							
Planning	COVID 19 Response and Recovery - Realtime Transaction Analysis (Phase 2)	TBC							
Planning	Cyber Essentials Follow-Up	TBC							
Planning	Barnet Group - Contractual/Governance arrangements - Advisory	TBC							

Planning	Adults Debt Recovery	TBC							
Planning	Schools Audits	TBC							
Planning	CDM Regulations	TBC							
Changes to Published 2020/21 Plan									
Added to Plan	Construction Design and Management (CDM) Regulations Compliance Added at request of Deputy Chief Executive								
Deferred	Transformation - Barnet 2024 Deferred to 2021/22 due to changes in the Project Management function								
Cancelled	Integra New Modules and Interfaces Integra not being used for Asset Management as previously intended by the service								
Cancelled	Pothole Grant Confirmed no pothole grant was awarded in 19/20 and so the audit was not needed.								

4.0 Follow Up

4.1 Summary

5.1.1 The wheel below demonstrates how many high and medium priority actions due this period have been confirmed as being implemented, in progress or not implemented.



4.2 Outstanding actions

4.2.1 During this period we followed up 7 high priority and 8 medium priority actions due by 30th September which were found to be in progress or not implemented. These actions are summarised below.

* At the request of the Audit Committee a column has been added to show how many times the action has slipped i.e. not been implemented within the agreed timeframe. The colour key is as follows:

White = 1 (i.e. first time non-implementation being reported)

Amber = 2 (i.e. second time non-implementation being reported)

Red = 3+ (i.e. at least third time non-implementation being reported)

4.2.2 Outstanding high priority actions

Name of report	Agreed Action	Status (Not Implemented / In Progress)	Owner	Due Date	Slippage*
Strategic Director: Director of Finance					
<p>1 Pension Fund Finance and Investment July 2019</p>	<p>a) We will promptly complete admission agreements, cessation agreements and renewals of admission bonds for all employers identified in the report to the Pension Fund Committee on 30 May 2019 to minimise risk to the Fund.</p>	<p>In progress – Limited Progress made</p> <p>Progress is being made with Admission Agreements being sent to a number of new admitted bodies for signing. However, despite chasing Capita for the outstanding data required by the Actuary to calculate employer contribution rates and bond guarantee figures, due to other issues, Capita have not provided this to date. Therefore, progress has not been as expected. The service has asked Capita that they provide the outstanding data before the administration transfers to the West Yorkshire Pension Fund on 1 November 2020.</p> <p>A number of Bond guarantees are close to being put into place, but some employers are struggling to get a bond indemnity due to Covid-19. The service continues to chase and work with employers to obtain these indemnities.</p> <p>Progress has been slow on cessation valuations again due to issues with obtaining information from Capita. The service has asked for the outstanding data to be provided by the end of October.</p> <p>A quarterly report is made to the Pension Fund Committee who are monitoring progress. The Pension Committee report logs in details new cases, closed cases and status of open cases.</p>	<p>Revised: Pensions Manager</p> <p>Originally: Head of Treasury</p>	<p>30/9/2019</p>	<p>4</p>

2	Accounts Receivable - Invoicing processing January 2020	a) All manually loaded spreadsheets must include documented approval by an appropriate authorised person to evidence that the spreadsheet has been independently checked for accuracy, in line with the Financial Regulations requirement that separation of duties must be in place for all financial transactions.	In Progress – Reasonable Progress made New procedure has been drafted and the list of teams using bulk invoicing system has been compiled. 3 Teams have been tested out of the planned 8 bulk invoicing processing teams, with no issues noted. This action will be closed after obtaining and testing documentary evidence from the 5 remaining bulk invoicing teams.	a) All invoicing teams across the Council and its partners.	31/1/2020	2
Strategic Director: Deputy Chief Executive						
3	Investing in IT – Lessons Learned (Portfolio and Project Management) May 2019	Non-IT Projects The arrangements for ensuring that there is an appropriate and proportionate level of corporate oversight and	In progress - Reasonable Progress made There is a current review of Corporate Programme Framework which includes IT and Non-IT Projects. This will result in updated Project Management Guidance and templates, better oversight of key projects across the organisation, and regular reports to CMT. The review was paused as a non-essential area of work during CV19. It is due to be re-started	Director of Commercial	30/9/2019	4

		assurance over department-led projects will be considered as part of the broader piece of work that is being undertaken to consider the future role of the corporate centre in ensuring effective cohesion and control across the organisation as a whole.	now that we are returning to BAU, dependent on the availability of resources.			
4	Highways Programme August 2019	b) Work will not be goods receipted by LBB Finance before the necessary authorisation is on file as per action (a), Management will clearly define the responsible officers for ensuring that Re Invoice 2s are approved for payment and the	<p>In progress – Reasonable Progress made</p> <p>As part of our Q3, 2019/20 report we considered that substantial progress had been made against this action with the outstanding item being that work will not be goods receipted before the necessary authorisation is on file.</p> <p>This quarter we noted that three SPIRs payment relating to Highways has been paid:</p> <ol style="list-style-type: none"> 1. Bus Stop Accessibility (£35,720) 2. Golder Green Car Park Survey (£4,267.41) 3. Bus Priority 2017/18 (£5,345.00) <p>We found that the Client Lead has been included into the email from Re asking for the invoices to be goods receipted and that the Lead had approved the payments retrospectively. However, we considered that</p>	Commercial Performance & Dev Manager	31/12/2019	3

		minimum documentation which will be on file to support the payments	<p>the Client Lead should formally approve invoices before they are goods receipted and evidence of this approval should be on file.</p> <p>Further action for full implementation: Work will not be goods receipted by LBB Commercial before the necessary authorisation is on file and the requirements of the Highways SPIRS protocol and the SPIR document have been met.</p> <p>Target date: We will return to confirm status in Q3, 2020/21.</p>			
Strategic Director: Executive Director – Adults and Health						
5	Adults Safeguarding June 2020	3. Management will engage with HR-Learning and Development to devise a system to ensure that training records are tracked and collated	<p>In progress – Reasonable Progress made</p> <p>Management confirmed that they are currently exploring the use of a Learning Management System (LMS) to support monitoring of staff training which will remove the need for spreadsheets and enhance the quality of training records.</p> <p>Revised Target Date: 31 December 2020</p>	Head of Localities, Adults and Health	31/7/2020	1
6	Adults Safeguarding June 2020	5. Management will devise a mechanism to ensure that managers are aware when training requirements set out in action (a) are not being met.	<p>In progress – Reasonable Progress made</p> <p>We noted that management had clearly articulated expectations regarding safeguarding training and this had been communicated to staff within Adults Social Care with managers asked to ensure compliance; however, we noted that currently there was not a process in place to proactively detect where staff had not completed required training and to remind them to do so.</p>	Head of Localities, Adults and Health	31/7/2020	1

Strategic Director: Director of Assurance					
7	<p>Domestic Violence</p> <p>November 2019</p>	<p>The Community Safety team will develop the ISA to be sufficient to cover all 12 ISAs within the current Corporate ISR. The IMT will continue to provide guidance to the Community Safety team throughout the process.</p>	<p>In Progress – Reasonable Progress Made</p> <p>The Metropolitan Police Service (MPS) remain unsigned. Although the MPS have declined to sign they have confirmed that having checked they are still within their legal duty to continue to share with us/local authorities whilst they draft and prepare their DSA (Data Sharing Agreements) being refreshed via London Councils (Croydon being the lead authority). LBB have now received a copy of their DA MARAC ISA version and this is being reviewed against the Barnet Community Safety Partnership ISA.</p>	<p>Community Safety Manager with support from Information Strategy Manager</p>	<p>24/1/2020</p> <p>2</p>

4.2.3 Outstanding medium priority actions

	Audit Title	Audit Date	Ref	Finding	Action	Responsible officer	Due date	Progress report for Audit Committee 19 October 2020	Status at Q2
1	Accounts Receivable - Invoicing processing	01/01/2020	4d	Premises licencing and gambling	d) Henceforth, the Premises Licencing and Gambling team will be routinely providing authorisation for the AR team to take recovery action against unpaid invoices when the premises ceased trading.	Group Manager: (except action (f), see below)	31/03/2020	Review has been undertaken and new process has been agreed, but no evidence attached. The service is prioritising its COVID enforcement response at the current time.	In Progress – Reasonable Progress made
2	Accounts Receivable - Invoicing processing	01/01/2020	4g	Premises licencing and gambling	g) The Premises Licencing and Gambling team bad debts will be processed for approval in accordance with the Council's Financial Regulations. The team will verify the required	Group Manager: (except action (f), see below)	31/03/2020	The information provided is inadequate to resolve this recommendation. Process in place to verify required approval and produce procedure in accordance with the Council's policy. The service is prioritising its COVID enforcement	In Progress – reasonable Progress made

					approval limits and comply with these.			response at the current time.	
3	Accounts Receivable - Invoicing processing	01/01/2020	5c	Education Welfare Accounts - Cambridge Education	c) Going forward, Education Account Team's credits, bad debts and doubtful debts will be processed for approval in accordance with the Council's Financial Regulations (Fin Reg). The Team will verify the approval limits and comply with the provision of the Fin Reg. If an exception to the Fin Reg is required, this will be documented and approved by senior management and the Director of Finance.	Responsible officer: Finance Manager; Education Welfare Manager	31/03/2020	Schools have been closed from 20th March 2020. Where primary schools were partially reopened for children in Reception, Year 1 and Year 6 from 1 June it was made clear that no penalty would be due if the child did not attend school. To revisit at end of Q3.	In Progress – Unable to implement due to disruption through COVID Pandemic

4	Cash and Bank	21/01/2020	2d	Bank account listing	d) The complete list of the Council's bank accounts will be reviewed to confirm what the accounts are for and whether they are all still needed.	Assistant Finance Manager, Cashbook	01/03/2020	A review of some, but not all, bank accounts had been completed.	Partly implemented – Reasonable progress made
5	Cash and Bank	21/01/2020	7a	Documented Procedures	Cash Book a) Documented procedures will define all responsibilities relating to the bank reconciliation review, including the monitoring of unallocated items and the maximum period for bank transactions to remain unallocated	Assistant Finance Manager, Cashbook	01/03/2020	Documentation provided to us included 1. e-mail trails of the weekly process for clearing unallocated bank items and 2. specific documents showing in detail the process for reconciling, matching and journalising Pay.Net income items for as part of clearance processes. The procedure document "Unallocated Transactions Clearance Procedures – Overview" referred to the weekly unallocated clearing process. A procedure document defining the monthly reconciliation process was outstanding.	Partly implemented – Substantial progress

6	Key Financial System(KFS) General Ledger	29/06/2020	2c	Control Account Reconciliation	2c. An electronic signature approach will be introduced to enable authorisers to sign off / authorise all reviewed reconciliations. The system will be appropriately controlled to ensure that the authoriser's signature would be removed if any further changes were made to the reconciliation after it was authorised	Chief Accountant	30/06/2020	Process in place to implement this. It is confirmed that management is looking at different possibilities because of the cost involved in the implementation. Being taken forward by Finance in the first instance with Internal Controls Board overseeing so that it can become a corporate solution.	In progress – substantial progress
7	Schools' Payroll	29/04/2020	1	Segregation of Duties. If users have multiple system functional roles and/or types, then the operations are exposed to the risk of override of controls and unauthorised transactions.	1. We will review the allocation of system roles among the current users to reduce potential conflicts to a minimum and will identify compensating controls for the conflicts that	Business Manager Carlisle, Capita (left Capita) HR Excellence Manager Capita Employee Solutions	31/05/2020	The review of allocation of system roles has been undertaken as required by the action. However, the user access does not embed segregation of duties. There are officers with more than one role	Partly implemented

					cannot be removed. We will add and remove user access permissions as and when required.			<p>which we would expect to separate:</p> <ul style="list-style-type: none"> - officers having HR and Payroll roles - superusers have more than 1 role - Officers having HR and Payroll roles also have Control roles. <p>As a compensating control, we agreed that a new starter report identifying all new starters that had been processed would be circulated to schools monthly for their review. A new starter report had been developed however it did not provide accurate/reliable data owing to report writing issues.</p> <p>Once the report writing issue relating to the new starter report has been resolved, this action will be considered implemented. The report parameters are</p>
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								being reviewed and will be amended to look back over the last 60 days (at the point it runs). The request is with the Capita IT team and will be rolled out by the November payroll. New target date: 30/11/20	
8	Schools' Payroll	29/04/2020	2	User access termination process effectiveness. If operations run in a context of potential risk of segregation of duties and without a single sign-on policy, then unterminated users increase the exposure to errors and unauthorised transactions.	2. The process agreed with IT will be enforced to ensure that the terminated user's system access is removed immediately. Capita will communicate with IT in advance of the user's final day to ensure that IT have enough time to set up the system to remove the user's access in a timely manner. Capita management will obtain	Business Manager Carlisle, Capita	31/05/2020	We evidenced the process for the prompt deactivation of <u>school staff</u> leavers who had system user access. We were unable to evidence the prompt deactivation of <u>Capita</u> employees – responsible for the Barnet Schools Payroll - who had end user access in the system once they had left Capita. Once we are able to evidence the prompt de-activation of system accounts of Capita employees - responsible for the Barnet Schools payroll -	Partly Implemented

					written confirmation from IT on the termination date that the user account has been closed, along with a system screenshot to support it.			who have left the organisation, we will consider the action implemented. New target date: 30/11/20	
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4.3 Completed actions

4.3.1 During this period we followed up 10 high priority and 57 medium priority actions which are deemed to have been implemented, superseded or closed. These are listed below:

4.3.2 Completed high priority actions

	Name of report	Agreed Action	Owner	Due Date	Slippage*
Strategic Director: Deputy Chief Executive					
1	Integra Access and Program Change Management ("APCM") 1 December 2018	<u>SUPERSEDED</u> <u>Logical access controls – joiners, movers and leavers</u> The overall joiners and leavers process will be reviewed, to ensure that all necessary actions are taken upon the joining, moving or leaving the service of employees or contractors. This will be aligned with the different departments prior to roll out.	Assistant Director of HR and OD,	31 August 2019	4
2	Equalities Data – Quality and Analysis November 2018	<u>Data quality and analysis – staff performance reviews</u> CSG HR will ensure that analysis of future performance review outcomes is meaningful. A method statement covering the equalities process for 2018/19 performance reviews will be drafted.	Interim Strategic HR Director, CSG	28 February 2019	5

3	Equalities Data – Quality and Analysis November 2018	<u>Data quality and analysis – mandatory gender pay gap reporting</u> LBB HR will seek to amend the data on the public record to reflect the correct median gender pay gap as part of the 2019 reporting cycle.	Strategic HR Lead, LBB	31 March 2019	5
Strategic Director: Director of Finance					
4	Accounts Payable October 2019	<u>Dual authorisation procedure</u> Finance will ensure that the Dual Authorisation form is completed for all POs above £1m on the monthly list. Finance will ensure that the form is completed correctly in line with the Council Constitution and is attached in Integra for referral.	Responsible Officer: Acting Head of Finance – Projects	31 October 2019	3
5	Teachers Pensions April 2020	<u>Incurred interest for late payments for contributions</u> 1. Barnet and Capita Payroll have agreed to change the process such that payment instructions from Capita Payroll to Barnet Treasury will be based on the returns received from schools using alternative payroll providers. Future delays will only occur should a school not furnish their monthly contribution report on time. The process of reconciling contributions received by LB Barnet with contributions returns will continue but this may take place after the payment has been made to Teachers Pensions. The process will be kept under review to ensure that it achieves the aim of paying reconciled contributions to Teachers Pensions on time.	Head of Finance - Pensions	7 May 2020	-
Strategic Director: Executive Director Adults & Health					
6	Adults Safeguarding June 2020	<u>Safeguarding Training – Training Requirements and Roles who must complete training</u> 1. Management will review the Learning and Development Programme to ensure there is clear list of training requirements including which roles must complete training courses.	Head of Localities, Adults and Health	31 July 2020	-

7	Adults Safeguarding June 2020	<p><u>Safeguarding Training – Fit for purpose</u></p> <p>2. The Safeguarding Level 1 eLearning will be reviewed to ensure it is fit for purpose. As part of the review Management will agree which roles must complete the eLearning and cascade this decision to all relevant managers.</p>	Head of Localities, Adults and Health	31 July 2020	-
8	Adults Safeguarding June 2020	<p><u>Safeguarding Training – Use of LMS to support monitoring</u></p> <p>4. Management will engage with HR – Learning and Development to investigate the use of a Learning Management System to support monitoring of training.</p>	Head of Localities, Adults and Health	31 July 2020	-
9	Adults Safeguarding June 2020	<p><u>Safeguarding Training – Review of appropriateness of STR06</u></p> <p>6. In light of these findings the risk rating for STR06 should be reviewed to ensure it is appropriate.</p>	Director Adults Social Care, Adults and Health	31 July 2020	-
Strategic Director: Executive Director Children & Young People					
10	St Mary's CE Primary January 2020	<p><u>Payroll</u></p> <p>The school will obtain written confirmation from the Chair of Governors that he approves the change in hours and pay rise for the Headteachers. This will be available prior to any change being made in the payroll software. The External school finance support officer will have access to the letter to check that the pay change has been entered and processed correctly and in accordance with Governor approval.</p>	School administrator /Headteachers/Governors	31 January 2020	1

4.3.3 Completed medium priority actions

	Audit Title	Audit Date	Ref	Finding	Action	Responsible officer	Due date
1	Banking and Payments Arrangements - Accounts Payable	01/10/2019	3c	Duplicate Payments	Pending implementation of APF, Finance will arrange for the download of the last 3 years of Council payments at the Council through AP Forensics software to identify potentially duplicate payments for investigation	Responsible officer: Acting Head of Finance – Projects Head of Financial Systems, Capita Head of Counter Fraud Operations)	31/10/2019
2	Banking and Payments Arrangements - Accounts Payable	01/10/2019	6c	Documented AP Procedures	Finance will engage with the relevant Capita teams to produce flowcharts mapping all Integra interfaces with other systems, for example, Mosaic and ControCC and defining related operation,	Interim Finance Manager, Financial Systems Acting Head of Finance – Projects, liaising with Capita officers where necessary	31/10/2019
3	Banking and Payments Arrangements - Accounts Payable	01/10/2019	App 6.2	Observations from Payments Data Analytics review, February 2019	Council / CSG Finance management will review the observations as a basis for implementing changes in Integra, in current or future versions/updates based on a risk/cost/benefit analysis. Observations which further mitigate fraud risk will be prioritised for assessment.	CSG/LBB AP Business Partner)	31/03/2020

4	Cash and Bank	21/01/2020	1b	Direct debit roles and responsibilities	Direct debits will be reviewed to ensure their ongoing validity. Corporate Finance will provide a report of direct debits to Finance teams in Delivery Units periodically for them to confirm their ongoing validity.	Assistant Finance Manager, Cashbook	03/02/2020
5	Cash and Bank	21/01/2020	2a	Bank account listing	A complete list of all Council bank accounts will be maintained including signatories and who is responsible for the day to day control of those accounts, including the bank reconciliation process.	Assistant Finance Manager, Cashbook	01/03/20
6	Cash and Bank	21/01/2020	2c	Bank account listing	Superseded The signatories list for every banking provider used by the Council will be updated where required and stored centrally.	Assistant Finance Manager, Cashbook	01/03/20
7	Cash and Bank	21/01/2020	2e	Bank account listing	Where required, the contact details for each account will be confirmed and updated (e.g. correct contact names and postal address).	Assistant Finance Manager, Cashbook	01/03/20
8	Cash and Bank	21/01/2020	2f	Bank account listing	The relevant observations from the Accounts Payable Data Analysis review will be taken forward.	Assistant Finance Manager, Cashbook	01/03/2020

9	Cash and Bank	21/01/2020	3a	Cash and bank system access	Integra: a. Finance Business Partners will review Integra access lists monthly to confirm the validity of user access in line with the end user roles and responsibilities, including leavers/movers (LBB and non-LBB staff).	Interim Finance Manager	03/02/2020
10	Cash and Bank	21/01/2020	4a	Bank reconciliation	a. The monthly review of the bank reconciliation will include a review of the level of unreconciled balances by Management. Specifically, unreconciled amounts over 3 months will be monitored to ensure a continuous focus on such transactions for clearance.	Assistant Finance Manager, Cashbook	03/02/2020
11	Cash and Bank	21/01/2020	5a	Cash management administration	a. Independent reconciliations of top requests and Service payments relating to the £10k cash float will be done periodically, for example once a year, possibly on a surprise basis.	Acting Income and Cashier Manager	03/02/2020
12	Cash and Bank	21/01/2020	5b	Cash management administration	b. All Service requests for cash monies/ payments from the £10k float will be made in writing and retained for referral.	Cashier	03/02/2020
13	Cash and Bank	21/01/2020	5c	Cash management administration	c. The sign-off documentation supporting the collection and delivery of asylum seeker pay packets will be retained for referral.	Cashier	03/02/2020

14	Cash and Bank	21/01/2020	6a	Security - Physical access	a. CCTV will be installed in the Colindale ground floor safe office	Assistant Director – Estates Acting Facilities Manager	03/02/2020
15	Cash and Bank	21/01/2020	7b	Documented Procedures	Cash-up and cash/cheque receipting: b) Cash/cheque receipting into Pay360 and cash-up procedures will be updated to record manager review and sign-off of the cash-up documentation and Royal Mail collection arrangements.	Cashier	03/02/2020
16	Accounts Receivable - Invoicing processing	01/01/2020	2.1a	Commercial Rents - CSG Estates	a) The Commercial Rents team will ensure that expired leases and rents are renewed promptly to improve the income and cash flow of the Council.	Head of Property Services & Valuation Property Services Officer	31/03/2020
17	Accounts Receivable - Invoicing processing	01/01/2020	4a	Premises licencing and gambling	a) The Premises Licensing and Gambling team will review its processes in relation to termination and transfer of licences to ensure terminated clients are removed from the database for invoicing immediately. Team to also review last 12 months to ensure these have been actioned.	Group Manager	31/03/2020
18	Accounts Receivable - Invoicing processing	01/01/2020	4c	Premises licencing and gambling	c) The PLG team will raise a call with CST for any further bespoke reports that are required from Integra.	Group Manager	31/03/2020

19	Accounts Receivable - Invoicing processing	01/01/2020	4e	Premises licencing and gambling	e) The Premises Licensing and Gambling team will explore the possibility of setting up direct debits for all its clients/customers to improve the council's income.	Group Manager	31/03/2020
20	Revenue Budget Monitoring	27/03/2020	1a	Revenue cost centre management - cost centre creation and approval	Superseded Integra Finance will ensure that the "LBB Live New Revenue Cost Centre Setup" is signed by both the line manager and Finance Business Partner as evidence of the line manager and Finance Business Partner (FBP) approval.	Management Accountant, Integra Finance (should inappropriately authorised set-up forms be submitted by Finance) Deputy Director of Finance together will all Finance Business Partners	01/05/20
21	Revenue Budget Monitoring	27/03/2020	1b	Revenue cost centre management - cost centre creation and approval	1b. A report has been developed and published by the Finance Systems Team which allows reporting on all new cost centres set up.	Deputy Director of Finance	01/05/2020
22	Revenue Budget Monitoring	27/03/2020	2a	Revenue cost centre management - holding cost centres	2a. In line with the M9 and y/e clearing processes, holding cost centre codes in Integra will /removed as appropriate.	Deputy Chief Finance Officer together will all Finance Business Partners Finance Consultant Finance Manager – Financial Systems	30/06/2020

23	Revenue Budget Monitoring	27/03/2020	3a	Roles and responsibilities - Procedures and training	Superseded 3a. Budget Monitoring training will be completed for roll-out in the Council.	Assistant Director of Finance Head of Finance-Environment, Parking & Corporate Rep	30/06/2020
24	Revenue Budget Monitoring	27/03/2020	3b	Roles and responsibilities - Procedures and training	Superseded 3b. Officers recruited to new roles involving budget monitoring duties will be offered training in the principles of budget monitoring.	Assistant Director of Finance Head of Finance-Environment, Parking & Corporate Rep	30/06/2020
25	Revenue Budget Monitoring	27/03/2020	3c	Roles and responsibilities - Procedures and training	Superseded 3c. The "GT013.1 BP Handbook - October 2018" will be communicated to all new budget managers as part of training.	Assistant Director of Finance Head of Finance-Environment, Parking & Corporate Rep	30/06/2020
26	Revenue Budget Monitoring	27/03/2020	3d	Roles and responsibilities - Procedures and training	Superseded 3d. Finance will engage with HR – Learning and Development to determine a process for identifying new recruits (external/internal) who should attend budget monitoring training.	Assistant Director of Finance Head of Finance-Environment, Parking & Corporate Rep	30/06/2020

27	Revenue Budget Monitoring	27/03/2020	4a	Virements	4a. Finance Business Partners will be reminded to ensure that all virements are authorised appropriately in line with the Constitution, specifically authorisation should only be undertaken by officers at the level specified in the Financial Regulations and if this is not possible then by the relevant officer at a higher level.	Deputy Chief Finance Officer together with all Finance Business Partners Finance Consultant	30/06/2020
28	Capital Budget Review - GT20	22/06/2020	1	Capital Budget Review - GT20 (Outstanding actions from GT review of CPO fraud transferred over to this schedule for easier monitoring)	Superseded Review and revise current capital budget monitoring process (to include frequency and detail of reporting)	Assistant Director of Finance	30/06/2020
29	Non- Schools Payroll	27/04/2020	2	New starters are not added to Core in a timely manner	2. Capita will only be sent the new starter's form once all pre-employment checks have been completed and a start date is agreed between the applicant and the Council. In their role of gatekeeper of HR and payroll processes and compliance, CSG HR will reject any incomplete new starter requests within five days of receipt.	Assistant Director – HR and OD Service Delivery Manager (HR Solutions), Payroll Manager, Belfast	30/04/2020

30	Non- Schools Payroll	27/04/2020	3	Lack of review of new starter's forms	3. In their role of gatekeeper of HR and payroll processes and compliance, Capita HR will query with HR Business Partners any new starter's forms with which there are issues. Forms will not be accepted until valid authorisation has been provided. This includes rejecting forms where approval has been provided by the same staff member acting as finance approver and budget holder.	Service Delivery Manager (HR Solutions) Payroll Manager, Belfast	30/04/2020
31	Key Financial System(KFS) General Ledger	29/06/2020	1a	Feeder System Monitoring	1a. Finance will ensure the list of all the feeder systems and their impact on the GL system is documented and accessible to the team	Finance Manager – Financial Systems	23/06/2020
32	Key Financial System(KFS) General Ledger	29/06/2020	1b	Feeder System Monitoring	1b. Capita will be supplying technical specification documents for the interfaces for Barnet systems team to review and hold on file.	Finance Manager – Financial Systems	23/06/2020
33	Key Financial System(KFS) General Ledger	29/06/2020	2a	Control Account Reconciliation	2a. The Corporate Accounting Team will ensure that all reconciliation statements are reviewed and authorised regularly by senior officers.	Chief Accountant	30/06/2020
34	Key Financial System(KFS) General Ledger	29/06/2020	2b	Control Account Reconciliation	2b. The Corporate Accounting Team will maintain a tracker, to have a complete record of all reconciliations and to ensure these are performed regularly and are appropriately authorised.	Chief Accountant	30/06/2020

35	Key Financial System(KFS) General Ledger	29/06/2020	3	Leaver Access Control	3. Where leavers are not removed from the system promptly, the required action will be escalated to the relevant Director	Assistant Finance Manager	30/06/2020
36	Key Financial System(KFS) General Ledger	29/06/2020	4a	Integra Application Access control	4a. Finance will monitor completion of training by regularly requesting Brightwave system data to this effect and chasing those who have not completed training.	Finance Manager – Financial Systems	30/06/2020
37	Key Financial System(KFS) General Ledger	29/06/2020	4b	Integra Application Access control	4b. Finance will monitor starters to ensure that all new users of Integra complete online or verbal training relevant to their role.	Finance Manager – Financial Systems	30/06/2020
38	Key Financial System(KFS) General Ledger	29/06/2020	4c	Integra Application Access control	4c. The Integra access application form should indicate where verbal instruction has been given in order to comply with the mandatory requirements i.e. to confirm that verbal training has been given.	Finance Manager – Financial Systems	30/06/2020
39	Schools Payroll	29/4/2020	3	Job Descriptions update	3. We will introduce a timetable to regularly update job descriptions.	Business Manager (Capita)	30/6/2020
40	Pension Fund Finance and Investment	July 2019	3a	Collection of strain contributions	a) The CSG Pensions Administration team will agree where and to whom invoices relating to strain costs will be sent as part of the retirement process and notify the employer of the final calculated strain cost once the retirement has been agreed	Service Delivery Manager, CSG Pensions Administration	July 2019

41	Pension Fund Finance and Investment	July 2019	3c	Collection of strain contributions	c) CSG Pensions Finance will implement the process agreed with the Council for collecting strain contributions.	Head of Scheme Finance and Payroll, CSG Pensions Finance	July 2019
42	Banking and Payments Arrangements - Accounts Payable	October 2019	3a	Duplicate Payments	<p>The implementation of software, AP Forensics (APF), will be expedited in line with Council requirements, to identify potentially duplicate payments based on a variety of agreed criteria such as value, name and bank details.</p> <p>The Head of Counter Fraud Operations will be engaged as part of the implementation of the software, as a potential end user of the application.</p>	Acting Head of Finance – Projects liaising with Head of Financial Systems, Capita	Oct 2019
43	Banking and Payments Arrangements - Accounts Payable	October 2019	3b	Duplicate Payments	Processes for identification, escalation and investigation, clarifying roles and responsibilities and the timing of reports will be documented and communicated.	Acting Head of Finance – Projects liaising with Head of Financial Systems, Capita	Oct 2019
44	Banking and Payments Arrangements - Accounts Payable	Oct '19	App 6.1, 1.2	Data Analysis of Payments - matches	AP to resolve for deletion, where applicable, the remaining 52 matches. AP to respond to further request for information from CAFT in relation to the one outstanding bank account.	Interim Finance Manager, Financial Systems	Oct 2019

45	Banking and Payments Arrangements - Accounts Payable	Oct '19	App 6.1, 2.2	Data Analysis of Payments - matches	AP to confirm that deactivation where appropriate for 146/284 vendors sharing common bank accounts. AP to respond to further request for information from CAFT in relation to two outstanding bank accounts.	Interim Finance Manager, Financial Systems	Oct 2019
46	Cash and Bank	Jan '20	3b	Cash and bank system access	Pay360: b. The use of shared accounts will cease. Users will be provided with their own account so that accountability for activity undertaken in the system is clear.	CSG Technical Support Engineer (Applications)	Feb 2020

47	Cash and Bank	Jan '20	3d	Cash and bank system access	<p>Superseded by General Ledger audit report June 2020</p> <p>Leaver access management: d. In line with the ongoing action relating to the Grant Thornton review of the Financial Management Relating to Compulsory Purchase Order (CPO) Fraud, (GT4 - Managing access and authorisation rights on IT systems), in conjunction with the HR team, we will develop a process to ensure that IT is informed on a timely basis of any staff / agency workers that are leaving or moving within the Council and / or its partners. This could include a daily/weekly leavers / movers report that is sent to IT on an automated basis for the IT team to action. This will be picked up as part of HR's SLaM (Starters, Leavers and Movers) project.</p>	Management Accountant, Integra Finance, LBB, CSG Technical Support Engineer (Applications)	June 2020
48	Cash and Bank	Jan '20	6b	Security - Physical access	b. Once the CCTV issue has been resolved that consideration be given to whether the EP safe should be moved to Colindale.	Cashier	Feb 2020

49	Integra Access and Program Change Management ("APCM")	Dec '18	2a	Governance – Assurance over the operating effectiveness of access and change management controls over Integra as a hosted service	CLPS will consult with the Council / Deputy S151 and agree on an approach to provide the Council with evidence that CLPS perform ongoing monitoring of the activities outsourced to CIBS in particular that logical access and change management controls over Integra continue to operate effectively on an ongoing basis throughout the financial year	Head of Financial Systems, Capita	Jan 2019
50	Integra Access and Program Change Management ("APCM")	Dec '18	3a	Logical access – Segregation of Duties ("SoD")	a) CSG are currently in the process of performing a review of potential SoD conflicts, and will create a list of incompatible/prohibited combinations of user groups for use by CST when processing requests for starters and movers. This will be completed as soon as possible and shared with the Director of Finance	Internal Controls Manager, Capita	Jan 2019
51	Treasury Management Compliance with Investment Strategy	Jan '20	1	Internal Process Documents	The Treasury Payment Process document will be updated to reflect staff changes, as a result an up to date list of signatories will be produced.	Head of Finance - Pensions	March 2020

52	Key Financial Controls Council Tax, NNDR and Housing Benefit	01/06/ 2019	HB6	Overpayments	<p><u>SUPERSEDED</u></p> <p>As per Housing Benefits 2019/20 audit report:</p> <p>Agreed Action</p> <ol style="list-style-type: none"> 1. Ensure that appropriate quality checks are done so that accuracy of billing and recovery is maintained. 2. Recommunicate the requirements for housing benefits overpayments to staff, to ensure that the Council's processes are consistently followed. This should include sending initial invoices in a timely manner, and completion of full recovery procedures (where required). 3. Action the exceptions identified in our testing, specifically to ensure that claimants are aware payment is required, and conduct further investigation to recover repayments 	Benefits Overpayments Officer, CSG	31/05/2019
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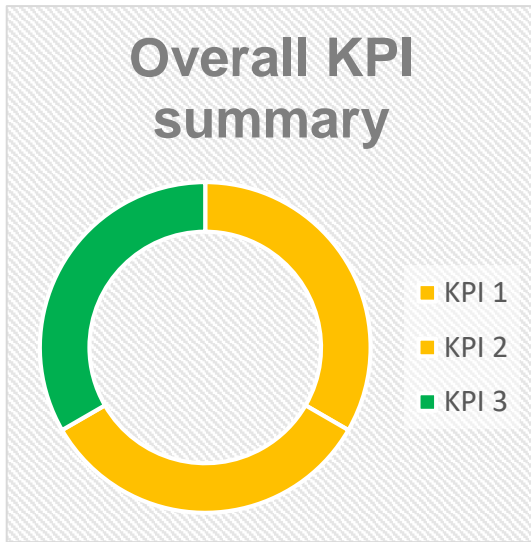
53	Key Financial Controls Council Tax, NNDR and Housing Benefit	01/06/2019	HB9	Housing Benefits - Policies and Procedures	<p><u>SUPERSEDED</u></p> <p>As per Housing Benefits 2019/20 audit report:</p> <p>Agreed Actions</p> <p>1. The Key policy and procedure documents will be reviewed annually to ensure they are line with best practice and or changes in legislation. The Discretionary Housing Payment and Section 13a Policy was reviewed in quarter 4 of 2018/19. A new joined policy was implemented from 01/04/2019 to cover these processes. The overpayment policy will be reviewed by 31/07/2019.</p> <p>2. Develop and formalise policy and procedures for key controls which are not referred to in existing policy and procedure documents. These should be formally approved and incorporated into the formal review cycle.</p>	Head of Revenues & Benefits, LBB, Housing Benefit Manager, CSG	31/07/2019
54	Key Financial Controls Accounts Receivable – Debt Management and Collection Debt Management and Collection April 2019	01/04/2019	AR3 i	Bailiff contract	Ensure that the lack of valid current contract with this bailiff is addressed and that the Council's Contract Procedure Rules are adhered to.	Revenues & Benefits Manager	30/09/2019

55	Key Financial Controls Accounts Receivable – Debt Management and Collection Debt Management and Collection April 2019	01/04/ 2019	AR3 ii	As above	Communicate and reinforce the requirements for third party debt collection, including where initial recovery attempts made by the bailiff and the Council are not successful, to ensure that follow up procedures are performed, or the debt is written off if required	Revenues & Benefits Manager	30/09/2019
56	Cash and Bank	21/01/ 2020	2b	Bank account listing	b) Bank reconciliations will be conducted, documented and appropriately authorised for all bank accounts.	Assistant Finance Manager, Cashbook	01/03/2020

57	Non- Schools Payroll	27/04/2020	1	Sickness absence dates not communicated in a timely manner. If CSG are not informed about employees' sickness absence dates in a timely manner, then employees may be paid an inappropriate amount and in an untimely manner.	1 CSG will reintroduce the written report that details LBB staff responsible for payroll errors in the period at the monthly HR joint management meeting between the Council and Capita, to ensure it is clear which line managers are not providing this information on a timely basis and therefore contributing to the KPI being missed. It is unacceptable that Council line managers are not notifying CSG of the end of staff sickness absences, and for those that are failing to do so, this can then be fed into their own performance reviews. As it is the role of the Council to encourage and educate staff to provide information timely to CSG, a programme of training will be undertaken within the Council on the processes with CSG to cover new starters, leavers, absences (e.g. sickness, maternity) and overtime. A list of participants of the training will be provided to the Council and Capita and this will be updated as processes and staff change to ensure all staff understand the requirements.	Public Sector Account Director Assistant Director – HR and OD	31/07/2020
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Appendices

Appendix A: Key performance indicators (KPIs)



KEY:

Fully Achieved

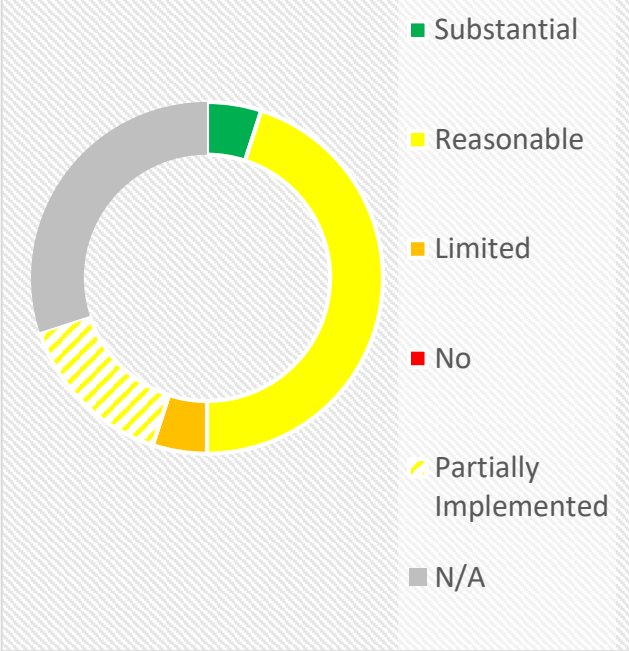
Partially Achieved

Not Achieved



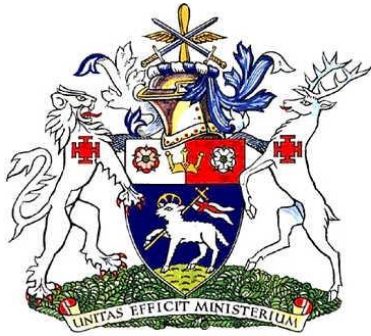
KPI	Target	Results	Comment										
<p>1. % of Plan delivered</p> <p>Narrative:</p> <p>We have not met our target for the end of Q2. This is due to a number of factors, primarily the redeployment of internal audit staff in response to COVID which to date has accounted for 272 lost 'audit days'. To make up for this, where possible audits have been undertaken by our co-sourced partner PwC where they would normally have been undertaken by the in-house team.</p>	53%	41%	<p>Work in progress is incorporated as follows:</p> <table border="1"> <tr> <td>Not Started</td> <td>0%</td> </tr> <tr> <td>Planning</td> <td>20%</td> </tr> <tr> <td>Fieldwork</td> <td>50%</td> </tr> <tr> <td>Draft Report</td> <td>90%</td> </tr> <tr> <td>Complete</td> <td>100%</td> </tr> </table> <p>Applying these %s to work in progress shows that we have delivered 41% of our plan.</p> <p>Up to 25% = Not Achieved 26% - 52% = Partially Achieved 53% = Fully Achieved</p>	Not Started	0%	Planning	20%	Fieldwork	50%	Draft Report	90%	Complete	100%
Not Started	0%												
Planning	20%												
Fieldwork	50%												
Draft Report	90%												
Complete	100%												
<p>2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up</p>	90%	81%	<p>0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved</p>										
<p>3. Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys</p>	85%	100%	<p>0-49% = Not Achieved 50-84% = Partially Achieved 85% = Fully Achieved</p>										

Assurance Ratings



4. % of reports year to date achieving:			
•Substantial	N/A	5%	
•Reasonable		45%	
•Limited		5%	
•No Assurance		0%	
•Partially Implemented		15%	
•N/A		30%	

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Audit Committee
19th October 2020

AGENDA ITEM 8

Title	Corporate Anti-Fraud Team (CAFT) Combined Q1&Q2 Progress Report 2020-21
Report of	Clair Green – Director of Assurance
Wards	All
Status	Public
Urgent	
Key	
Enclosures	<i>Appendix 1 - Combined CAFT Q1 & Q2 Progress Report 1st April – 30th September 2020</i>
Officer Contact Details	Clair Green clair.green@barnet.gov.uk 0208 359 7791

Summary

This report covers the period 1st April to 30th September 2020 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time

Officers Recommendations

- 1. That the Committee note the CAFT Progress Report covering the period 1st April – 30th September 2020**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 20120/21 that a quarterly report on the work of the Corporate Anti-Fraud Team is produced to this meeting. Due to the Covid-19 pandemic, Management have produced a report to cover the first half of this year.

2. REASONS FOR RECOMMENDATIONS

- 2.1 N/A

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 **None**

4. POST DECISION IMPLEMENTATION

- 4.1 None

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.

4.2 Social Value

- 4.2.1 **N/A**

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 and policies relating to anti-fraud provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

5.6 **Corporate Parenting**

5.6.1 N/A

5.7 **Consultation and Engagement**

5.7.1 None

5.8 **Insight**

5.8.1 N/A

BACKGROUND PAPERS

None

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Appendix 1

Corporate Anti-Fraud Team (CAFT) Progress Report: 1 April – 30 September 2020

- 1. Introduction**
- 2. Pro-active Fraud Plan**
- 3. Performance Information**

1. Introduction

This report covers the period 1 April 2020 – 30 September 2020 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 their statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other, to ensure CAFT continue to provide an efficient value for money counter fraud service and that can investigate all referrals or data matches to an appropriate outcome.

CAFT continue to provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary or civil action are taken. It is this element of the work of CAFT that is hard to quantify statistically.

As of 23 March 2020, the Country was placed in a lockdown situation due to the Covid-19 Pandemic. Many businesses were forced to close as well as County courts, magistrates' courts and Crown courts. due to travel restrictions, all CAFT officers began working from home on a full-time basis. This presented a number of challenges to the service and led to the team developing new ways of working, in order to make the best use of the resources available. During the Covid-19 no investigative PACE interviews we able to be conducted, no visits carried out and no blue badge enforcement took place with a reduced number of fraud referrals being received.

This time also presented CAFT with new opportunities to add extra value to other departments within the council and to offer greater assurance to the services they provide. CAFT has been instrumental in the design and delivery of the Covid-19 business relief grants that the council has been administering. CAFT has also been using this time to carry out a proactive review of the parking appeals service and looking to investigate cases of false appeals. Information relating to these two areas is detailed in the main body of the report.

From the beginning of September and some restrictions were lifted, CAFT had specialised equipment installed into the interview room, making it fully covid compliant so that suspects and their representatives could visit the council building to be formally interviewed, additionally courts have begun to re-open.

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 2020/21 plan

CAFT Pro-active review	Outcome
<p>Parking Appeals review</p> <p>A review of the last 24 months data, focusing on persons and businesses who have had multiple successful appeals against street issued PCN's for parking infringements</p>	<p>A total of 130 cases were examined and this has led to 84 investigations being opened. These cases are currently live and are expected to be concluded during the next 2 quarters, as the evidence is assessed and formal interviews take place</p>
<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>No exercises were carried out in this period due to Covid-19 restrictions.</p>

3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2020/21 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	Q2 2020-21	Comments
<p>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. CAFT work in partnership with partners, other organisations and law enforcement agencies to ensure that the public purse is adequately protected.</p>		
Number of carried forward fraud investigations from 19-20	27	Out of the new referrals received 25 related to COVID-19 Small business grant applications
Number of new fraud investigations during Q1 & Q2	54	
Total number of Cases dealt with in Q1 & Q2	87	
Total Number of closed fraud investigations	35	<p>1 CTRS case closed Fraud Proven (NFA) where it is not in the public interest to pursue the case</p> <p>7 cases closed insufficient evidence</p>

		<p>2 cases closed as referred to Police 1 case referred to Police 4 cases closed 'No Fraud' 19 cases closed insufficient evidence 1 case closed as Fraud Proven (No further action taken)</p>
Number of staff no longer employed / dismissed as a result of CAFT investigations.	0	
Total number of closed cases in Q1 & Q2	35	
Number of cases awaiting legal action	0	
Total number of on-going fraud investigations	52	<p>2 relate to Parking 12 relate to Council Tax 1 relates to Street Scenes 2 relate to Schools & Learning 1 relates to refuse 2 relate to Planning 25 relate to Business Rates* 2 relate to Business, Employment & Skills 1 relates to Finance 1 relates to Barnet Homes 1 relates to Children's Services 1 relates to an illegal eviction 1 is a whistleblowing case</p> <p>*Refer noteworthy investigation section</p>
Total number ongoing investigations carried into Q3	52	
<p>Concessionary Travel Fraud this details the investigation of Blue Badge Misuse as well as Blue Badge / parking permit 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.</p>		
Number of carried forward Investigations from 19-20	74	
Number of new referrals received	107	<p>89 of these relate to Parking Penalty Charge Notice (PCN) Appeals 18 of these relate to Blue Badge Fraud As a result of the Blue Badge referrals, 3 blue badges have been seized.</p>
Total number of CTF investigations dealt with in Q1 & Q2	181	
Number of cases that were closed after successful prosecution in Q2	0	
Number of cases closed with Cautions being Administered in Q2	0	
Number of cases closed with a warning letter sent to badge holder or misuser in Q1 & Q2	26	All of these relate to Blue Badge cases. Warning letters* are issued where there is a strong suspicion or evidence of offence (with mitigation)

		circumstance) and we have decided to take no further action as not in the public interest. *some letters will relate to Barnet badges seized by other local authorities
Number of cases closed with no further action	93	56 cases were closed as No Fraud 37 cases were closed due to insufficient evidence.
Total number of CTF cases closed in Q1 & Q2	119	
Number of cases with legal awaiting court action	1	This case is Blue Badge related and is with our legal team pending criminal proceedings
Number of On-going CTF investigations	61	28 relate to Parking Penalty Charge Notice (PCN) Appeals 31 relate to Blue Badge Fraud 2 relate to Parking Permit Fraud 1 relates to Parking Red Board Fraud
Total number of CTF investigations carried into Q3	62	
Financial Investigations - a Financial Investigation under the Proceeds of Crime Act 2002 ensures that any person's subject to a criminal investigation by Barnet do not profit from their criminal action.		
Number of carried forward Financial Investigations from 19-20	25	
Number of new Financial investigations received in Q1 & Q2	0	
Total number of Financial investigation in Q1 & Q2	25	
Number of closed Financial investigations	11	9 cases closed as concluded court actions in relation to planning cases 1 Closed Fraud Prosecution relating to Pensions (Proceeds recovered) 1 Closed Fraud Prosecution (2 x defendants) relating to Barnet Homes - Insufficient assets All of these cases were closed after Proceeds were recovered following successful confiscation orders
Total number of closed Financial Investigations in Q1 & Q2	11	
Total Number of on-going Financial Investigations	14	5 relate to planning enforcement 3 relates to Housing (Tenancy Fraud) 1 relates to Trading Standards There are a further 4 cases which we are investigating as part of an agreement with Haringey Council. There is a further 1 case which we are investigating as part of an agreement with Enfield Council. Details of cases are reported on closure if fraud is proven or another

		sanction given.
Total number of Financial Investigations carried into Q3	14	
<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 status of the cases referred.</p>		
Number of carried forward Tenancy Fraud Investigations from 19 – 20	48	
Number of new Tenancy Fraud Investigations	148	
Number of new Right to Buy Applications received for verification	60	Since April 2017 CAFT hold the responsibility for vetting all Right to Buy Applications submitted to Barnet Homes.
Number of matters dealt with in Q1 & Q2	256	
Number of Tenancy Fraud Investigations closed due to property being recovered	1	This relates to an abandoned tenancy; the property was recovered by peaceful possession.
Number of investigations closed relating to Housing Applications that were denied as a result of CAFT intervention	1	CAFT work closely with the Housing Options Team and carry out verification exercises for identifying inaccurate information being submitted on housing application forms. These exercises allow us to reserve the housing wait waiting list for only those who have a legitimate need for social housing
Number of Right to Buy verifications closed due to applications being denied because of CAFT intervention	3	The Right to Buy scheme helps eligible council and housing association tenants in England to buy their home at a discount
Number of Right to Buy verifications closed as eligible to apply	53	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 RTB system
Number of Tenancy Fraud Investigations closed as No Further Action.	122	These cases were investigated but no tangible evidence was identified to substantiate the allegations. <i>The cases were closed as Insufficient Evidence or No Fraud Identified</i>
Total number of cases closed in Q1 & Q2	180	
Total number of on-going Tenancy Fraud Investigations.	93	Of these cases 79 are ongoing with some awaiting data from other law enforcement agencies and others requiring a formal interview. 7 are with legal awaiting Criminal

		prosecution and 7 are with legal awaiting Civil action.
Total number of on-going Right to Buy Investigations.	15	
Number of Tenancy Fraud investigations carried into Q3	108	
Other information reported as per requirements of policy.		
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	0 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 matters received under the council's whistleblowing policy.	1 this quarter. relates to an ongoing investigation.	

4. Noteworthy investigation summaries: -

Corporate Investigations

During this quarter the Corporate Team been heavily involved in the Business Rate relief schemes that the council has been delivering in the borough. They have been part of a cross divisional multiple departmental collaboration, with Revenues and Capita, to design and implement a sound delivery process for payment of the grants. A decision was made to use the Credit Industry Fraud Awareness System (CIFAS) to carryout prepayment fraud checks on 100% of the applications made, in order to offer greater assurance surrounding payments being made. It also allowed for early intervention in cases of suspected fraud and meant that the council could prevent the loss of the money, rather than having to recover the funds after they were paid.

As at the end of Q2, the Corporate Team had carried out a total of **4299** prepayment fraud checks on applications valued at **£65,640,000**. During this time **5** cases were identified where CAFT prevented **£55,000** worth of Business Grants leaving the authority due to fraud being suspected. These issues remain under investigation.

Further to this CAFT have also recovered **£10,000** of fraudulently claimed monies back into the council accounts

Financial investigation

Op Falcata

This case relates to a fraud by a Capita employee who was working as a Senior Pensions Administrator at the CAPITA Darlington Office.

In May 2019, Capita during the collation of standard transaction reports to support the 2018-19 LBB Pension Fund identified unusual payments. Further scrutiny of these transactions led Capita to suspect that these were possible fraudulent transaction and therefore referred (in accordance with agreed arrangements) their concerns regarding these transactions to LBB/CAFT, who immediately initiated a criminal and financial investigation.

The CAFT led criminal investigation was supported by Capita Group Financial Crime Team's internal investigation. Scrutiny of the pensions systems identified that the defendant had created these payments and authorised them using a secondary user profile in his name. By having two user profiles linked to the system the defendant was able to bypass the systems 'role segregation rules'.

In total 7 fraudulent payments were made. The total fraudulent amount paid in over this period was **£70,596.62**.

Our financial investigation identified that the defendant subsequently transferred some payments he received to his separate ISA account. He also used the money on personal items and to support his lifestyle. Because of our

investigation a quantity of the money had been restrained in the defendant's ISA account since May 2019 subject to ongoing Proceeds of Crime recovery action.

The defendant was suspended from his employment on 8th May 2019 and subsequently resigned from his post. He was arrested on 22nd May 2019 at his home address by officers from CAFT supported by Police Officers from local Darlington Police. The defendant was conveyed to Darlington Police Station where was interviewed under caution by CAFT officers in the presence of his solicitor. He provided 'no comment' replies to all questions put to him.

On 14th January 2020 the defendant appeared at Harrow Crown Court and pleaded guilty to one offence contrary to section 4 Fraud Act 2006 (Abuse of position).

The suspect was sentenced to 24 months imprisonment, suspended for 24 months. A Proceeds of Crime confiscation process took place over a number of months and on 30th July 2020 a confiscation order was awarded for the amount of £11,561.31 this comprising of the total assets available. It was previously agreed with CAPITA that remainder of the unrecovered fraudulent funds would be reimbursed to LBB Pension Fund once the confiscation process was completed and as such the reimbursement is currently in the process of being resolved – meaning no loss to LBB Pension Fund.

In parallel to the CAFT criminal and financial investigation, Capita Group Financial Crime and Capita Group Internal Audit undertook an internal review of process and controls resulting in a number of recommendations to the service. These recommendations were made in order to safeguard and prevent any repeated incidents and strengthen internal controls. It is worth noting that some immediate mitigating controls were also put in place ahead of the wider review. These recommendations were previously reported to the Audit Committee.

Op Claymore

This case began due to a Council tenant raising suspicions when he requested a rent refund and was told he had already been paid. Further investigation revealed that a request was made purporting to be from the tenant providing a different bank account. The bank account details belonged to an ex-employee of Barnet Homes, offender 1. Further investigation into his bank accounts revealed that he had received payments from Barnet Homes totalling approx. £44,000. All rent refunds were analysed which revealed a second ex-employee of Barnet Homes, offender 2, had also received rent refunds approx. £22,000 was paid into his bank account.

The fraud was committed by offender 1 telephoning the department purporting to be the genuine tenant, he had details of the tenants as he was an employee within the rental income team at Barnet Homes, which is when the Fraud began. After he had left his employment, he took these tenants details with him and continued his offending. Both suspects were arrested and at interview offender 1 gave a full admittance confirming that he conspired with offender 2 and one other person. Offender 2 denied knowledge of the fraud and just assumed the funds were a mistake and spent them anyway.

Neither defendant had sufficient assets to restrain or pursue a confiscation order.

On 31st July 20 offender 1 pleaded guilty to many counts of Fraud by False representation (Fraud Act) and offender 2 pleaded guilty to 8 counts of retaining a wrongful credit (Theft Act). On 18th August they were both sentenced as follows:

Offender 1 was sentenced as follows:

- 2 years imprisonment, suspended for 2 years. Concurrent on each count.
- 250 hours unpaid work
- 5 months electronically monitored curfew
- Compensation to London Borough of Barnet total: £5,000
- No order for costs.
- Statutory surcharge.

Offender 2 was sentenced as follows:

- 8 months suspended for 12 months, concurrent on each count.

- 150 hours unpaid work
- Compensation to London Brough of Barnet £600.
- No order for costs.
- Statutory Surcharge.

All funds that were stolen from tenants rent accounts have been reimbursed by Barnet Homes. Steps and a review of the process to mitigate the risk of Fraud in the department have already been put in place during the investigation.

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Audit Committee
19th October 2020

Title	Annual Governance Statement
Report of	Director of Assurance
Wards	None
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Annual Governance Statement 2019/20
Officer Contact Details	Clair Green, Director of Assurance, 020 8359 7719 clair.green@barnet.gov.uk

Summary

The Council is required to produce an Annual Governance Statement (AGS), which is a statutory reported public statement which is included within the Statement of Accounts for 2019/20. The Annual Governance Statement outlines the governance framework, any significant governance issues and steps taken to mitigate those issues.

The report seeks approval for the Annual Governance Statement 2019/20 to be included alongside the Statement of Accounts.

Officer Recommendations

- 1. That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2019/20as set out in Appendix A of this report**

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.
- 2.2 The Annual Governance Statement enable the Council to be compliant with the provisions of the Accounts and Audit Regulations 2015.

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 within our governance arrangements and framework.

- 5.1.2 The committee's scrutiny of their progress supports delivery of all three priorities in the Barnet 2024 Corporate Plan which are:

- A pleasant well-maintained borough that we protect and invest in
- Our residents live happy, healthy independent lives with the most vulnerable protected
- Safe and strong communities where people get along

- 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.

5.2 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 Council Constitution, Article 7 - 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/uksi/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>

LONDON BOROUGH OF BARNET

Annual Governance Statement 2019/20



CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2019/20 except for those areas identified in Section 7. 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 on an on-going basis through the year and as part of our next annual review at the end of the 2020/21.

SIGNED: _____

Leader of the Council

Date: _____

SIGNED: _____

Chief Executive

Date: _____

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 acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.
- This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015¹ in relation to the publication of a statement of internal control.
- The Council has a separate Code of Corporate Governance. The Code is consistent with the principles of the of Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

2. GOVERNANCE

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

3. 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.

¹ <http://www.legislation.gov.uk/uksi/2015/234/regulation/6/made>

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.
- The system is based on an on-going process designed to:
 - * make sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud;
 - * that public money is properly accounted for and is used economically, efficiently and effectively;
 - * that the Council operates in a lawful, open, inclusive and honest manner;
 - * that the Council has effective arrangements for the management of risk;
 - * that the Council enables human, financial, environmental and other resources to be managed efficiently and effectively;
 - * that the Council secures continuous improvement in the way that it operates;
 - * that the Council properly maintains records and information;
 - * that the Council ensures its values and ethical standards are met:
 - a. identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
 - b. evaluate the likelihood of those risks being realised together with the impact should they be realised, and
 - c. manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.
- Where improvements in the governance framework are required (as outlined in section 7) they will be addressed in the coming year.

4. THE ANNUAL GOVERNANCE STATEMENT

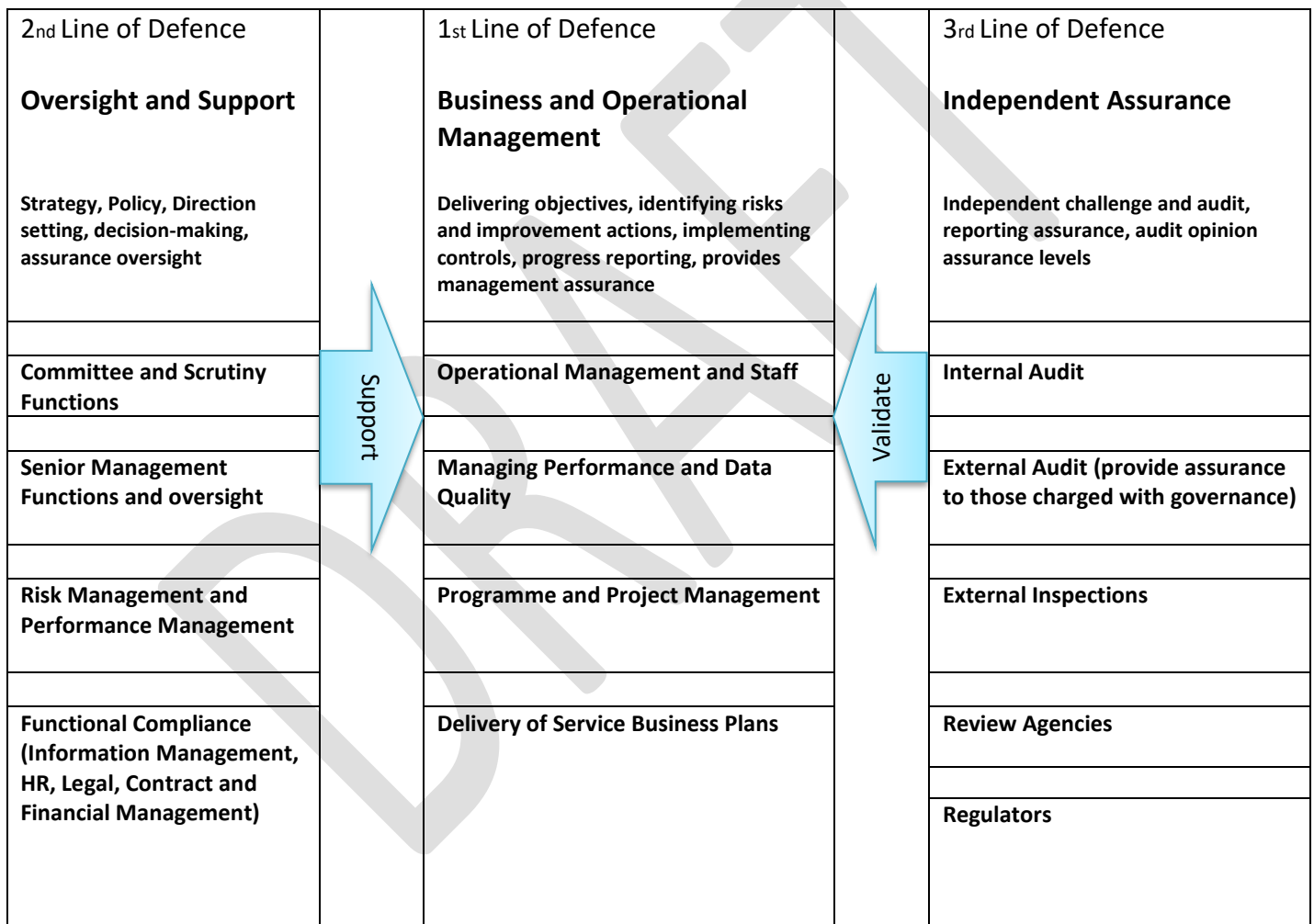
- The Annual Governance Statement is made up of statements that are underpinned by the assurance framework. The assurance framework enables Members and Senior Management to identify the principal risks to the Council's ability to meet its key objectives. Members and Senior Management can map out both the key controls to manage the risks and how they are assured that these controls are effective in identifying, managing and mitigating risks.
 - This process is designed to provide assurance, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved, except for those areas identified in Section 7 which require further improvements.
 - The annual assessment gives the Council an opportunity to review that effectiveness of the governance arrangements operating within the Council. In addition, 'the three lines of defence assurance model' helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance to help inform Key Areas of Improvement.

The Three Lines of Defence in effective Risk Management and Control

The three lines of defence model is designed to provide confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

As assurance is derived from multiple sources, the “Three Lines of Defence” concept helps identify and understand the different sources of assurance.

Where controls are not operating effectively then improvements to strengthen the control environment are required, such issues are set out in section 7 of the report and will be addressed in the coming year.



5. HOW HAS THE ANNUAL GOVERNANCE STATEMENT BEEN PREPARED?

The Council has reviewed significant governance issues from previous years and identified new issues that have arisen during the year. Detailed updates on these issues are set out in the following sections.

The Council has and Code of Corporate Governance to reflect the CIPFA Framework which includes an assessment of our compliance with the seven principles of Good Governance.

6. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Within this Annual Governance Statement, the Council has undertaken an assessment of significant governance issues and the progress made against these throughout the year. Any areas which have not been resolved will carry forward into 2020/21 and will continue to be monitored. Any issues that have been resolved during 2019/20 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

We consider that the Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is documented via a separate Code of Corporate Governance 2019/20.

7. SIGNIFICANT GOVERNANCE ISSUES

7.1 COVID -19 and Recovery Planning

Like all local authorities across the country, we rapidly changed our focus in March 2020 to respond to the global COVID-19 pandemic. This involved enacting emergency planning and business continuity arrangements, protecting and supporting the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting council services to continue to serve residents and businesses in the borough. This was not just a Barnet response - we have and continue to work with partners, local and regional authorities across London and government through London emergency planning arrangements.

As with any emergency, our Emergency Planning business continuity plans were enacted in response to Covid-19 and we were able to sustain most services by using technology to enable staff to work from home. To respond to the impacts of Covid-19, the council mobilised resources virtually across all service areas. Many services adapted their business model rapidly to move services online, or to provide support to residents remotely.

Strong governance during a crisis also supports disaster recovery and resilience. Ensuring that robust governance arrangements were in place for key decisions relating to the pandemic has been a significant issue. At the end of March, the Council took the decision to suspend face-to-face committee meetings in line with advice from national and local government. Barnet operate a Committee System of governance and there is no provision for individual Member decision-making. Significant decisions should be approved by committees, but in the absence of an urgent/emergency provisions in the Constitution, several emergency decisions had to be taken by officers. Whilst these emergency decisions were taken in consultation with Members and were subsequently ratified by the Urgency

Committee at the end of April², the pandemic has highlighted a requirement to revise arrangements relating to taking urgent or emergency decisions so that the Council can react quickly without the requirement to convene a committee meeting whilst retaining Member oversight. Proposals to resolve this issue with the Council's governance arrangements will be further considered in 2020/21.

With the country now emerging from the worst of the health emergency, and whilst still delivering critical and essential services, Barnet has also turned attention to Local Outbreak Control and Recovery Planning. Therefore, as lockdown is eased, some restrictions are lifted and various aspects of life return to normal, there is inevitably an increased risk of a resurgence of Covid-19. Prevention will continue to be key to our approach during this next phase, with a focus on supporting everyone who lives, works and visits Barnet to put in place the necessary measures and adopt those behaviours that are necessary to keep everyone safe.

To do this we have created our Local Outbreak Control Plan for COVID-19 infection.

The plan is designed to be a live and iterative document and will be regularly updated, as further evidence emerges.

The main aims of the Plan are to:

- Build on the existing plans to prevent and manage outbreaks in specific settings;
- Ensure the challenges of COVID-19 are understood;
- Consider the impact on local communities and
- Ensure the wider system works together to contain the spread of infection locally.

Our plan outlines seven steps in local preparedness to prevent, control and manage COVID-19 incidents and outbreaks, if and when they emerge. It describes our local whole system response and it has been developed with a wide range of stakeholders and overseen by the Barnet Health Protection Board. It is signed off by Barnet's Chief Executive Officer, the Director of Public Health, the Public Health England (PHE) Health Protection Team and Health Protection Board and published first on 30th June 2020. The Health and Wellbeing Board ratified the Plan on 23rd July. [Local Outbreak Control Plan for COVID-19 infection](#)

Additionally, our Covid-19 Recovery Planning programme has commenced, led by the council's Deputy Chief Executive and with input from all service areas as well as our delivery partners CSG, Re, The Barnet Group and Cambridge Education. It is too early to set out a firm timetable for recovery. We do not know yet whether there will be a second or subsequent peak in new infections, and we do not know at what speed the rate of infection in the community will decline.

It is clear that – as well as being a pressing social and economic need – recovery provides an unparalleled opportunity for the council to work with partners to collectively re-think how we operate individually and together. There are numerous examples of positive changes that have been implemented throughout our response to Covid-19 that we should build upon and retain in the future. At this stage, it is intended that the Recovery Framework will be in place for between six and 12 months. After this time, activities will be incorporated into Barnet's new Corporate Plan. This approach will act to embed recovery into the council's long-term vision for the borough.

² Urgency Committee, 27 April 2020: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=716&Mid=10375&Ver=4>

Financial sustainability is a key element to the recovery programme which needs to deliver a robust Medium Term Financial Strategy (MTFS) in order to support the continuation of council's operations to support residents. All councils are experiencing significant, unplanned financial pressure and some organisations within the sector face a significant risk of failure, even with the current level of funding provided by the Government. The process will need to ensure the council, over a four-year horizon, needs to return to a balanced budget and live within its means throughout the MTFS.

The council set a robust and sustainable budget in March 2020 which resourced the corporate plan priorities. However, it is important to note that the impacts of Covid-19 are unprecedented in scale. Additionally, the sector has just emerged from a financially challenging period of austerity and it is extremely difficult for organisations to free up significant resources. The financial context of the organisation has fundamentally changed following the Covid-19 pandemic and whilst some likely impacts can be estimated at this point, others depend on variables which are still unknown. The remodelling of the MTFS will be co-designed with the borough's recovery plan to ensure that the Long-Term Change phase delivers a balanced budget that allows for the investment needed to allow the borough to thrive. Each workstream will be responsible for contributing to the financial sustainability within the corporate budget setting process.

This will be an area of focus Barnet in the coming year.

EXISTING ISSUES – CARRIED FORWARD FROM 2018/19

7.2 Emergency Planning and Organisational Preparedness

Under the Civil Contingencies Act 2004, the London Borough of Barnet is defined as a Category 1 Responder, along with other Category 1 Responders such as Police, Fire and Ambulance Service. During any emergency that occurs in Barnet, the role of the council is to support and assist the emergency services in life saving and operational activities; then take the lead during the recovery phase to ensure the community has a swift return to normality.

Barnet has a duty under the Act to identify risks and hazards that have the potential to impact the borough and its communities and on that basis, to plan for such emergencies, exercise those plans and to make its residents aware of the hazards in their area and how they can prepare for an emergency. Hence, our contingency planning and business continuity arrangements (how we maintain service delivery in the event of incidents and disruption) have a key role in our ability to manage our resources, effectively, efficiently and economically.

Covid-19 has been the single biggest incident that has tested the organisation's resilience and Emergency Response arrangements. The initial response and early preparations in February 2020 led to the activation of Barnet's Multi-Agency Pandemic Plan, calling together the Borough Resilience Forum and the opening of the Borough Emergency Control Centre (BECC) to provide urgent support and co-ordination to the new emerging workstreams until these were formed and headed by workstream leads, predominantly officers from the council's Silver rota. Throughout this period the Organisational Resilience team have maintained a response team to address any other non-Covid emergencies arising to include fire and flood evacuations and major loss of services.

As part of demonstrating resilience, all London Boroughs participate annually in an exercise. Safer City 2020, scheduled for March was intended to exercise mutual aid arrangements across London regions and partner organisations. However due to the impending pandemic a number of boroughs withdrew from the exercise. Although there was limited opportunity to test mutual aid, we took the decision to run and adapt the scenario and exercise the opening of the BECC, activation of Gold and Silver roles, Communications and numerous service managers across all departments.

Whilst responding to Covid, work to further enhance our resilience against Resilience Standards for London (RSL) has been paused. As the Council returns to normality, whilst ensuring preparedness for a second wave or peak, the Organisational Resilience team will undertake a review of our response to the 11 standards and resume a workplan to deliver throughout the remainder of 2020 and into 2021.

7.3 Improvement of key services currently delivered through the Capita CSG and RE contracts:

A report was considered by the Policy and Resources Committee on 19 July 2018, which proposed a review of the Capita CSG and RE contracts. A subsequent report to the Committee on 11 December 2018 agreed that the review be conducted on a phased basis and that the Finance and Strategic HR services be returned in-house (subject to the outcome of consultation) on 1 April 2019. That transfer has now taken place. A further report on phase II of the Review, covering Regeneration and Highways services, was considered by the Committee on 17 June 2019. As a result, it was agreed that part of the Regeneration service (the Skills, Employment and Economic Development team and the Director of Place role) should be returned to the council. This transfer took place in October 2019 and has further strengthened strategic control in a key area of the council's activities. It was also agreed that the Safety, Health and Wellbeing Service be returned to the council and that the remaining services should be reviewed alongside the year 6 (CSG) and year 7 (Re) contract reviews. In addition, the Integrated Programme Management Office, which co-ordinates the management of the Brent Cross programme, also returned to the council in January 2020.

In respect of the Pensions Administration Service, Policy and Resources Committee agreed on 17th February 2020 that the service should be transferred to the West Yorkshire Pension Fund (WYPF), which is a specialist provider of Local Government Pension Fund administration services. Discussions are under way with Capita and WYPF to ensure a smooth, phased transition of the service and associated data.

Other services provided under the CSG and RE contracts will be reviewed through the Year 6/7 Review process, terms of reference for which were agreed by the Financial Performance and Contracts Committee in January 2020. That Committee will also provide oversight and scrutiny of the Review process. The Review is currently paused as the team is focusing on Covid response activities.

This area will continue to be monitored as a significant issue during 2020/21.

7.4 Governance of major capital programmes including Brent Cross Cricklewood Regeneration

The council has is expected to deliver over £350m of capital investment in 2019/20.

Within this portfolio, the regeneration of Brent Cross Cricklewood is the most significant scheme. The scheme comprises three programmes:

- **Brent Cross Thameslink** – delivery of a new Thameslink station, ‘Brent Cross West’ and associated infrastructure funded through £419m Government grant and delivered by the council. The station is due to open in 2022.
- **Brent Cross South** – delivery of at least 7,500 homes, a significant new office location and associated community facilities and other infrastructure. The council has established a joint venture with Argent Related to deliver the scheme.
- **Brent Cross North** – the expansion of the Brent Cross Shopping Centre and delivery of major supporting infrastructure. To be delivered by the shopping centre owners – Hammerson and Aberdeen Standard Investments. This part of the programme is currently deferred.

While Brent Cross North is deferred, both Brent Cross Thameslink and South have made significant progress through the planning and design stages. Railway works commenced in January 2019. The replacement Train Operating Company (TOC) facility is now occupied and the replacement railway sidings opened in June 2020. In 2020 we will see further major works with start on site of the new Brent Cross West Thameslink train station.

Brent Cross South has also progressed through planning and land acquisition to enable demolitions and site clearance, ready for the first phases of works to commence. 2020 will also see the start of significant investment in infrastructure from February onwards with the development of a temporary open space ahead of upgrades to Claremont Park to enable development of the first plots in 2021.

The scale of the changes to be delivered in the borough, and of the spend, mean that the programme has a corporate significance beyond that of most regeneration projects. In terms of Brent Cross Thameslink, the council is exposed to the risk of cost overrun and grant clawback if the grant conditions, particularly key milestone dates, are not met. There is a mechanism for amending key milestones in agreement with Government, and currently the council is meeting the agreed the programme.

The major risks for the programme relate to securing the required railway possessions to deliver the new station platforms. In response to this, an integrated industry supported programme has been developed which focuses on delivery of these key railway possessions. The council, through the Thameslink delivery team, have developed a Memorandum of Understanding that is being signed up to by all rail industry and government partners which confirms the collaborative agreement to work towards delivering in line with the integrated programme.

A new board, the Railway Operations Assurance Board has been established with a specific focus of ensuring the programme is maintained and rail related issues are resolved before impacting the programme. The board reports into the already established Government Assurance Board and can escalate issues which may require input from more senior levels.

The programme will also deliver wide ranging benefits to the council and the borough, including but not limited to, new homes to meet housing need, investment in infrastructure for the benefit of existing and new residents, and increased revenue from council tax and business rates. In order to monitor against these a benefits tracker has been established which will be monitored throughout the programme lifecycle to ensure benefits are being realised in line with the business case.

The programme has a comprehensive internal governance structure within the council, reporting to the Housing & Growth Committee for strategic direction and regeneration related decisions, the Policy & Resources Committee for budget decisions and the Financial Performance & Contracts Committee for monitoring of key delivery contracts between the council and Network Rail in respect of the Rail Sidings and Systems and Volker Fitzpatrick in respect of the station delivery contract.

Externally, programme progress, risks, issues, benefits realisation and finance are all reviewed monthly at the Government Assurance Board (attended by: the council: Ministry of Housing, Communities and Local Government: Department for Transport; HM Treasury; Homes England; Greater London Authority; Transport for London; and the Infrastructure Projects Authority (IPA)).

In the coming year update reports on the overall project will continue to be submitted to the Housing & Growth Committee on a quarterly basis. The programme has also begun reporting to the Financial Performance and Contracts Committee and this will continue quarterly now that the scheme has moved into the delivery phase and major contracts let. Through the Government Assurance Board, Government partners have agreed to a joined-up approach in relation to audit and assurance reviews. The Infrastructure and Projects Authority (IPA) have carried out progress reviews previously, and it has been agreed that a follow up review will be council led with support from MHCLG and IPA. This review is due to take place in 2020.

There is a capital governance review underway to strengthen current arrangements across the wider capital programme which is investing in schools, highways and other assets across the borough. In

This issue will continue to be monitored through the Annual Governance Statement during 2020/21.

7.5 Health and Care Integration – quality of local NHS providers

Last year's AGS included an update on the Royal Free Hospital (RFH) NHS Foundation Trust's Care Quality Commission (CQC) inspection rating of 'Requires Improvement' in a report published in May 2019, from a previous rating of 'good'. Since the publication of this report, the Chief Medical Director and Deputy Chief Executive Officer of the Trust has reported regularly to the Barnet Health Overview and Scrutiny Committee (HOSC) on the actions being taken to address the matters raised by CQC in their inspection report and has provided suitable assurance to the HOSC about the measures being taken. All the other NHS trusts are rated good.

As the response to this matter has a programme of work which underway and is being regularly scrutinised by Health Overview Scrutiny Committee, it will not be a matter for the AGS in 2020/21.

7.6 Pensions Administration

In 2016/17 concerns were identified relating to pensions administration and further issues led to Regulatory Intervention by the Pensions Regulator to the London Borough of Barnet Pension Fund. Since then the council has been engaging closely with the Pensions Regulator to address these issues.

Data quality remained an issue in 2019/20. However, focused efforts by the council and the fund administrator meant the 2019 valuation of the fund was completed on time and the Actuary issued a letter concluding that the data quality was satisfactory. The valuation determines both the funding level and individual employer contribution rates for the next three years.

Annual Benefit Statements (ABS) were issued to active and deferred members at the end of August 2019. Many issues were identified by the Council after the issuing of the statements, such as incorrect data, missing data and statements not being issued to members. Each of these issues were documented and the fund administrator were requested to investigate, correct and reissue statements if required. Reissued statements have all now been sent where required.

Pension Savings Statements (PSS) must be issued to members whose pension savings in a tax year exceed the standard annual allowance. The statutory deadline for statements to be issued is by 6 October in the following the tax year. In 2019/20, it was discovered that 2018-19 statements were not issued to 30 members. An investigation into previous years going back to the 2013-14 tax year identified a further 22 members who had not received one or more PSS. Of the affected members, 13 individuals have potential tax issues. Affected members are being supported both to complete tax filings and regularise their tax position.

The Pensions Regulator have been updated on the actions taken to resolve both the annual benefit statement and pension savings statement issues.

Issues in relation to admissions agreements and bonds remain work in progress with significant improvement in Q2, 2020. Officers are working with the fund administrator and the Scheme Actuary, Hymans Robertson, to ensure these progress as a matter of urgency.

The Council has continued its dialogue with the Pensions Regulator detailing the actions taken to address the weaknesses identified by the Regulator and the other breaches brought to the Regulator's attention. While work is ongoing to address a back log of casework and member record updating, we are pleased to note that following the last update to the Regulator on 12 May 2020 that the Regulator responded that they are not seeking any further updates on the matters previous discussed. Efforts continue to ensure the fund administrator's internal controls are robust, data held is correct and required improvements are being monitored.

Weekly meetings with Capita Employee Benefits (CEB) continue to assess their plans to correct the issues identified and that the plans of action are on track and where evidence of issues arise, these can be escalated to senior management and Members as appropriate to ensure resolution. There is also ongoing communication with unions and individuals around queries and/or issues with their individual pension to resolve these.

On 19 February 2020, the Policy & Resources Committee approved the proposal that the administration of the London Borough of Barnet Pension be moved from CEB to a shared services agreement with the West Yorkshire Pension Fund. The function was delegated by Full Council on 3 March 2020. The transition is progressing in accordance with the timetable to complete on 31 October 2020.

This is an area that will remain under review for 2020/21.

7.7 Financial Control and Fraud Risk

Following the internal fraud case that came to light late in December 2017, the council commissioned a full independent review of financial controls and financial forensic analysis through Grant Thornton. The findings of this report and the associated action plan was presented to and monitored through the Audit Committee during 2018/19 and 2019/20.

During 2018/19, intensive work was carried out to strengthen financial controls in the areas highlighted by Grant Thornton in the review. The scope of the review was narrow, so additional work was undertaken in 2019/20 to look more broadly at financial systems at the Council and further measures were implemented to tighten financial controls across areas which were not directly addressed through the initial review. A proactive assessment of the control environment against best practice models in

ten key finance areas was undertaken. Where controls gaps or weaknesses were identified during this process, actions and timelines were agreed for tightening existing controls and implementing new ones. Work was also undertaken to ensure that the strengthened financial controls were embedded across the organisation and its strategic partners and operating effectively.

Governance around internal controls has continued to be a focus for the Council in 2019/20. An Internal Controls Board meets on a monthly basis to ensure officers and partners across the organisation are implementing the recommendations made by Internal Audit. As part of the Finance team restructure, a dedicated post has been created with responsibility for internal controls.

During 2019/20, the following financial areas received limited assurance internal audit reports:

- Accounts Payable
- Accounts Receivable
- Cash and Bank
- Pension Fund Finance and Investment

Therefore, this area will continue to be monitored as a significant issue during 2020/21.

The findings from these audits have been addressed in line with timescales agreed with Internal Audit and improvements to the control environment in these areas continue to be made.

Loan Agreement with Saracens Copthall LLP (SCLLP)

In accordance with the decisions of the Policy & Resources Committee on 19 July 2018 and 23 October 2018, and the Delegated Powers Report dated 28 January 2019, the Council entered into a Loan Agreement between the council and Saracens Copthall LLP (SCLLP). The decisions detail the amount to be loaned, the conditions upon which the loan is made and can be drawn down and the terms of repayment. This agreement also details the obligations for legal assignments over future contracts and collateral warranties from appropriate entities.

To date, SCLLP has drawn down £3.2m of the agreed £22.9m loan facility.

On 5 November 2019, it was announced that Saracens had been fined £5.4m and docked 35 points by Premiership Rugby Limited (PRL). Following that announcement, the club wrote to the council on 18 November 2019 to confirm that the fine was to be met by the shareholders and setting out evidence that the business plan for the development of the West Stand remained robust. On 17 January 2020, in response to media speculation about further action to be taken by PRL against Saracens, council officers placed a temporary stop on loan drawdowns. It has subsequently been confirmed by PRL on 18 January 2020 that the club is to be relegated automatically at the end of the 2019/20 season.

In light of recent events, the club and SCLLP are taking stock of their plans for the West Stand. No further drawdowns will be approved until a way forward has been agreed between the council, SCLLP and the club. Interest will continue to accrue on the £3.2m already drawn down. Should SCLLP wish to pursue the development of the West Stand, the council will require a robust revised business plan, subject to independent due diligence, before any further loan drawdowns are made.

The impact of these events will be monitored through the Annual Governance Statement during 2020/21.

7.8 Annual Internal Audit Opinion; Reasonable Assurance - Key Findings

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. This is a requirement of the Public Sector Internal Audit Standards (PSIAs). The Opinion covers the internal audit work completed delivering the 2019/20 audit plan to 31 March 2020, including the work completed more recently to complete the audits that were paused due to the COVID-19 response. It is also informed, where appropriate, by other third-party assurances, for example from Ofsted and the Pensions Regulator.

In 2019-20 the annual opinion overall is **Reasonable Assurance**. This is the first time the annual opinion has been Reasonable Assurance since 2016-17. In 2017-18 and 2018-19 the annual opinion was Limited Assurance.

In those two years, the key contributing factors to the Limited ratings were (a) the Compulsory Purchase Orders fraud that was identified in December 2017 and the subsequent Grant Thornton report and associated action plan; and (b) the Ofsted inspection of Family 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 in April/May 2017. At the time of the inspection in 2017 Ofsted judged these services to be 'inadequate'.

During 2019/20, as part of our audit programme we continued work to confirm that the Grant Thornton actions had been implemented. The vast majority of this work has been completed and we have seen improvements across the Finance function since the service was brought in-house on 1st April 2019. The service has since completed a significant restructure and undertaken its own project to review and strengthen financial controls. With regard to the Children Service improvements, in May 2019 OFSTED began the three-week full ILACS (Inspection of Local Authority Children's Services). This was the first full inspection following the Single Inspection undertaken two years before in which the council was judged inadequate. The outcome from the Inspection of Local Authority Children's Service in Barnet was graded as **Good** by OFSTED.

On Pensions Administration, in 2018/19 we found that a number of audit actions had not been implemented and the service was under scrutiny from the Pensions Regulator. In 2019/20 we continued to follow-up previously raised audit actions and these are now substantially implemented. In addition, the Council made the decision to transfer pensions data and administration services from Capita to West Yorkshire Pension Fund on 1st April 2021 and there is a transition plan in place.

In March 2020, the COVID-19 pandemic affected every aspect of Council service delivery. There is recognition from residents, officers and members that the Council has acted reasonably effectively in extremely difficult circumstances which is acknowledged within the opinion. Any review of effectiveness of the response and the Recovery Planning Programme will primarily inform the 2020/21 Annual Opinion next year.

Finally, the % of audit reports that have been given a 'positive' assurance rating of either Substantial or Reasonable assurance has increased compared to the previous year for both Non-Schools and Schools audits.

In summary, improvements have been shown during the year and it is the Head of Internal Audit Opinion that the overall rating of Reasonable Assurance is appropriate. Although some high risk rated weaknesses were identified in individual assignments these are broadly isolated to specific systems or processes. None of the individual assignment reports have an overall classification of critical risk.

Further improvements are required to improve the adequacy and effectiveness of governance and control compliance in some areas.

The key findings from the audits have been grouped into four themes which will be a continued focus of Internal Audit work in 2020/21:

- Financial control and fraud risk
- Compliance / Policies & Procedures
- Oversight, accountabilities and roles and responsibilities
- Systems access

7.9 Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, this was identified as a significant governance issue and has been included in the annual governance statements for 2018/19 and 2019/20.

The council is undertaking a £51.9m investment programme to improve fire safety in council homes, and this has progressed as planned during 2019/20.

Work has also been undertaken to survey council homes that were built using the Large Panel System (LPS) construction method, which has resulted in significant issues. Work is underway to vacate some of the affected buildings, and rectify issues in the others.

During 2019/20, at the request of the Government, the council commenced collecting detailed information on the external wall coverings of all residential buildings in the borough that are 18 metres or more in height, and this could result in further significant issues that need to be addressed, particularly in the private sector.

The potential issues associated with LPS surveys and the private sector external wall coverings will continue to be monitored through the Annual Governance Statement during 2020/21.

8. CONCLUSION

To summarise, the following governance issues will be key the councils key priorities and focus in the coming year: -

- *COVID Outbreak Control and Recovery Planning*
- *Emergency Planning and Organisational Preparedness*
- *Improvement of key services currently delivered through the Capita CSG and RE contracts*
- *Governance of major capital programmes including Brent Cross Cricklewood Regeneration*
- *Pensions Administration*
- *Annual Internal Audit Opinion; Reasonable Assurance – Key findings*
- *Financial Control and Fraud Risk including the Loan Agreement with Saracens Copthall LLP (SCLLP)*

- *Barnet's Fire Safety*

Over the coming year the council will be taking steps to address the matters outlined in this Annual Governance Statement and addressed within the Annual Internal Audit Opinion to further enhance governance arrangements and control compliance within the council. We are satisfied that these steps will address the need for improvements that have been identified and we will monitor their implementation and operation through appropriate committees throughout the year as well as part of the next annual review.

The Council will also continue to ensure elected Members are kept fully briefed of any new significant issues that may arise in year.

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Audit Committee

19 October 2020

Title	External Auditor's Audit Completion Report for the year 2019/20
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Draft Audit Completion Report 2019/20 Appendix B – Summary of changes from the draft accounts
Officer Contact Details	Anisa Darr –Director of Finance, Anisa.Darr@Barnet.gov.uk 020 8359 7634

Summary

The external audit of the council's Statement of Accounts is undertaken by BDO LLP whose findings are reported in the draft Audit Completion Report at Appendix A. BDO anticipate providing an unmodified opinion on the Council's financial statements, subject to the clearance of the outstanding matters referred to in the Audit Completion Report.

The draft financial statements were published on 31st July 2020 and distributed to the Audit Committee a month earlier than the date required by the Accounts and Audit Regulations 2015. The draft accounts can be found at the following link:

http://www.barnet.gov.uk/sites/default/files/draft_19-20_statement_of_accounts_0_1.pdf.

The final accounts, including the Pension Fund accounts, are required to be approved and published by 30th November 2020.

The audit has identified the need for some amendments to the Core Statements and some Disclosure Notes. These will be reflected in the final published accounts. A List of these amendments is shown in Appendix B.

On 8th September 2020 the government published the results of an independent review into the effectiveness of local authority financial reporting and audit regimes in England, led by Sir Tony Redmond.

The review examined whether the reporting regimes are robust enough to spot early warning signs, such as risks from commercial investments, to protect public funds and better serve taxpayers.

The review recommends improvements in the way that councils communicate with taxpayers, to empower local people and improve transparency and accountability. This includes a simplified statement of costs, to allow taxpayers to measure performance against the council's achievements. The government are considering the findings and recommendations of the review.

Officers Recommendations

1. That the Committee approve the Statement of Accounts for 2019/20 and recommend that they be signed by the Chairman and the Director of Finance (Statutory 151 Officer) on behalf of the Council.

2. That the matters raised by the external auditor relating to detailed aspects of the 2019/20 accounts audit be noted.

3. That the Committee note the main recommendations from the Redmond review.

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 of the Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.
- 1.2 On 8th September 2020 the government published the results of an independent review into the effectiveness of local authority financial reporting and audit regimes in England, led by Sir Tony Redmond.
- 1.3 The review contained a number of recommendations, of particular interest to the council were:
- A new regulatory body, "Office of Local Audit & Regulation (OLAR)" will manage and oversee local audit, specifically:
 - Procurement of local audit contracts;
 - Producing annual reports summarising state of local audit;
 - Management of local audit contracts;
 - Monitoring and review of local audit performance;
 - Determining the code of local audit practice and
 - Regulating the local audit sector.

- A review of existing governance arrangements within Local Authorities leading to an annual report to Full Council by external auditors, possibility of at least 1 independent, qualified member to Audit Committee and formal arrangements for the CEO, CFO (s151) and Monitoring Officer to meet with Audit Partner annually;
- Revised fee structure for audit to ensure adequate resources to complete audits and facilities for OLAR to sanction audit firms where quality is below expected standards;
- Revised deadlines for certifying audited accounts from 31 July to 30 Sept – reverting back to timescales from about 6-7years ago;
- A new disclosure in the accounts with standardise service and cost reporting against budget. Both the Segmental Reporting and the EFA statement were meant to improve the “understandability” of the accounts to the layperson; and
- Requirement for external auditors to present an Annual Audit Report to the first Full Council meeting after 30 September. This is regardless of whether the accounts are certified. OLAR to clarify the details of this report.

1.4 The full report can be found via the hyperlink in the Background Papers section of this report.

2. REASONS FOR RECOMMENDATIONS

2.1 In order that the Council can meet its legal obligation to produce audited financial statements.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable

4. POST DECISION IMPLEMENTATION

4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Review of reports made under International Standard on Auditing (ISA) 260 are an integral part of corporate governance. This is in line with Barnet’s Corporate Plan – to make sure Barnet is a place “where services are delivered efficiently to get value for the taxpayer”. The Annual Statement of Accounts are the primary means by which the Council is held to account for the stewardship of its resources.

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

5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2020.

5.3 Social Value

5.3.1 None in the context of this decision

5.4 **Legal and Constitutional References**

5.4.1 Section 151 of the Local Government Act 1972 requires that “...*every local authority shall make arrangements for the proper administration of their financial affairs*”.

5.4.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.

5.4.3 Section 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then re-confirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.

5.4.4 The 2015 Regulations require that the accounts are published by 31 July 2020. These regulations were amended following the onset of the coronavirus pandemic and now require that the accounts are published no later than 30 November 2020.

5.4.5 International Standard on Auditing (UK and Ireland) 260 deals with the auditor’s responsibility to communicate with those charged with governance in an audit of financial statements. A link to the website containing ISA 260 can be found at [https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-\(UK\)-260-Revised-June-2016_final.pdf](https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-(UK)-260-Revised-June-2016_final.pdf).

5.4.6 Article 7 of the Council’s Constitution details the functions of the Audit Committee and include “*To review and approve the annual statement of accounts and consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts*”.

5.5 **Risk Management**

5.5.1 A positive external audit opinion on the council’s Statement of Accounts plays an essential and key role in providing assurance that Barnet’s financial risks are managed in an environment of sound stewardship and control.

5.5.2 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the Council’s risk register.

5.6 **Equalities and Diversity**

5.6.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community, to reduce the differential impact of the services received by all of Barnet’s diverse communities and to ensure compliance with the council’s duties under the 2010 Equality Act.

5.7 Corporate Parenting

5.7.1 None in the context of this decision

5.8 Consultation and Engagement

5.8.1 None in the context of this decision


5.8 Insight

5.8.1 None in the context of this decision

6. BACKGROUND PAPERS

Committee	Item & Agenda	Link
Audit Committee 14 July 2020	Item 11: Revised External Audit Plan 2019/20	https://barnet.moderngov.co.uk/documents/s59398/External%20Audit%20Plan%202019-20%20June%202020.pdf
Audit Committee 30 January 2020	Item 8: External Audit Plan 2019/20	https://barnet.moderngov.co.uk/documents/s57560/External%20Audit%20Plan%20201920.pdf
n/a	The Redmond Review	https://www.gov.uk/government/news/results-of-independent-review-into-quality-of-council-audits-published

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Report to the Audit Committee

LONDON BOROUGH OF BARNET COUNCIL

Audit Progress Report

Year ended 31 March 2020

IDEAS | PEOPLE | TRUST



CONTENTS

1	Introduction	3	7	Audit differences	32
	Welcome	3		Audit differences	32
2	Executive summary	4		Adjusted audit differences	33
	Overview	4		Unadjusted audit differences	37
	The numbers	5		Prior year unadjusted audit differences	38
	Other matters	6	8	Other reporting matters	39
	Financial outturn	7		Reporting on other information	39
3	Coronavirus	8		Whole of Government Accounts	40
	Coronavirus impact	8	9	Use of resources	41
4	Financial statements	10		Overview	41
	Audit risks overview	10		Sustainable finances	42
5	Significant risks	11	10	Control environment	43
	Management override of controls	11		Significant deficiencies	43
	Recognition of grant income	12		Other deficiencies	44
	Expenditure cut-off	13		Prior year deficiencies	45
	PPE and Investment property	14	11	Audit report	51
	Pension liability valuation	20		Overview	51
	Consolidation of group entities	23	12	Independence and fees	52
	Non-collection of receivables	24		Independence	52
	Going Concern	27		Fees	53
6	Other risks	28	13	Appendices contents	54
	Related party transactions	28			
	Other matters	29			
	Matters requiring additional consideration	31			

WELCOME

Contents
Introduction
Welcome
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

We have pleasure in presenting our Audit Progress Report to the Audit Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of the work to date for the year ended 31 March 2020, specific audit findings and areas requiring further discussion and/or the attention of the Audit Committee. At the completion stage of the audit it is essential that we engage with the Audit Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We will provide an update on outstanding work at the Audit Committee.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

Leigh Lloyd-Thomas

8 October 2020



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Engagement Partner

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Audit Manager

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial outturn
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements of the Group and use of resources of the Council for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is on going and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the Group's financial statements and the Council's use of resources for the year ended 31 March 2020 in line with the agreed timetable.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified other than those risks reported to you on 8 June 2020.

No restrictions were placed on our work.

Audit report

To date all material misstatements in the financial statements identified through our audit have been corrected by management.

We anticipate issuing an unmodified audit opinion on the consolidated Group financial statements and the Council's single entity financial statements.

We have no exceptions to report in relation to the arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

THE NUMBERS

Executive summary

- Contents
- Introduction
- Executive summary**
- Overview
- The numbers
- Other matters
- Financial outturn
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

Final materiality

Group and Council materiality was determined based on a benchmark of 1.5% of gross expenditure.

We have increased our materiality from £16.2 million to £16.8 million (Group materiality from £17.3 million to £17.8 million) as a result of increase in final outturn of gross expenditure compared to the prior year.

Material misstatements

There were 15 audit differences identified by our audit work that have been adjusted by management. This increased the surplus on the provision of services for the Council and the Group by £44 million, to £150.8 million for the Council and £147.6 million for the Group. Net assets for the Council and Group increased by £26.9 million, to £964.8 million for the Council and £948.3 million for the Group.

These adjustments did not impact on the total General Fund and HRA balances as they all related to capital and financing items that are not proper charges to the General Fund and HRA, and have been reversed to other reserves through the Movement in Reserves statement.

Unadjusted audit differences

There is one unadjusted audit difference identified by our audit work to date that would decrease net assets by £1.1 million but has no impact on the Surplus on the provision of services.

There are 8 audit differences from the prior year corrected in 2019/20 that impact on the Comprehensive Income and Expenditure Statement surplus on the provision of services for 2019/20. The impact of unadjusted differences in the current year and roll forward of prior year differences has resulted in an understatement of the Surplus on the provision of services for 2019/20 of £10.6 million for the Council and £11.1 million for the Group.

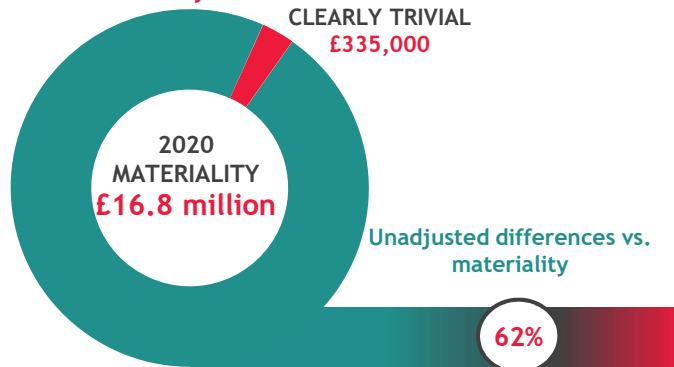
Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.

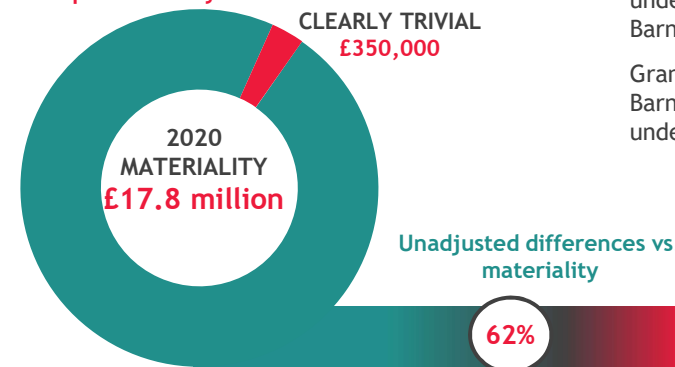
We have audited the Council's financial statements under the NAO Code of Audit Practice. We have undertaken specific procedures for Barnet (Holdings) Limited.

Grant Thornton has audited The Barnet Group and its subsidiaries under the Companies Act.

Council materiality



Group materiality



OTHER MATTERS

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Financial outturn
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Financial reporting

- We have not identified any non-compliance with Group accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council and the Group in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



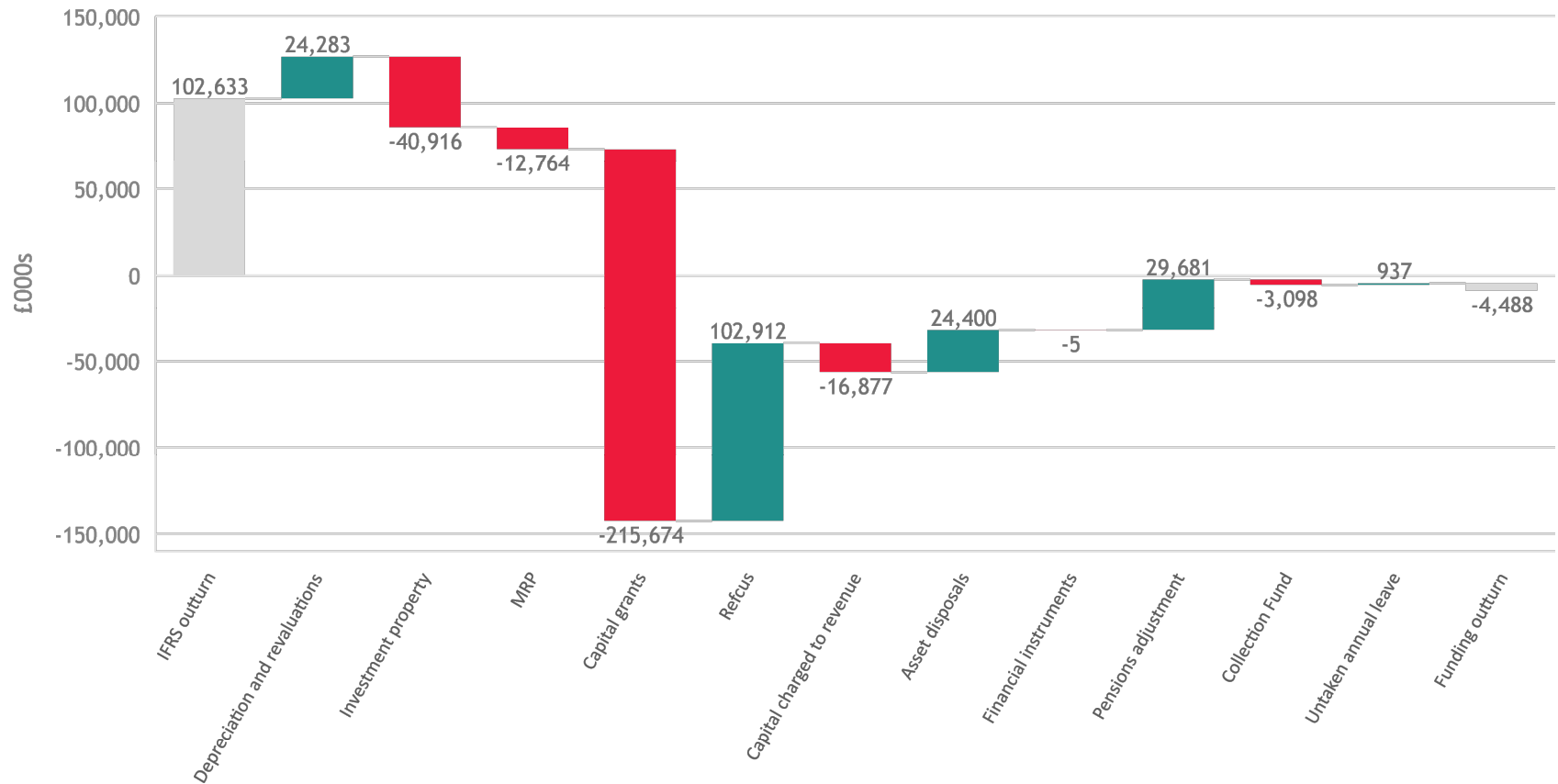
FINANCIAL OUTTURN

Executive summary

Reconciliation of CIES accounting outturn to funding outturn

The chart below highlights the statutory adjustments made to the CIES reported 'surplus on the provision of services' of £102.6 million (based on IFRS financial reporting requirements), per the draft accounts and before any audit adjustment, to the funding outturn deficit of £4.5 million.

This includes adjustments to remove capital charges (such as depreciation, revaluations and asset disposals) and replace with the statutory Minimum Revenue Provision, remove capital grants received and revenue funded from capital resources, include capital expenditure charged to revenue and replace the IAS 19 based pension costs for the year with amounts payable to the pension.



- Contents
- Introduction
- Executive summary
- Overview
- The numbers
- Other matters
- Financial outturn
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

Contents
Introduction
Executive summary
Coronavirus
Coronavirus impact
Coronavirus impact
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

Going concern

In respect of going concern, the Chief Finance Officer is required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern that the Chief Finance Officer is required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.
- The assessment needs to consider the entity’s resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).

- If the Chief Finance Officer considers that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government’s commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by public sector entities. However, the assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor’s review of Chief Finance Officer’s assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report. While our assessment is iterative, our current view is that management has a good understanding of the impacts of coronavirus on year end reporting and auditing and the budget requirement in the coming years. See page 27 and 42

Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

CORONAVIRUS IMPACT

The effects on year-end reporting and auditing

Contents
Introduction
Executive summary
Coronavirus
Coronavirus impact
Coronavirus impact
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas: annual reports, financial reporting, control environment and regularity of expenditure.

The NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

Implications for auditors

As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk:

- Valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
- Going concern and/or working capital assessment and disclosure
- Risk disclosures
- Subsequent event disclosures.

Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:

- Consider the impact on the audited entity
- Consider alternative ways of working including the use of our technology
- Consider implications for the quality of audit evidence and reporting.

Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the financial statements and may be referred to by the auditor in their opinion/report.

AUDIT RISKS OVERVIEW

As identified in our updated Audit Planning Report dated 8 June 2020 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts required	Error identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	-	-	Work still in progress on journals testing
Recognition of grant income	Significant	No	No	Yes	No	Incorrect classification of grant income
Expenditure cut-off	Significant	No	No	-	-	Work still in progress
Valuation of PPE and investment property	Significant	Yes	Yes	Yes	Yes	Corrections to valuations including updating valuations from December 2019 to 31 March 2020 and corrections to errors in asset data
Valuation of pension liability	Significant	Yes	Yes	No	No	No
Consolidation of group entities	Significant	No	No	-	-	Work still in progress
Allowance for non-collection of receivables	Significant	Yes	No	-	-	Work still in progress on loans to subsidiaries
Going concern	Significant	No	No	No	No	No
Related party transactions	Normal	No	No	No	No	No

 Areas requiring your attention

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements**
- Audit risks overview
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

MANAGEMENT OVERRIDE OF CONTROLS

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks**
- Management override of controls
- Recognition of grant income
- Expenditure cut-off
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- Pension liability valuation
- Pension liability valuation
- Pension liability valuation
- Consolidation of group entities
- Non-collection of receivables
- Non-collection of receivables
- Non-collection of receivables
- Going Concern
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

Risk description

The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our review of management estimates has not identified the existence of any systemic bias.

We did not identify any evidence to suggest unadjusted audit differences are indicative of bias or deliberate misstatement by management.

Work outstanding

Our audit of journals is in progress. Work completed to date has not identified any issues.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

- Significant risk
- Normal risk
- Significant management estimate or judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant control findings to be reported
- Letter of representation point

RECOGNITION OF GRANT INCOME

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Risk description

Under auditing standards there is a presumption that income recognition presents a fraud risk. We consider there to be a significant risk in respect of the existence (recognition) of grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement(CIES).

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Work performed

We tested a sample of grants included in income to documentation from grant paying bodies and checked whether recognition criteria have been met.

Results

Our audit work on grants confirmed that these were recognised when performance conditions attached to them had been satisfied.

However, we identified that one specific revenue grant of £7.89 million that should be have been presented as a service grant (and included in net cost of services) was incorrectly classified as non specific grant in the Comprehensive Income and Expenditure Statement. This has been corrected by management (Adjusted Ref#3).

Conclusion

Grant income has been appropriately recognised when the grant conditions have been met.

EXPENDITURE CUT-OFF

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Risk description

For net-spending bodies in the public sector there is also risk of fraud related to recognition of expenditure. We consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

For public sector bodies the risk of fraud related to expenditure is also relevant.

Work performed

We tested a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end has been.

Work outstanding

Our audit of expenditure cut off and recognition is in progress. Work completed to date has not identified any issues.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

PPE AND INVESTMENT PROPERTY

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

RICS has issued guidance to valuers regarding material uncertainties in valuations due to prevailing market conditions. A RICS Material Valuation Uncertainty Leaders Forum meets weekly and regularly provides updates to practitioners. The Council's valuers are engaged to provide valuations at 1 December and to refresh these valuations to 31 March. There is a significant risk that the valuers will not be able to provide valuations without reporting a material uncertainty over certain classes of assets.

The valuation of land, buildings, dwellings and investment property is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed accuracy and completeness of asset information provided to the valuer;
- Reviewed assumptions used by the valuer in light of the prevailing market conditions to support the valuations including any material uncertainty for classes of assets;
- Followed up valuation movements that appear unusual or outside of our expectations; and
- Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct

Results

Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues. We confirmed basis of valuation for assets valued in year is appropriate and in line with Code.

Our work on the accuracy and completeness of asset information used as the basis of valuation identified a number of issues that are reported on the following pages. The results of our review of the assumptions and estimates used by the valuer for classes of assets are also reported on the following pages.

The valuer has reported that his valuations as at 31 March 2020 are subject to material uncertainty, in line with the RICS guidance issued to valuers, due to the impact of Covid-19 and reduced market activity.

Conclusion

Management has made corrections to PPE and investment property valuations as noted on the following pages, including updating valuations from December 2019 to 31 March 2020 and corrections to errors in asset data.

The assumptions and estimates used in the valuations are reasonable although we are required to refer to the material uncertainty over valuations of classes of assets in our audit report.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PPE AND INVESTMENT PROPERTY

Significant estimate - Dwellings valuations

Council dwellings at Open Market Value Social Housing discount value £757 million



Council dwellings are valued at open market value and adjusted to 25% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by MHCLG in 2016 for regional (London) differences between market rents and social rents. The draft financial statements reported that council dwellings valuations increased by 3.52% (£25 million) but adjustments noted below increased this to 7.0% (£50 million).

Historically only a small number of the 403 Beacons have been valued each year and an average price movement then applied to all other Beacons. This has led to some atypical differences in value arising between similar properties but with different number of bedrooms where not subject to valuations for some years. This year the valuer has undertaken valuations for 76 Beacon properties as at December 2019 using recent sales of three similar properties by size, type and location for each with some adjustments made to sales prices to reflect differences with the Beacon dwelling. We checked that the properties used and any adjustments were appropriate and that the correct sales prices had been used. For Beacon properties not subject to valuation this year, the valuer has applied an adjustment of +/- 15% for each extra / fewer bedrooms against the valuations obtained for similar Beacons. We have reviewed Beacon valuation differentials where similar Beacons but with different bedroom numbers have been valued this year and this found that the average differential was 17.4%. We consider the +/-15% adjustment applied is therefore reasonable. We have also checked to ensure properties have been grouped into appropriate beacons.

The Council had incorrectly treated 213 properties as disposed of in year and recognised a loss of £13.2 million (159 of these properties being HRA council dwellings). This was due to Barnet Homes providing inadequate information to the Council to account for its major works programme, new property purchases and out of borough property acquisitions. We recommend that all Council departments involved in regeneration / redevelopment provide the Finance team and Barnet Homes with plans, agreements and transfer documents so that assets disposals and acquisitions can be managed and accounted for correctly. After reinstating the depreciation charge the net adjustment of £12.8 million has been corrected by management (Adjusted Ref#4).

We compared Land Registry price movements from January to 31 March 2020 to assess whether there had been a material change in value since the December valuation. This reported a further increase of 3.19% for Houses and 3.67% for Flats across the borough. Applying the market index for the final quarter and including the valuation gains for the year on the properties noted above that were initially recorded as disposals would materially increase the value of dwellings. We also noted that the valuations spreadsheet provided for audit contained formulae errors causing duplications in the valuation schedules. The net impact has been to increase the valuation by £26.741 million. This has been corrected by management (Adjusted Ref#11).

We found that 35 properties purchased for £11.5 million had been incorrectly classified as council dwellings but should have been recorded as investment properties. This has been corrected by management (Adjusted Ref#6).

We are satisfied that the December valuations are reasonable and based on similar recent sales applied to Beacons. However, a material uplift in valuations for the final quarter had not been adjusted for and there were errors in the underlying dwelling numbers and the valuation spreadsheets. Following the corrections to the financial statements, we are satisfied that the valuations and estimates used are reasonable.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PPE AND INVESTMENT PROPERTY

Significant estimate - Buildings at depreciated replacement cost valuations

Buildings at Depreciation Replacement Cost DRC £287 million

< lower Impact of assumptions on the estimate higher >



Council owned schools are valued on the basis of government guidance on the minimum required floor area per pupil for different types of school, rather than the actual size of the existing school, using estimated rebuild costs. Leisure centres are valued using the existing gross internal area and estimated rebuild costs. These valuations are then reduced to reflect the age of the building. The draft financial statements reported that schools had increased in value by 7.46% (£13.7 million) but adjustments noted below increased this to 9.0% (£16.6 million).

The school rebuild sizes used have been agreed to 2018/19 published pupil numbers by the Department for Education, showing a small reduction in pupil numbers of 0.5% from the previous year. The latest school pupil numbers for the 2019/20 academic year were recently released and show a further reduction in pupil numbers that would further reduce the required school replacement cost by £1.1 million. Pupil numbers are not normally published until October/November and were published early this year in September. Valuation was based on latest available pupil numbers at the time of valuation (which was the 2018/19 published pupil numbers). Latest pupils number shows an immaterial reduction in replacement cost by £1.1 million and this has not been reflected in the valuation (Unadjusted Ref#1).

RICS published build costs per sqm. have increased to December 2019 by between 8% to 14% depending on the type of school. The valuer has applied the upper quartile rebuild rates rather than the average regional rate based on recent schools projects where the Council has tended to over-specify the minimum requirements for school buildings. This is reasonable but does tend to result in a higher valuation than required by the guidance.

The age allowance adjustment for each buildings is based on a reduction in the replacement valuation of 2% each year using the estimated useful life of 50 years. This is considered to be a reasonable approximation for the age / obsolescence allowance for the valuation.

However, a formula error in the valuation spreadsheet resulted in the valuation of schools to be overstated by £0.987 million (Adjusted Ref#15). We also found that valuation provided by the valuer was incorrectly entered into the asset register resulting in understatement of schools value by £4.3 million (Adjusted Ref#2). We also noted that the Council had not derecognised a school that became an independent academy school during the year. Under the terms of the transfer to an academy, the local education authority transfers ownership of the school to the Department for Education for nil consideration. This resulted in an overstatement of schools values by £4.9 million (Adjusted Ref#1). These have been corrected by management.

Leisure centres valuations have been indexed by the increase in RICS build costs for the year to December 2019 and the rebuild costs used remain within the upper and lower sqm. costs for new leisure centres. The two new leisure centres have been valued for the first time in 2019/20 and show a decrease in value of £3 million compared to the construction costs. This is not unusual on initial valuation since DRC valuations assume no overruns or over-specification of the buildings.

The RICS build costs index movement from January to March 2020 is +0.3% and the use of the December 2019 build costs remains reasonable.

However, £16.5 million of cost for the new Barnet leisure centre was still recorded in Assets under Construction and the asset was then revalued and recorded as a new asset in the asset register, resulting in the asset being recorded twice. This has been corrected by management (Adjusted Ref#10). We also found that the Valuer had undervalued the new Copthall leisure centre by £2.6 million as the Council had supplied the incorrect build cost data which was used for the valuation. This has been corrected by management (Adjusted Ref#13).

Subject to the data errors corrected above, we are satisfied that buildings valued at depreciated replacement cost are reasonable, although the use of the upper quartile rebuild cost for schools does tend to place a higher valuation on schools.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PPE AND INVESTMENT PROPERTY

Significant estimate - Other land and buildings valuations

Other land and buildings at Existing Use Value £239 million



Other land and buildings (such as libraries, out of borough temporary accommodation, garages, depots and cemeteries) are valued using the most appropriate of market value or income method. Those assets with large elements of land have been valued using the latest available published land values at £6.9 million per hectare. The valuer has revalued 144 out of the 259 larger asset at December 2019 resulting in an overall reduction of £9.4 million. The new Council office (currently carried at £50 million) is not due to be revalued until 2020/21.

We compared valuation movements to expectations using MCSI regional capital growth indices (for buildings) that reported a reduction of 11.6% for retail units, an increase of 0.4% for offices and an increase of +2.4% for industrial buildings for year to December 2019. Where valuations fell outside of these expectations, we discussed these with the valuer to understand the reasons for the differences. We were able to obtain assurances from the valuer for valuations that fell outside of our expectations including those noted below.

The key valuation changes included spending on residential properties outside of the borough for use as temporary homeless accommodation, where 82 properties purchased in 2018/19 had significant amounts spent on them to bring them up to standard but where this was found to have added only limited value, resulting in a write down of £2.3 million of improvement. The new Tarling Road Community centre cost £5.6 million to build but has been valued on an existing use basis at only £1.3 million as it has low rental potential, resulting in a write down of £4.3 million. Barnet garages have fallen in value by £1.9 million due to their poor state of repair .

We are still waiting for the valuation reports for the out of borough temporary homeless accommodation.

We reviewed MSCI indices from January to 31 March 2020 that suggests a small increase in values of garages £0.5 million since the December valuation and management has updates the valuations to March 2020 (Adjusted Ref#9).

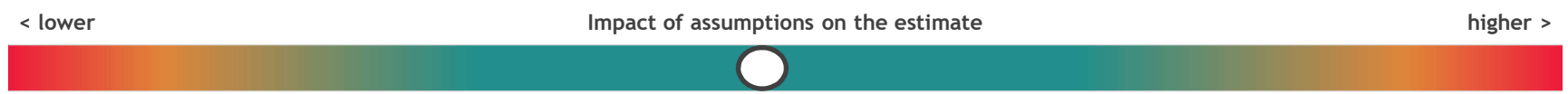
We are satisfied that other land and buildings valued on existing use basis are reasonable and valuation movements are consistent with recent MSCI indices and other public data.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PPE AND INVESTMENT PROPERTY

Significant estimate - Surplus assets valuations

Surplus assets at fair value £149 million



Surplus assets are valued at fair value (highest and best use) by reference to similar sales and potentially including an increase where the purchaser may be able to amend the consents for use and increase the value of the asset.

The surplus assets category now includes all of the consolidated Brent Cross South development assets valued at £97 million, £91 million of which have been reclassified from investment properties in 2019/20. These assets mainly include land previously valued with future development potential and are now valued as land with active residual developments. These assets include land previously valued at a comparable best industrial land value as advised by CBRE at £4.4 million per acre totalling £61 million. As the development is actively progressing, the land is now valued on a residual method basis based on the residual value arising from the 203 individual developments. For the Council there are currently 34 residual method developments in Phases 1-4. We have reviewed the key inputs into the financial models for 20 of these development using independent advisor reports from consultants to the BXS LP developers in which the Council has a 50% shareholding. These give rise to most of the Council's forecast returns on the Brent Cross South development. The change in valuation methodology equates to a land value of £7.4 million per acre for gross receipts before present value adjustments. Some audit work remains in progress due to delays obtaining supporting information from the Council and Argent.

The remaining surplus assets revalued in the year has decreased by £4.3 million as a result of planning consent for the previous developments having lapsed and the proposed new developments comprising a larger elements of social housing.

Our review of surplus assets against recent disposals identified one parcel of land that was being actively marketed for sale before year end and recently completed, and therefore should be reclassified to Assets held for sale. This had a current sales estimated value of £10.3 million although we found that the covenants on the previous acquisition by the Council will require that it pays £2.3 million of the proceeds to London Borough of Camden Council due to the change in planning consents increasing the value for the land. The valuation should therefore be reduced to the lower of the carrying value or fair value less cost sell, being a reduction to £8.2 million. This has been corrected by management (Adjusted Ref#7).

We also found that £1.7 million of surplus assets relating to the Brent Cross South development were included in the 213 properties incorrectly treated as disposals (see page 15). This has been corrected by management (Adjusted Ref#5).

Subject to the data errors corrected above, we are satisfied that surplus assets valued at fair value are reasonable.

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks**
- Management override of controls
- Recognition of grant income
- Expenditure cut-off
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- PPE and Investment property
- Pension liability valuation
- Pension liability valuation
- Pension liability valuation
- Consolidation of group entities
- Non-collection of receivables
- Non-collection of receivables
- Non-collection of receivables
- Going Concern
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

PPE AND INVESTMENT PROPERTY

Significant estimate - Investment property valuations

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Investment properties at fair value £92 million.

< lower Impact of assumptions on the estimate higher >



Investment properties are valued at fair value (highest and best use) usually based on the current and future potential rent yields.

The Council acquired 35 Buy Back assets in the year (previously council owned dwellings re-purchased at open market value) for £11.5m that had been incorrectly recorded as council dwellings rather than investment properties (Adjusted Ref #6). Further investigation found an additional 29 properties acquired pre April 2018 also incorrectly included in council dwellings at £1.4 million (Adjusted Ref#5) and erroneously recorded as disposals in the 213 properties (see page 15). This resulted in 64 Buy Back assets being reclassified to investment properties.

Updated valuations as investment properties resulted in an overstatement of the assets by £3.9 million. This has been corrected by management (Adjusted Ref#12).

For other investment properties, we agreed the rental income used in the valuations to the tenant leases and assessed whether the yields applied are reasonable. We compared valuation movements to expectations using MCSI regional capital growth indices that reported an increase of 5.8% while MSCI Rental All index reported a decrease of 0.5% for the year to December 2019. Where valuations fell outside of these expectations, we discussed these with the valuer to understand the reasons for the differences.

Subject to the data errors corrected above, we are satisfied that investment properties valued at fair value are reasonable.

PENSION LIABILITY VALUATION

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Risk description

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

There is a risk that the membership data submitted in the 2019 triennial valuation and 2018/19 cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liabilityWork performed.

Work performed

We carried out the following planned audit procedures:

- Reviewed the competence of the management expert (actuary);
- Reviewed the controls in place for providing accurate membership data to the actuary and testing the data provided at the triennial valuation through our audit of the pension fund;
- Checked that any significant changes in membership data since the triennial submission have been communicated to the actuary;
- Assessed how the actuary has addressed recent discrimination cases in the liability calculation; and
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

Results

Our review of the competence of the actuary did not identify any issues.

The pension scheme undertook a Common Data cleanse with the actuary to ensure the existence, completeness and accuracy membership data prior to the 2019 triennial valuation. The final report from the actuary indicated that after the data validation stage, the membership data submitted by the Fund for the 2019 valuation was suitable for the purpose of a funding valuation. This membership data is rolled forward for use in the 31 March 2020 accounting valuation.

Enquiry of the pension fund scheme and other audit work carried out confirmed that there were no significant changes in the membership data subsequent to the triennial submission.

PENSION LIABILITY VALUATION

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

Results (continued)

The following discrimination cases covering GMP gender equality, McCloud age discrimination and Goodwin spousal pensions are currently subject to remedy action that is likely to impact on liability to pay future pensions.

The actuary has applied full GMP indexation for members at state pension age this year. This is consistent with all other local government actuaries. We understand that in the previous year, indexation only for the 2016 to 2018 interim solution period was included in the liability and we previously reported an estimated audit difference of £3.8 million in 2018/19. We have sought confirmation from the actuary of the amount included in the liability for GMP indexation covering the 2016-2018, 2018-2021 and post 2021 periods.

The actuary has calculated the impact of McCloud at £3.124 million. However, it is not clear from the actuary report what year a member needed to be a scheme member to benefit from the final salary underpin. Will have sought confirmation of the assumptions used by the actuary in calculating this additional liability. The Government has recently issued a consultation document that suggests that members in the scheme at 2012 will qualify for the scheme amendments. No liability was included in the previous year and we previously reported an audit difference of £1.8 million based on information provided by the actuary last year. This liability has been reported as a past service cost in the Comprehensive Income and Expenditure Statement this year.

In July, HM Treasury announced that it would be amending the Teachers Pension scheme to remove the differential in survivor pensions for same sex marriage or civil partnerships following the Goodwin case, and that this will also apply to other public sector pension schemes. This is expected to result in lower survivor pensions although the actuary has not yet assessed the impact on the pension liability. Initial discussions with actuaries suggests that the impact will not be material.

The results of our review of the reasonableness of the assumptions used in the calculation against other local government actuaries and observable data is reported on the following page.

Work outstanding

To agree the 2019/20 cash flows for contributions, benefits paid and investment returns used by the actuary to the payroll data and pension fund asset returns.

Conclusion

The defined benefit obligation has been appropriately calculated and the assumptions used are reasonable.

Contents

Introduction

Executive summary

Coronavirus

Financial statements

Significant risks

Management override of controls

Recognition of grant income

Expenditure cut-off

PPE and Investment property

PPE and Investment property

PPE and Investment property

PPE and Investment property

PPE and Investment property

PPE and Investment property

Pension liability valuation

Pension liability valuation

Pension liability valuation

Consolidation of group entities

Non-collection of receivables

Non-collection of receivables

Non-collection of receivables

Going Concern

Other risks

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

PENSION LIABILITY VALUATION

Significant estimate - LGPS pension liabilities

Council pension liabilities £1,073 million funded LGPS and £26 million unfunded promised retirement benefits



The Council's pension liability has decreased from £1,297 million to £1,099 million and its share of the scheme assets decreased from £686 million to £586 million. The net deficit decreased by £98 million to £513 million. The reduction in the liability includes £88 million savings from changes to financial assumptions such as reduced annual salary increases above CPI at 2.6% (previously 2.8%), reduced annual pension increases at 1.9% (previously 2.4%) offset by a fall in the rate of discounting scheme liabilities to 2.3% (previously 2.4%); £33 million savings from demographic assumptions and reduced longevity of members; and £115 million reduction from updates to membership information from the 2019 triennial update including transfer of staff to other employers. The share of scheme assets has reduced by £109 million due to falling investment values in the pension fund and reallocation of assets to other employers for transferred staff.

We have compared the key financial and demographic assumptions used to an acceptable range provided by our a consulting actuary.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	2.90%	2.7 - 2.90%	Reasonable
- CPI / pensions	1.90%	1.8 - 2.00%	Reasonable
- Salary increase	2.60%	1.8 - 2.90%	Reasonable - short term assumption of lower rate and increasing long term assumption
- Discount rate	2.30%	2.30%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	22.9 years	21.6 - 23.3	Reasonable
- Female current	25.7 years	24.6 - 26.3	Reasonable
- Male retired	21.7 years	20.5 - 22.2	Reasonable
- Female retired	24.0 years	22.9 - 24.3	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range. Our actuary has provided an estimate of the overall strength of assumptions and this indicates that the estimate has tended towards a slightly prudent (higher) liability mainly due to using the CMI 2018 mortality gains rather than the latest available CMI 2019 tables.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

CONSOLIDATION OF GROUP ENTITIES

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Risk description

With increasing inter-company activities and different accounting frameworks applied by group entities, there is risk of errors in the consolidation of group entities where transactions and balances are not eliminated appropriately.

There is a risk over the consolidation of group entities.

Work performed

We carried out the following planned audit procedures:

- Reviewed the consolidation workings to ensure that intercompany transactions and balance have been treated appropriately, with emphasis on reviewing asset transfers between group entities; and
- Reviewed the principal accounting policies applied by group entities and ensure that they have been consistently applied in the group financial statement.

Work outstanding

Our audit of the group consolidation is in progress.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

NON-COLLECTION OF RECEIVABLES

Risk description

The Council recognises an allowance for the non-collection of receivables (arrears and debt), primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow for non-collection. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

There is an increased risk of customer default over collection of receivables where the losses are measured using either the Incurred Credit Loss model for statutory debt (eg council tax and NDR) or Expected Credit Loss (contract receivables). For some receivables, the Council may have suspended recovery action or offered deferred payment terms, and some customers that may be taking advantage of these arrangements may be in financial difficulty.

Estimating potential losses from defaults on amounts due will be subject to a greater degree of estimation than in previous years, historical collection rates may offer only some indication of potential future losses and assigning key economic metrics that may reflect patterns of historic default rates may be imperfect in the current conditions.

There is a risk over the valuation of the impairment allowance for the non-collection of arrears and debt.

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant receivables balances to assess whether it appropriately reflects potential default losses in light of current conditions using historical collection rates, an assessment of potential defaults for customers making use of deferral arrangements and aging of debt, and future losses and assessing the sensitivities to the impairment calculation and assumptions used by management; and
- Reviewed business plans to support recoverability of amounts due as receivables or loans from group entities.

Results

Our review of the appropriateness of the allowance for non-collection for each type of significant receivable balance is noted on the following pages. Management has applied historical default rates (incurred losses) using system data to determine the credit losses on both the statutory debt and on trade receivables that fall within the scope of IFRS 9. The Council does not have the data to establish which customers taking advantage of the deferred payment arrangements may be in financial difficulties and historical collection rates may only offer some indication of potential future loss for these customers.

Therefore, the estimated credit loss has then been increased by a further £3 million to take into account the increased risk of losses due to the economic impact of Covid-19. This additional loss allowance was not substantiated by any forward looking data or modelled against specific receivable type, and has been included by management to provide some headroom for future losses and debt write off. This suggests that the credit loss allowance has tended towards being prudent but not unreasonable based the uncertainty inherent in the current environment.

Work outstanding

The Council has advanced loans of £32 million to Open Door Ltd, a subsidiary of the Council, and included an expected credit loss provision of £4.1 million this year. We have requested for evidence to support this loss provision.

We have also requested an analysis by age of sundry receivables to assess the reasonableness of the allowance.

Conclusion

Work outstanding to be completed before we are able to conclude on this risk.

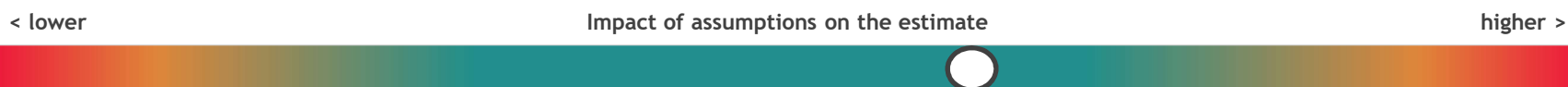
Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

NON-COLLECTION OF RECEIVABLES

Significant estimate - allowance for credit losses

Gross receivables £213 million and total credit loss allowance £75 million



Council tax arrears (Collection fund £41 million the Council's share £32 million)

The Council has recognised an allowance of £18 million for non-collection of its share of the council tax arrears of £32 million. The Council's share of the arrears has increased by £4 million and the credit loss allowance has also been increased by £4 million.

The credit loss allowance is estimated using recovery rates achieved for aged arrears in recent years for each year up to 6 years old. For debts over 6 years a flat provision rate of 80% is applied. We checked that the data used to calculate collection rates for arrears up to 6 years old is correct and the provisioning rates have been correctly applied to aged debt at 31 March 2020. We extended the review to cover actual collection rates for debts over 6 years and this suggests that the flat rate 80% may be slightly over prudent but well within an acceptable range.

NDR arrears (Collection fund £15 million the Council's share £7 million)

The Council has recognised an allowance of £4.5 million for non-collection of its share of the NDR business rates arrears of £7 million. The Council's share of the arrears has decreased by £1 million and the credit loss allowance has also been decreased by £1 million.

The provision is estimated using historic collection rate information from last three years. The provision was found to be reasonable although again we found that some debt over three years old continues to be recovered. As the additional amount potentially recoverable was not significant we did not undertake any additional testing to quantify any potential overstatement of the credit loss allowance.

Housing benefits overpayment debt (£25 million)

The Council has recognised an allowance of £24 million for non-collection of housing benefit overpayment on total debt of £25 million. In the prior year an allowance of £23 million was raised against arrears of £24 million. The provision is estimated based on historical benefit overpayment recovery data.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

Housing rents arrears (£13 million)

The Council has recognised an allowance for non-collection of housing rents arrears of £10.3 million on total debt of £13.4 million. In the prior year a provision of £9 million was raised against rent arrears of £12 million. The provision is estimated using historic collection data.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

(continued next page)

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

NON-COLLECTION OF RECEIVABLES

Significant estimate - allowance for credit losses

Gross receivables £213 million and total credit loss allowance £75 million

Parking arrears (£11 million)

The Council has recognised an allowance for non-collection of parking arrears of £7 million on total debt of £10.7 million. In the prior year a provision of £5 million was raised against rent arrears of £7.8 million. The provision is estimated using historic collection data.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

Sundry receivables (£83 million)

Sundry receivables includes £36 million of government debtors that does not need to be included within the expected credit losses model since Government debt is not considered to be at risk.

An expected credit loss allowance of £2.5 million has been provided for against the remaining £47 million of sundry receivables. The majority of the receivables are still within current payment terms and is not considered to be at risk of non-collection.

We have requested an analysis of the aging of this debt to ensure that the expected credit loss estimate is reasonable.

Additional allowance for expected credit losses

As noted above, management has applied historical default rates (incurred losses) using system data to determine the credit losses on both the statutory debt and on trade receivables that fall within the scope of IFRS 9. The Council does not have the data to establish which customers taking advantage of the deferred payment arrangements may be in financial difficulties and historical collection rates may only offer some indication of potential future loss for these customers.

Therefore, the estimated credit loss has then been increased by a further £3 million to take into account the increased risk of losses due to the economic impact of Covid-19. This additional loss allowance was not substantiated by any forward looking data or modelled against specific receivable type, and has been included by management to provide some headroom for future losses and debt write off. This suggests that the credit loss allowance has tended towards being prudent but not unreasonable based the uncertainty inherent in the current environment.

Loans to subsidiaries (£32 million)

The Council has advanced loans of £32 million to Open Door Ltd, a subsidiary of the Council, and included an expected credit loss provision of £4.1 million this year.

We have requested for evidence to support this loss provision.

Contents

Introduction

Executive summary

Coronavirus

Financial statements

Significant risks

Management override of controls

Recognition of grant income

Expenditure cut-off

PPE and Investment property

PPE and Investment property

PPE and Investment property

PPE and Investment property

PPE and Investment property

PPE and Investment property

Pension liability valuation

Pension liability valuation

Pension liability valuation

Consolidation of group entities

Non-collection of receivables

Non-collection of receivables

Non-collection of receivables

Going Concern

Other risks

Audit differences

Other reporting matters

Use of resources

Control environment

Audit report

Independence and fees

Appendices contents

GOING CONCERN

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Management override of controls
Recognition of grant income
Expenditure cut-off
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
PPE and Investment property
Pension liability valuation
Pension liability valuation
Pension liability valuation
Consolidation of group entities
Non-collection of receivables
Non-collection of receivables
Non-collection of receivables
Going Concern
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Risk detail

It is management’s responsibility to make an assessment of an entity’s ability to continue as a going concern and provide appropriate disclosures relating to how that assessment was performed and its results.

We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity’s ability to continue as a going concern

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

The assessment of going concern under the effects of the coronavirus outbreak will need to incorporate unprecedented shocks to forecasts. The increased demand on services, decline in income from services, deferrals of normal payment terms or impairment of debt, decreases in asset values and supply chain disruptions may be dissimilar to any previously encountered ‘real world’ scenario, making forecasting the precise results difficult.

The effects of the coronavirus are likely to affect the level of uncertainty that may exist in an assertion that the entity will be able to continue as a going concern. Regardless of the result of management’s assessment, many entities will need to disclose key judgments and estimates it used to arrive at this conclusion.

Key areas in a going concern assessment may include: sources of assumed liquidity and cash flows, forecasts of future revenue or additional expenditure, and support from government.

Planned audit approach

Our audit procedures will include the following:

- Reviewed management’s assessment of going concern, including sensitivities of the assumptions and impact on cash flows and available reserves; and
- Understood how management would address a shortfall in cash available to meet liabilities as they fall due.

Results

Management’s assessment of cash flows and its financial position supports the going concern basis of preparation of the financial statements. The Council has access to significant cash balances to support on going spending commitments and loss of income arising from Covid-19. Additional information on financial sustainability is included later in the report to support the use of resources assessment.

Management has provided enhanced disclosures in the financial statements to support its assessment of going concern.

Conclusion

We have reviewed management’s cash flow forecasts and budgets, including stress testing some of the assumptions, and we concur that there are no material uncertainties to the going concern of the Council.

RELATED PARTY TRANSACTIONS

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Related party transactions
Other matters
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

There is a risk over the valuation of the impairment allowance for the non-collection of arrears and debt.

Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit Committee. There is a risk that related party disclosures are not complete or accurate.

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and reviewed councillors’ and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertook Companies House searches for potential undisclosed interests..

Results

We did not identify any issues with related party transactions, balances and disclosures in the financial statements.

Conclusion

Related party transactions have been appropriately reported in the financial statements.

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
<p>The Code was amended last year to change the presentation requirements for the analysis of debtors and creditors from the type of counter party (eg Government or NHS) to the nature of the receivables or payables (eg for receivables by trade customers, receivables from related parties, prepayments and other amounts).</p> <p>The presentation of the debtors and creditors analysis has not been updated to reflect the changes to the Code last year.</p>	<p>The debtors and creditors notes should be analysed by the nature of the type of debtor and creditor rather than by the counter party.</p> <p>We have reported this as a presentation misstatement.</p>
<p>In 2018/19 the Council acquired an entity that provided it with an option to purchase land from Network Rail in the Brent Cross South development zone. The acquisition of this entity was as a joint venture through the Council and a separate wholly owned subsidiary. The Council advanced a £5 million loan to the subsidiary for it to purchase its share of the entity. The acquisition cost of £10 million reflected the value of the option to purchase the land.</p> <p>This year, the Council has written down the value of the £5 million loan to the subsidiary and its own £5 million investment in the entity to £nil on the basis that the land purchase option now has no value.</p> <p>We challenged the assumptions made by management and discussed the latest financial model for the Brent Cross South development to assess whether this land purchase option should be impaired to £nil in the entity to support the write down of the Council's investment and loan.</p> <p>The financial model indicates that there remains a healthy developers margin in the project that exceeds the £10 million acquisition cost and therefore no indication that the loan and investment should be impaired or written off. Management has agreed to reverse the impairment in the single entity's financial statements and the in the group accounts to reverse impairment of the option which was recognised as intangible asset.</p>	<p>The financial model for the Brent Cross South development on this land does not support the impairment of the investment or loan to the subsidiary.</p> <p>This has been corrected by management (Adjusted Ref#8).</p>
<p>We identified that proceeds from sale of a general fund asset was misclassified as proceeds from HRA asset disposals.</p>	<p>General fund assets disposals of £0.8 million are misclassified as HRA disposals.</p> <p>This has been corrected by management (Adjusted Ref#14).</p>

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Related party transactions
Other matters
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

OTHER MATTERS

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Related party transactions
Other matters
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Issue	Comment
<p>Our review of the draft accounts identified a number of presentational misstatements. For example:</p> <ul style="list-style-type: none"> • Re-measurement of defined benefit liability of £132.324 million in the group CIES did not agree to notes in the accounts showing changes in fair value of plan assets and defined benefit obligation; • Group property, plant and equipment is material and should include a separate Group note to explain the movement; • Group cash flows from investing and financing activities are material and should include a separate Group note to explain the movement; • Government grants and contribution per income and expenditure analysis by nature note did not agree to grant income note; • Prior year comparative disclosures for property plant and equipment note did not agree to the prior year financial statements; • Debtors and creditors at amortised cost in the financial instrument note included statutory debts that should be excluded from this analysis; • The surplus on provision of services in the unusable reserve note did not agree to the comprehensive income and expenditure statement; • The fair value of pension scheme assets in the scheme asset reconciliation note did not agree to the actuary's report; • Council dwellings depreciation per HRA statement did not agree to property plant and equipment notes; and • Capital receipts and other contributions in the capital expenditure and financing note in the HRA statement did not agree to the adjustment between accounting and funding basis notes. 	<p>Presentational errors in the notes and disclosures in the financial statements should be corrected and additional information provided for the Group financial statements where the Group amounts are material.</p> <p>Management has corrected these presentational errors.</p>

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Related party transactions
Other matters
Other matters
Matters requiring additional consideration
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Fraud

Whilst the Chief Finance Officer and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report.

Laws and regulations

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

Group matters

We have not yet received the component auditors working papers.

AUDIT DIFFERENCES

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences**
- Audit differences
- Adjusted audit differences
- Adjusted audit differences
- Adjusted audit differences
- Adjusted audit differences
- Unadjusted audit differences
- Prior year unadjusted audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

Audit adjustments

There were 15 audit differences identified by our audit work that have been adjusted by management. This increased the surplus on the provision of services for the Council and the Group by £44 million, to £150.8 million for the Council and £147.6 million for the Group.

Net assets for the Council and Group increased by £26.9 million, to £964.9 million for the Council and £948.3 million for the Group.

Details of all audit adjustments are shown on pages 33 to 36.

These adjustments did not impact on the total General Fund and HRA balances as they all related to capital and financing items that are not proper charges to the General Fund and HRA, and have been reversed to other reserves through the Movement in Reserves statement.

We are required to bring to your attention unadjusted differences and we request that you correct them

There is one unadjusted audit difference identified by our audit work to date that would decrease net assets by £1.1 million but has no impact on the Surplus on the provision of services (see page 37).

There are 8 audit differences (page 38) from the prior year corrected in 2019/20 that impact on the Comprehensive Income and Expenditure Statement surplus on the provision of services for 2019/20. These therefore result in a misstatement of the underlying reported outturn for the current year. These are no longer audit differences at 31 March 2020 and we do not ask that you correct these as a prior period adjustment as the impact is not material.

The impact of unadjusted differences in the current year and roll forward of prior year differences has resulted in an understatement of the Surplus on the provision of services for 2019/20 of £10.6 million for the Council and £11.1 million for the Group.

ADJUSTED AUDIT DIFFERENCES

Adjusted audit differences	Council									
	Income and expenditure			Balance Sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	DR £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
(Surplus) on the provision of services / net assets for the year before adjustments	(106,813)			937,941		(103,656)			921,419	
Adjustment 1: Transfer of a school property that changed to academy status										
Dr Other operating expend (loss on disposal) **	4,899	4,899				4,899	4,899			
Cr Schools asset					(4,899)				(4,899)	
Adjustment 2: Input errors on the Schools MEA valuations										
Dr Schools assets				4,300					4,300	
Cr Revaluation gains CIES **	(3,220)		(3,220)			(3,220)		(3,220)		
Cr Revaluation reserve *					(1,080)				(1,080)	
Adjustment 3: Reclassification of grants as taxation and non-specific grants instead of specific service grant										
Dr Taxation and non specific grant income		7,891					7,891			
Cr Adult social care income			(7,891)					(7,891)		
Adjustment 4: Assets incorrectly treated as disposals										
Dr Council dwellings				12,786					12,786	
Cr Other operating expenditure **	(12,786)		(12,786)			(12,786)		(12,786)		
Adjustment 5: Reclassification of investment property and surplus asset classified as council dwelling (includes dwellings in disposals per Adj 4)										
Dr Investment property				1,371					1,371	
Dr Other operating expenditure **	1,671	1,671				1,671	1,671			
Cr Council dwellings					(3,042)				(3,042)	

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Unadjusted audit differences
Prior year unadjusted audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES

	Council					Group				
	Income and expenditure			Balance Sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences										
Adjustment 6: Reclassification of investment property classified as council dwelling										
Dr Investment properties				11,498						
Cr Council dwellings					(11,498)					
Adjustment 7: Reclassification Asset held for sale classified as surplus assets										
Dr Assets held for sale				8,230					8,230	
Cr Surplus assets					(10,305)					(10,305)
Dr Revaluations reserve *				2,075					2,075	
Adjustment 8: Reversal of impairment investment and loans to subsidiary										
Dr Long term investments				5,000					5,000	
Dr Long term debtors				5,000					5,000	
Cr Financing expenditure (impairments) **	(10,000)		(10,000)			(10,000)		(10,000)		
Adjustment 9: Indexation Q4 garages										
Dr Other land and buildings				542					542	
Cr Revaluations reserve *					(542)					(542)
Adjustment 10: Duplicated New Barnet Leisure Centre										
Dr Revaluation loss CIES **	852	852				852	852			
Dr Revaluation reserve *				15,691					15,691	
Cr Assets under construction					(16,543)					(16,543)

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Unadjusted audit differences
Prior year unadjusted audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES

	Council					Group				
	Income and expenditure			Balance Sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences										
Adjustment 11: Indexation of Council dwellings, formula error in valuer's spreadsheet and valuation of gain of 159 properties treated as disposals										
Dr Council dwellings indexation				26,741					26,741	
Cr Council dwellings formula error										
Cr Revaluation gains CIES **	(26,741)		(26,741)			(26,741)		(26,741)		
Adjustment 12: Valuation movement to adjust for misclassified investment properties										
Dr Financing expenditure **	3,919	3,919				3,919	3,919			
Cr Investment property					(3,919)				(3,919)	
Adjustment 13: Adjustment to correct undervaluation of Copthall leisure centre										
Dr Other land and buildings				2,631					2,631	
Cr Revaluation gains CIES **	(2,631)	(2,631)				(2,631)	(2,631)			
Adjustment 14: Reclassification of GF proceeds classified as HRA proceeds										
Dr Other operating expenditure (HRA)		756					756			
Cr Other operating expenditure (General Fund)					(756)				(756)	
Adjustment 15: Adjustment to correct valuation errors for a school										
Dr Revaluation reserve *				929					929	
Dr Revaluation loss CIES **	58	58				58	58			
Cr Schools asset					(987)				(987)	

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Unadjusted audit differences
Prior year unadjusted audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

ADJUSTED AUDIT DIFFERENCES

	Council					Group				
	Income and expenditure			Balance Sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Adjusted audit differences										
Adjustment 16:										
Dr										
Cr										
Adjustment 17:										
Dr										
Cr										
Adjustment 18:										
Dr										
Cr										
Total adjusted CIES / net assets audit differences	(43,979)			26,906		(43,979)			26,906	
(Surplus) on the provision of services / net assets for the year after adjustments	(150,792)			964,847		(147,635)			948,325	
Items marked as * above in the balance sheet are reserve adjustments				17,073					17,073	

Impact on General Fund and HRA balances

Balance before adjustments	22,513	
CIES adjustments above	(43,979)	
Statutory adjustments through MIRS **	43,979	Adjustments 1, 2, 4, 5, 8, 10, 11, 12, 13 and 15
Balance after adjustments	22,513	

Items marked as ** above in the CIES are subject to statutory override for capital adjustments that are reversed through the Movement in Reserves Statement (MIRS) and therefore do not impact on the General Fund balance or HRA balance.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Unadjusted audit differences
Prior year unadjusted audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

UNADJUSTED AUDIT DIFFERENCES

	Council					Group				
	Income and expenditure			Balance Sheet		Income and expenditure			Balance sheet	
	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Unadjusted audit differences										
(Surplus) on the provision of services / net assets for the year	(149,045)			963,100		(145,888)			946,578	
Unadjusted 1: Valuation of schools on MEA service provision rebuild basis for updated pupil numbers										
Dr Revaluation reserve *				1,100					1,100	
Cr School assets					(1,100)					(1,100)
Unadjusted 2:										
Dr										
Cr										
Unadjusted 3:										
Dr										
Cr										
Total unadjusted audit differences	0			(1,100)		0			(1,100)	
(Surplus) on the provision of services / net assets for the year if adjusted	(149,045)			962,000		(145,888)			945,478	
Items marked as * above in the balance sheet are reserve adjustments				1,100					1,100	

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Unadjusted audit differences
Prior year unadjusted audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

PRIOR YEAR UNADJUSTED AUDIT DIFFERENCES

The following items are audit differences corrected in 2019/20 that impact on the Comprehensive Income and Expenditure Statement surplus on the provision of services for 2019/20, but relate to prior year unadjusted audit differences. These therefore result in a misstatement of the underlying reported outturn for the current year. These are no longer audit differences at 31 March 2020 and we do not ask that you correct these as a prior period adjustment as the impact is not material.

However, we report these to show the impact on the underlying surplus on the provision of services for 2019/20 .

	Council	Group
	CIES £'000	CIES £'000
Unadjusted audit differences		
Roll over prior year audit differences		
GMP pension liability - additional liability that should be charged to 2018/19 but taken to 2019/20	(3,800)	(4,100)
McCloud pension liability - additional liability that should be charged to 2018/19 but taken to 2019/20	(1,771)	(2,020)
NLWA credit - credit incorrectly taken to 2018/19 and reversed as a charge in 2019/20	(1,492)	(1,492)
Dwellings valuation - impairments that should be charged to 2018/19	(471)	(471)
Schools valuation - impairments that should be charged to 2018/19	(506)	(506)
Unrecoverable input VAT - VAT write off that should be charged to 2018/19	(1,546)	(1,546)
Unrecorded schools - income that should have been credited to 2018/19	1,521	1,521
School academy transfer - loss on asset on transfer to academy that should have been charged to 2018/19	(2,499)	(2,499)
Impact of current year and roll over unadjusted audit differences	(10,564)	(11,113)

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Adjusted audit differences
Unadjusted audit differences
Prior year unadjusted audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters**
- Reporting on other information
- Whole of Government Accounts
- Use of resources
- Control environment
- Audit report
- Independence and fees
- Appendices contents

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council’s review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Reporting on other information
Whole of Government Accounts
Use of resources
Control environment
Audit report
Independence and fees
Appendices contents

Matter	Comment
<p>For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 30 September 2020. The Council is expecting to meet this deadline.</p> <p>We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of financial statements.</p>

OVERVIEW

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources**
- Overview
- Sustainable finances
- Control environment
- Audit report
- Independence and fees
- Appendices contents

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Planning Report we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	None

SUSTAINABLE FINANCES

Risk description

The MTFS presents a balanced budget for 2020/21 with a total gap of £72 million from 2020/21 to 2024/25. Savings proposals to mitigate £35 million have been identified, leaving a gap to close of £37 million. The Council’s reserves are forecast to total £42 million at the end of 2020/21. Over the course of the MTFS this is expected to reduce to £38 million, with the non ring-fenced revenue reserves expected to be £30 million at the end of 2024/25. The savings targets are significant and achievement of these inherently challenging. The Council acknowledges that the continued support from reserves would not be viable. The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

The Council will need to deliver it’s savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.

Significant risk	
Normal risk	
Sustainable resource deployment	
Informed decision making	
Working with partners and other third parties	
Significant control findings to be reported	

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied;
- Monitored the delivery of the budgeted savings in 2019/20 and the plans to reduce services costs and increase income from 2020/21; and
- Reviewed the strategies to close the budget gap after 2020/21.

Results

The Council budgeted for £20 million savings in 2019/20 and delivered £18.3 million, representing 91.5% of the target. The Council’s reserves for future policy purpose or contingencies increased from £64 million to £68 million, although this includes £8.8 million of Covid-19 grant that was not spent by 31 March 2020. Reserves excluding unspent Covid-19 grant of £59 million exceeds the budgeted reserve position. The 2020/21 budget requires £17.3 million of savings and the Council forecasted in July 2020 to deliver £11.3 million of this. There is a risk that if remaining savings are not delivered this will impact on the delivery of savings for 2021/22. The Council still intends to follow its overall financial strategy of not using earmarked reserves to balance the 2020/21 budget.

The budget gap for 2021/22 to 2024/25 reported in March 2020 was £36.9 million. This has since been revised to £61.3 million to reflect the impact of Covid-19. Proposed savings of £38.4 million have been identified leaving a savings gap still to address of £22.9 million. However, the majority of the savings required are in the later years through to 2025 to allow management time to identify and develop these savings .

The Council maintained its general reserve balance above £15 million at 31 March 2020. The effects of Covid-19 and the required recovery plan have been reflected in the Q1 risk register. The Council’s policy of not using earmarked reserves to balance the 2020/21 budget means earmarked reserves will be available to mitigate against some of the Covid-19 and other short term pressures.

Conclusion

We are satisfied that the Council has a good understanding of the budget requirement in the coming years and has arrangements in place to identify and manage the delivery of required savings.

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Overview
Sustainable finances
Control environment
Audit report
Independence and fees
Appendices contents

SIGNIFICANT DEFICIENCIES

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit Committee.

As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment**
- Significant deficiencies
- Other deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Audit report
- Independence and fees
- Appendices contents

Area	Observation & implication	Recommendation	Management response
Dwellings acquisitions and disposals	<p>We identified 213 properties that had been incorrectly treated as disposals during the year due to Barnet Homes Limited not providing adequate management information to the Council to correctly account for its major works programme, new property purchases and new out of borough properties.</p> <p>There is a risk that Council's record of properties owned and valuation of asserts in the financial statements may be materially incorrect if this data is not corrected.</p>	Council departments involved in regeneration / redevelopment provide the Finance team and Barnet Homes Limited with plans, agreements and transfer documents so that assets disposals and acquisitions can be managed and accounted for correctly.	Management agrees with the recommendation. Specific reporting requirements and deadlines have been included within the revised Management Agreement with the Barnet Group to address this issue.
Annual review of dwellings valuations	The valuers undertake valuations of PPE and investment property as at December during the financial year but do not provide an update for material changes in values to year end (31 March). In the past two years we have identified material corrections to dwelling valuations as a result of movements in house prices in the last quarter.	To undertake a review of local house price indices between January and March and apply this to dwelling valuations at December where this indicates a material change in value.	Management agrees with the recommendation and will build this additional requirement into the Closing timetable for 2020/21 and beyond.
Asset data	<p>We identified errors in the data provided to the valuer, such as incorrect build cost for leisure centres, double counting of assets or misclassified assets in the asset register, and the transfer of a school to an academy not updated.</p> <p>The majority of the audit differences that have been corrected relate to errors in asset data or the asset register.</p>	To improve controls over annual checking and verification of the accuracy of asset data in the asset register and information provide to the valuer.	<p>Management agrees with the recommendation. The CIPFA Asset Register will be used for 2020/21 onwards which will reduce manual errors to asset data.</p> <p>Further we are building a control into the Closing Timetable to check the DfE website for schools converting to academies in the financial year.</p>

OTHER DEFICIENCIES

We also bring to your attention other deficiencies noted during the audit.

Area	Observation & implication	Recommendation	Management response
Termination of leavers access to IT systems- Integra	<p>Nine staff members who had left the employment of the Council during the year but their access to the system was not terminated after the Council's 30 day access termination policy. There is a risk that a leaver's profile can be accessed by a different staff member after they have left which could result in gaps in the audit trail or accountability and potential breach of IT segregation of duties and other related access controls.</p> <p>We have reviewed login reports from the system and have confirmed that none of these staff members logged into the system post their leave date.</p>	<p>Management should review leavers report from Human Resources and check that access to all critical systems have been terminated on time.</p>	<p>Management accepts the finding and similar findings were made and reported by Internal Audit. We have already implemented improvements and we'll continue to review and improve these controls and processes.</p> <p>The Council is part way through implementing a more efficient Starters, Leavers and Movers process, further improving access controls across all core systems.</p>
No regular user access right review of Integra, Logotech and Civica IT systems	<p>There are no periodic or regular user access and access rights reviews for Integra, Logotech or Civica. There is a risk that user access rights may not be appropriate for their roles resulting in authorised access to data.</p>	<p>Management should conduct periodic access rights review to ensure that access rights are appropriate for users roles.</p>	<p>Management accepts the finding and similar findings were made and reported by Internal Audit. We have already implemented improvements and we'll continue to review and improve these controls and processes.</p> <p>A review of Logotech users took place in March 2020. Action was taken to update user access leaving only an appropriately small core of users with three levels of access. The Treasury Team will undertake quarterly reviews of user access to ensure users and their levels and data access are appropriate for their work functions.</p> <p>A review of the Civica users is covered in the audit carried out by CST annually, as part of that CSG will review that access rights are appropriate for users roles.</p>

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment**
- Significant deficiencies
- Other deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Audit report
- Independence and fees
- Appendices contents

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Weak IT password policy for Logotech	The password control is of minimum strength that may result in exposure of unauthorised access to Logotech.	Improve mandatory password strength to the Logotech system such as new passwords every 30/60/90 days, the 6 previous passwords cannot be re-used, minimum 6 characters and at least 1 special character and at least 1 number	Management agrees with the recommendation and will investigate the changes required with the software provider.

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment**
- Significant deficiencies
- Other deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Audit report
- Independence and fees
- Appendices contents

PRIOR YEAR DEFICIENCIES

We have followed up progress on addressing control deficiencies we have reported in the previous year

Area	Issue and impact	Original recommendation	Progress	Management response
Annual review of dwellings valuations	<p>The valuer undertook Beacon valuations for only six flats and three houses out of the 403 separate Beacons architypes (to represent 9,780 dwellings).</p> <p>We noted some inconsistencies in the valuations given for two Beacons where the increase appeared to be out of line with price indices and the average Beacon valuations for other properties in that location.</p>	<p>We recommend that the valuers undertake a larger sample of Beacon properties for market testing each year and investigate thoroughly any market testing valuations for significant outlier valuations.</p>	<p>Valuers increased the beacons valued in year from 9 to 76 beacons this year [Closed].</p> <p>However we noted that dwellings were still not uplifted to reflect market price movement in Q4. We have moved this into significant deficiencies above.</p>	<p>See current year significant deficiencies response (page 43 - significant deficiencies - Annual review of dwellings valuations)</p>
Information provided to the valuer	<p>We found that some of the Beacons valued could not be priced to market where they were noted as being vacated and boarded up pending demolition.</p> <p>Upon further enquiries it was found that there were 8 buildings and 110 Flats in the same area where the Council had taken the decision before 31 March 2019 for the tenants to be relocated and the flats boarded up before the buildings were handed over for demolition and redevelopment.</p>	<p>We recommend that management provide additional information to the valuer ahead of the annual valuation exercise where the intentions of management on the existing use or planned redevelopment could impact on the carrying value of the assets.</p>	<p>We continue to identify issues with information provided to the valuer.</p>	<p>See current year significant deficiencies response (page 43- significant deficiencies - Annual review of dwellings valuations)</p>

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Audit report
Independence and fees
Appendices contents

PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Schools bank reconciliation	Our audit work identified that there was no proper bank reconciliation done to reconcile the schools bank balance per bank statement to the general ledger balance at year end. A complete bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet and the reconciling item should relate to timing differences.	Management should review processes for preparing cash and bank analyses and supporting bank reconciliations. Balances within clearing codes should be cleared down with equal and opposite entries and the total population of reconciling items should be identified, in order to appropriately prepare the bank reconciliations.	We did not identify and issues with the bank reconciliations provided for audit this year however there were still some delays in obtaining the finalised bank reconciliation. [Closed]	N/A
Debtors analysis and identification and allocation of misclassifications receipts at year end	We identified a £900,000 credit in debtors analysis which is mainly due to unallocated receipt from customers or cash in transit. Unallocated receipt could lead to overstatement of debtors and understatement of creditors where receipt from customers are payment in advance. This could also lead to a misstatement in income.	Management should ensure that there is a timely allocation or application of receipt to outstanding customer balances and where receipts are payment in advance from customers these are reclassified to creditors.	We identified £1.9 million creditors in debtors balance this year related to unallocated receipts.	Management accepts the progress statement but the actions outlined in the original recommendation have been implemented. The unallocated receipts were received late in 2019/20. It is not possible to process a manual journal to individual debtors accounts as the AR system is 'real time' and closes on 31st March and journals cannot be posted to prior period debtors balances. An analysis is undertaken to ensure the receipts received relate to the right financial year, then a manual reconciliation is performed to assign the unallocated receipts to the individual debtor and ensure the necessary adjustments are made to the reported balance. The balance was netted off against total debtors to ensure we were minimising the risk of not overstating debtors in our published accounts

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Audit report
Independence and fees
Appendices contents

PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Payroll reconciliation	Whilst management had prepared a payroll reconciliation, it could not provide us with reports from the payroll system on time to support the amounts reported in the reconciliation workings. It is important that payroll working papers with supporting evidence are maintained to ensure accuracy and completeness of the payroll amount in the accounts.	Management should ensure that adequate evidence supporting amounts in the payroll reconciliation workings are maintained at all times and made readily available for audit.	We noted that management had carried out timely payroll reconciliations for the audit this year and reports from the system had been agreed back to ledger. [Closed]	N/A
Revenue recognition	There is no formal review of grant documentation to ensure that conditions attached to grants, if any, are met prior to recognition in income. This could result in premature recognition of grant income.	A detailed review of all grants and supporting documentation should be carried out to ensure that grants are only recognised when conditions attached to the grants have been met.	We noted that management has formalised the review of grants to ensure conditions attached to grants are met prior to recognition. [Closed]	N/A

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Audit report
Independence and fees
Appendices contents

PRIOR YEAR DEFICIENCIES

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Audit report
Independence and fees
Appendices contents

Area	Issue and impact	Original recommendation	Progress	Management response
HRA capital projects	The narrative information on the invoicing and information from Barnet Homes Limited for revenue and capital expenditure is poor. Invoices are typically single line requests for funding with no additional detail provided to the Council. During audit testing we had to request support for the expenditure for some of the capital and revenue invoices being tested.	Barnet Homes Limited must provide clear detailed invoices and supporting information so that the Council know exactly what they are paying for.	As noted earlier, we identified errors in asset details for dwellings due to Barnet Homes Limited not providing adequate management information to the Council to correctly account for its major works programme, new property purchases and new out of borough properties. Information provided appears to have deteriorated this year with Barnet Homes Limited only providing copies of their own General Ledgers at year end. To progress the audit we have had to request information directly from Barnet Homes Limited as the information held by the Council was not adequate.	See current year significant deficiencies response (page 43 - significant deficiencies - Annual review of dwellings valuations)
Thameslink development expenditure	The Council use a combined Asset under Construction code to record expenditure on its directly owned assets and for spending on behalf of Thameslink that should be classified as Revenue expenditure for capital under statute (REFCUS).	These should be clearly segregated on different Asset under Construction codes to ensure REFCUS and own asset additions can be clearly distinguished.	The Council continues to use a combined Asset under Construction Code to post additions and REFCUS additions for Thameslink. We are currently investigation whether up to £2 million of capitalised expenditure may be REFCUS. The Council is undertaking a review of capitalised sums.	Management have started the process to decouple additions and REFCUS addition for Thameslink. This will be signed off in 2020/21 and reflected in the 20/21 asset register.

PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
School transfer Codes	The School transfer codes are not being controlled and reconciled using balance sheet control accounts. Instead they are included in the CEIS making it difficult to identify the correct elements of expenditure included.	The School transfer codes should be taken to a balance sheet control account and regularly reconciled and agreed.	Council continue to include school transfers in the CIES and at year end there was £2 million that could not be properly supported or explained by management.	Management agrees with the recommendation. Action is being taken in 2020/21 to re-design the chart of accounts for the balance sheet. Each school will have its own balance sheet code and each schools accounts will be reconciled separately at 2020/21 year end.
Supporting working papers provided for audit	There were considerable delays in obtaining working papers for Debtors and Creditors that identified the composition of amounts that made up the closing debtor and creditor balances. Instead we were provided with working papers comprising the entire years general ledger transactions.	Provide clear working papers that disclose only the balances and transactions that make up the closing balances having previously eliminated all in year reversing journals and transactions.	We noted an overall improvement in the quality of workings provided for audit. [Closed]	N/A

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Significant deficiencies
Other deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Prior year deficiencies
Audit report
Independence and fees
Appendices contents

PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Consolidation	We have encouraged the Council to make substantial improvements to the quality of the Group consolidation as well as highlighting to large errors that the Council had to correct as part of the Group consolidation. The consolidation is becoming increasingly more complex as the activities of the subsidiaries continue to grow. This will become even more complex when the large scale redevelopments begin.	To require that subsidiaries fully co-operate and provide adequate information and working papers to the Council to facilitate with the Group consolidation. This will be particularly important where there are reporting differences between the Local Government Code and Company reporting standards. It is now getting to the stage that the Group subsidiaries will need to provide a detailed consolidation working paper pack to highlight where they have included intra Group transactions and how they have been treated in the subsidiaries' accounts.	Our audit of group accounts is still in progress.	Management believe the treatment is correct but will wait to see the outcome of audit review.

- Contents
- Introduction
- Executive summary
- Coronavirus
- Financial statements
- Significant risks
- Other risks
- Audit differences
- Other reporting matters
- Use of resources
- Control environment**
- Significant deficiencies
- Other deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Prior year deficiencies
- Audit report
- Independence and fees
- Appendices contents

OVERVIEW

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Overview
Independence and fees
Appendices contents

Opinion on financial statements

Subject to satisfactory completion of the outstanding audit testing, we anticipate issuing an unmodified opinion on the Group and the Council financial statements.

As the valuer has reported a material uncertainty over the valuation of land, buildings, dwellings and investment properties due to the impact of Covid-19 on the property and real estate market, we will refer to this material uncertainty in our audit report as an ‘emphasis of matter’. However, this is not a modification or qualification of our true and fair opinion.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting for the Council or the Group’s ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the appendices and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Group’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

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

FEES

Fees summary

	2019/20 Actual £	2019/20 Planned £	2018/19 Actual £
Audit fee			
• Code audit fee:	TBC	130,919	130,919
• Additional audit fees	TBC	40,000	33,822
Total Audit fees	TBC	170,919	164,741
Fees for reporting on government grants:			
• Housing benefits subsidy claim	TBC	19,000	21,500
• Pooling of housing capital receipts return	TBC	2,750	2,750
• Teachers' pensions return	TBC	5,000	5,000
Non-audit assurance services	TBC	26,750	29,250
Total fees	TBC	197,669	193,991

In our audit plan, we proposed a fee variation to the PSAA scale fee for 2019/20 to be discussed with the Council's Finance staff and the Audit Committee. This reflects the additional audit work required in response to issues encountered in recent years, the increased complexity of the Group structure and component entities controlled by the Council, and significantly greater pressure on auditors to deliver higher quality audits and to demonstrate greater professional scepticism when carrying out their work. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.



Contents
Introduction
Executive summary
Coronavirus
Financial statements
Significant risks
Other risks
Audit differences
Other reporting matters
Use of resources
Control environment
Audit report
Independence and fees
Independence
Fees
Appendices contents

APPENDICES CONTENTS

A	Our responsibilities	55	D	Audit committee guidance	59
	Our responsibilities	55		FRC Practice Aid for Audit Committees	59
	Additional matters we are required to report	56	E	Letter of representation	60
B	Communication with you	57		Letter of representation	60
	Communication with you	57	F	Audit quality	62
C	Audit report	58		Audit quality	62
	Audit report	58			

OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and Council financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council had not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication with you
Audit report
Audit committee guidance
Letter of representation
Letter of representation
Audit quality

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

Contents

Appendices contents

Our responsibilities

Additional matters we are required to report

Communication with you

Audit report

Audit committee guidance

Letter of representation

Letter of representation

Audit quality

Issue	Comments
Significant difficulties encountered during the audit.	The audit has been very challenging as a result of the Covid-19 lockdown. This has meant that staff on both sides are often remote working and therefore the face to face communication/ review of files has not been possible resulting in increased time being spent to both sides in relation to the audit.
Written representations which we seek.	We enclose a copy of our draft representation letter.
Any fraud or suspected fraud issues.	No exceptions to note.
Any suspected non-compliance with laws or regulations.	No exceptions to note.
Significant matters in connection with related parties.	No exceptions to note.
Group matters	
Limitations on the audit where information was restricted.	No exceptions to note.
Any issues with the quality of component auditors work.	Our review of component auditor's work has not yet commenced.
Any fraud or suspected fraud at group or component level.	Our review of component auditor's work has not yet commenced.

COMMUNICATION WITH YOU

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication with you
Audit report
Audit committee guidance
Letter of representation
Letter of representation
Audit quality

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

In communicating with TCWG of the Council and the Group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	30 January 2020	Audit Committee
Updated Audit Planning Report	8 June 2020	Audit Committee
Audit progress Report (this report)	19 October 2020	Audit Committee
Audit completion Report	TBC	Audit Committee

AUDIT REPORT

To be drafted and agreed once outstanding testing has been completed.

- Contents
- Appendices contents
- Our responsibilities
- Additional matters we are required to report
- Communication with you
- Audit report
- Audit committee guidance
- Letter of representation
- Letter of representation
- Audit quality

FRC PRACTICE AID FOR AUDIT COMMITTEES

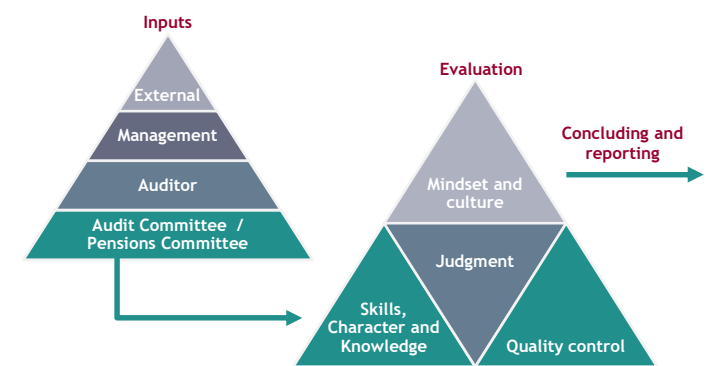
Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication with you
Audit report
Audit committee guidance
Letter of representation
Letter of representation
Audit quality

The FRC issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and worthy basis for taking decisions.’

The practice aid then discusses how the role of audit committee in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for audit committee in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

LETTER OF REPRESENTATION

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
W1U 7EU

Dear Sirs

Financial statements of London Borough of Barnet for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the Group and the Council's financial statements for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council and other Group entities.

The Director Finance Officer has fulfilled her responsibilities for the preparation and presentation of the Group and the Council financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Group and the Council as of 31 March 2020 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Group and the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release.

As a result of our assessment we consider that the Group and the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 1.2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Group and the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication with you
Audit report
Audit committee guidance
Letter of representation
Letter of representation
Audit quality

LETTER OF REPRESENTATION

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note 20 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated Group and Council financial statements

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business.

These assumptions include:

- Rate of inflation (CPI): 1.9%
- Rate of increase in salaries: 2.6%
- Rate of increase in pensions: 1.9%
- Rate of discounting scheme liabilities: 2.3%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of land, buildings, dwellings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings, other land and buildings, and investment properties revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices

c) Allowance for non-collection of receivables

We are satisfied that the allowances for expected credit losses on receivables are reasonable based on collection rate data and adjusted for forecast losses arising from the impact on Covid-19.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Other confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Anisa Darr - Director of Finance
Rohit Grover - Chair of the Audit Committee

Contents

Appendices contents

Our responsibilities

Additional matters we are required to report

Communication with you

Audit report

Audit committee guidance

Letter of representation

Letter of representation

Audit quality

AUDIT QUALITY

Contents
Appendices contents
Our responsibilities
Additional matters we are required to report
Communication with you
Audit report
Audit committee guidance
Letter of representation
Letter of representation
Audit quality



BDO is totally committed to audit quality

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the FRC’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616

e: leigh.Lloyd-thomas@bdo.co.uk

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

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2019-20 Statement of Accounts: Agreed changes

Nature of change	Area of SoA	Page number	Description of Change	Impact on Core Financial Statements	Comment
Presentational					
1	Comprehensive Income and expenditure Statement	45, 46 & 49	2018/19 comparatives - added 'restated' to Gross Expenditure and Gross Income and Net Expenditure	None	Additional wording to clarify restatement of 2018/19
2	Consolidated Balance Sheet-Group	75/76	Additional notes added to explain movement in Property plant and equipment for the Group accounts	None	Additional notes added
3	Note 7 Expenditure and Funding Analysis	88	Gain on disposal of asset line to be removed as Enil in both years	None	Nil line removed
4	Note 15 Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets (prior year)	96 & 97	Prior year figures updated to match 2018/19 published accounts	None	Presentation of Prior year figures amended (but no change to totals)
5	Note 15 Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets (current year)	97	Additions from Assets under Construction line removed as Enil	None	Nil line removed
6	Note 15 Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets (current year)	97	Narrative of revaluation increases changed to decreases	None	Title changed
7	Note 15 (Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets) - current year	97	Reclassification row removed as Enil for all columns	None	Nil line removed
8	Note 15 (Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets) - current year	97	Net Book Value of Asset at 31 March 2019 rounding differences corrected	None	Rounding Differences corrected
9	Note 17 (Financial Instruments) - prior year	100	Typo on Debtors-Amortised cost corrected	None	Prior year figure typo error corrected
10	Note 17 (Financial Instruments)	100 & 102	Debtors - Amortised cost adjusted to exclude statutory debtors	None	Excludes Statutory debtors which are not financial instruments
11	Note 17 (Financial Instruments)	100 & 102	Creditors - Amortised cost adjusted to exclude statutory creditors	None	Excludes Statutory creditors which are not financial instruments
12	Note 19 (Cash and Cash Equivalent) & Note 37 (Nature and Extent of Risks Arising from Financial Instruments)	103 & 135	Short Term deposits split has now been split for ease of comparison between notes 9 and 37	None	Short Term deposits split between money market funds, term deposits and call accounts
13	Note 22 (Unusable Reserves) prior year	107	Prior year figures updated to match 2018/19 published accounts	None	Presentation of Prior year figures amended
14	Note 22 (Unusable Reserves) current year	108	Movement of donated asset- Remove as Enil	None	Nil line removed
15	Notes 23 (Operating Activities)	109	Format of table changed	None	Table replaced with the correct alignment
16	Note 28 (External Audit Fees)	116	Additional fees for 18/19 added with a footnote explaining that 19/20 fees include additional fees	None	Footnote added
17	Note 29 (Related Parties)	120	Typo in Related parties-income received by the council	None	Typo corrected
18	Note 29 (Related Parties)	120	Related parties-Ingils Consortium- Expenditure incurred by the council- Remove as Enil in both years	None	Nil line removed
19	Note 35 (Pension Schemes Accounted for as Defined Benefit Schemes)	127	Typo in Fair Value of Scheme Assets	None	Typo corrected
20	Note 37 (Nature and Extent of Risks Arising from Financial Instruments)	135	Sub-totals added to make presentation of tables clearer	None	Sub-totals added for presentation
21	Note 37 (Nature and Extent of Risks Arising from Financial Instruments)	135	Statutory debtors removed as they do not meet the definition of financial instruments	None	Table updated
22	Note 37 (Nature and Extent of Risks Arising from Financial Instruments)	135	Trade receivables- Receivables past due and not provided - Note no longer required.	None	Table deleted
23	Note 38 (Group Pension Reserve)	141	Typo in Fair value of scheme assets	None	Typo corrected
24	Movement in HRA statement	145	Surplus/(Deficit) for the Year on HRA Services - Signage inconsistent in both years	None	Signage corrected
25	HRA Note 5 (Depreciation)	147	Updated to tie back to Note 15	None	Note updated
26	HRA Note 6 (Capital Expenditure and Financing)	147	Updated to tie back to Notes 8 & 30 15	None	Note updated
Classification error					
1	Comprehensive Income and Expenditure Statement & Note 13 (Grant Income) Note 12 - Taxation and Non-Specific Grant Income	46	Reclassification of grants as taxation and non-specific grants instead of specific service grant	None	The Better Care Fund (£7.89m) that should be have been presented as a service grant (and included in net cost of services) was incorrectly classified as non specific grant in the Comprehensive Income and Expenditure Statement.
Error					
1	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment Note 10 - Gain/Loss on disposal	46, 49 & 94	Transfer of a school property that changed to academy status	Movement in Property, Plant & Equipment (PPE)	A school that became an academy late during the year was included in the council's assets resulting in an overstatement of schools values by £4.9m.
2	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Input errors on the Schools MEA valuations	Movement in PPE	A valuation provided by the valuer was incorrectly input into the asset register resulting in understatement of schools value by £4.3m.
3	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment Note 10 - Gain/Loss on disposal Notes 8 and 22 Useable and Unuseable reserves	46, 49 & 94	Assets incorrectly treated as disposals	Movement in PPE	213 properties were incorrectly treated as disposed of in year and recognised a loss of £13.2m (159 of these properties were HRA council dwellings). This was due to Barnet Homes providing inadequate information to account for its major works programme, new property purchases and out of borough property acquisitions. After reinstating the depreciation charge the net adjustment was £12.8m.
4	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Reclassification of investment property and surplus asset classified as council dwelling	Movement in PPE	£1.7m of surplus assets relating to the Brent Cross South development were included in the 213 properties incorrectly treated as disposals. 29 properties acquired pre April 2018 were incorrectly included in council dwellings at £1.4m and recorded as disposals in the 213 properties. This resulted in 96 Buy Back assets being reclassified to investment properties.
5	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment Note 30 - Capital Financing and Expenditure	46, 49 & 94	Reclassification of investment property classified as council dwelling	Movement in PPE	35 properties purchased for £11.5m had been classified as council dwellings but should have been recorded as investment properties.
6	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Reclassification Asset held for sale classified as surplus assets	Movement in PPE	One parcel of land that was being actively marketed for sale before year end and recently completed should have been classified to Assets held for sale not a surplus asset resulting in an adjustment of £8.2m.
7	Balance Sheet, Comprehensive Income and expenditure Statement Movement in Reserves, Notes 8 and 22 Useable and Unuseable reserves Note 11 - Finance and Investment	46, 49 & 94	Reversal of impairment investment and loans to subsidiary	Reversal of Loan Impairment	In 2018/19 the Council acquired an entity that provided it with an option to purchase land from Network Rail in the Brent Cross South development zone. The acquisition of this entity was as a joint venture through the Council and a separate wholly owned subsidiary. The Council advanced a £5m loan to the subsidiary for it to purchase its share of the entity. The acquisition cost of £10m reflected the value of the option to purchase the land. The value of the £5m loan to the subsidiary and its own £5m investment had been impaired to Enil in line with IFRS19 on the basis that the land purchase option now has no value. The updated financial model for the Brent Cross South development indicates that developers margin in the project exceed the £10m acquisition cost and the impairment in the single entity's financial statements and the in the group accounts was reversed.
8	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Duplicated New Barnet Leisure Centre	Movement in PPE	£16.5m of cost for the new Barnet leisure centre was recorded in Assets under Construction and revalued and recorded as a new asset in the asset register, resulting in the asset being recorded twice.
9	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment Notes 8 and 22 - Useable and Unuseable reserves	46, 49 & 94	Indexation of Council dwellings, formula error in valuer's spreadsheet and valuation of gain of 159 properties treated as disposals	Movement in PPE	The Land Registry price movements from January to 31 March 2020 showed a material change in value since the December valuation was completed. This reported a further increase of 3.19% for houses and 3.67% for flats across the borough. Applying the market index for the final quarter and including the valuation gains for the year on the properties that were initially recorded as disposals increased the value of dwellings. The net impact increased the valuation by £26,741m.
10	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Indexation Q4 garages	Movement in PPE	MSCI indices from January to 31 March 2020 suggested a small increase in values of garages £0.5m since the December valuation and valuations were updated to March 2020
11	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment Note 11 - Finance and Investment Notes 8 and 22 - Useable and Unuseable reserves	46, 49 & 94	Valuation movement to adjust for misclassified investment properties	Movement in PPE	Updated valuations on investment properties resulted in an overstatement of the assets by £3.9m.
12	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Adjustment to correct undervaluation of Copthall leisure centre	Movement in PPE	New Copthall leisure centre was undervalued by £2.6m due to incorrect build cost data being used for the valuation.
13	Balance Sheet, Comprehensive Income and expenditure Statement	46, 49 & 94	Reclassification of GF proceeds classified as HRA proceeds	Reserves adjustment	Proceeds from sale of a general fund asset of £0.8m were misclassified as proceeds from HRA asset disposals.
14	Balance Sheet, Comprehensive Income and expenditure Statement and Note 15 - Property Plant and Equipment	46, 49 & 94	Adjustment to correct valuation errors for a school	Movement in PPE	A formula error in the valuation spreadsheet resulted in the valuation of schools to be overstated by £0.987m.
Adjustments as a result of information received after the production of the draft accounts					
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**London Borough of Barnet
Audit Committee Forward Work
Programme
January 2021 – April 2021**

Contact: Maria Lugangira – maria.lugangira@barnet.gov.uk 020 8359 2761

Subject	Decision requested	Report of Chief/Lead Officer	Contributing Officer(s)
28 January 2021			
Internal Audit Exception Recommendations and Progress Report Q2 1st July – 30th September 2020	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2020 -21 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q2 Progress Report: 1st April – 30th June 2020	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2020.	Director Assurance	Head of Counter Fraud Operations
External Audit Plan 2020/21	To consider the External Auditor's Audit strategy for the audit for the year ended 31 March 2021	Director of Resources (Section 151 Officer)	External Auditors
External Auditor Progress Report	To consider the progress report from BDO on their progress of external audit activities for 2020/21	Director of Resources (Section 151 Officer)	External Auditors
Grants Certification Work Report 2019/20	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants.	Director of Finance (Section 151 Officer)	External Auditors

Subject	Decision requested	Report of Chief/Lead Office	Contributing Officer(s)
28 April 2021			
Internal Audit Exception Recommendations and Progress Report Q3 1st October – 31st December 2020	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2020 -21 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1st October – 31st December 2020	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st October – 31st December 2020	Director of Assurance	Head of Counter Fraud Operations
Corporate Anti-Fraud Team (CAFT) Annual Report 2020-2021	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 2020-2021	Director of Assurance	Head of Counter Fraud Operations
Internal Audit and Anti-Fraud Strategy and Annual Plan 2021-22	To approve the 2021/22 Internal Audit and Corporate Anti-Fraud Team plan	Director of Assurance Head of Internal Audit	Head of Counter Fraud Operations
Grants Certification Work Report 2020/21	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants.	Director of Resources (Section 151 Officer)	External Auditors

Subject	Decision requested	Report of Chief/Lead Office	Contributing Officer(s)
Ad Hoc Items			
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		