

**MEETING**

**AUDIT COMMITTEE**

**DATE AND TIME**

**WEDNESDAY 24 JULY, 2013**

**AT 7.00 PM**

**VENUE**

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

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

Chairman: Councillor Lord Palmer  
Vice Chairman: Councillor Mark Shooter

**Councillors:**

Alex Brodtkin	Sury Khatri	Hugh Rayner
Geof Cooke	Graham Old	

**Substitutes for Councillor Members:**

Jack Cohen	Arjun Mittra	Stephen Sowerby
Andreas Ioannidis	Susette Palmer	Andreas Tambourides

**Independent Members:**

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

**Andrew Nathan – Head of Governance**

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

Media Relations contact: Sue Cocker 020 8359 7039

**ASSURANCE GROUP**

## ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Public Question Time (If any)	
5.	Members' Item(s)	
a)	Chairman's Item - Annual Report of the Audit Committee 2012/13	1 - 12
6.	Annual Governance Statement	13 - 40
7.	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2012/13	41 - 46
8.	Planned External Audit Fees 2013/14	47 - 54
9.	Internal Audit Annual Opinion	55 - 76
10.	Annual Report of the Corporate Anti Fraud Team 2012-13	77 - 94
11.	Counter Fraud Framework update 2013	95 - 98
12.	Risk Management Framework	99 - 130
13.	Internal Audit and Risk Management Quarter 1 2013-14 and Exceptions Recommendation report	131 - 172
14.	Any other Item(s) that the Chairman decides are urgent (If any)	

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Members' Item – Annual Report of the Audit Committee 2012/13</b>
Report of	Chairman of the Audit Committee – Councillor Lord Palmer
Summary	Members are asked to approve the Audit Committee Annual Report for 2012-13. The report will be taken to the next Full Council meeting.

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Officer Contributors	Assurance Director
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Audit Committee Annual Report 2012-13
Contact for Further Information:	Maryellen Salter, Assurance Director, <a href="mailto:maryellen.salter@barnet.gov.uk">maryellen.salter@barnet.gov.uk</a> , 020 8359 3167

## **1. RECOMMENDATIONS**

- 1.1 That the Committee approve the Annual Report of the Audit Committee for 2012-13 as an accurate record of the outcomes and work programme for the year.**
- 1.2 The Annual Report is reported to the next Full Council meeting.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Audit Committee on the 21<sup>st</sup> June 2012 resolved that the substance of the proposed Annual Report of the Audit Committee 2011/12 be noted and agreed. That the Annual Report of the Audit Committee 2011/12 be reported to Full Council.
- 2.2 Full Council on the 10<sup>th</sup> July 2012 agreed and noted the Annual Report of the Audit Committee 2011/12.

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

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

## **4. RISK MANAGEMENT ISSUES**

- 4.1 None in the context of this report.

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

- 5.1 Members' Items allow Members of the Committee to bring a wide range of issues to the attention of the Committee in accordance with the Council's Constitution. All of these issues must be considered for their equalities and diversity implications.

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

- 6.1 None in the context of this report.

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

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

- 8.1 The Audit Committee's terms of reference are noted in the Council's Constitution under responsibility for functions. Function 16 of the terms of references requires that the Audit Committee "shall prepare a report to Full Council on annual basis on its activity and effectiveness".

- 8.2 Council Procedure Rules Section 2 - Committees and Sub-Committees – Paragraph 7.1 states a Member will be permitted to have one matter only (with no sub-items) on the agenda for a meeting of a committee or sub-committee on which he/she serves.

**9. BACKGROUND INFORMATION**

- 9.1 The Annual Report describes the work of the Committee to date and the outcomes it has achieved for 2012-13. It also sets the tone for the current municipal year.
- 9.2 The Committee is asked whether they wish to make any amendments and note that the report will be presented to Full Council in due course.

**10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

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

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**Barnet Council**

**Audit Committee  
Annual Report**

**2012/13**

## Context

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

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

- **independent assurance** of the adequacy of the control environment within the authority;
- **independent review** of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and
- **assurance** that any issues arising from the process of drawing up, auditing and certifying the authority's annual accounts are properly dealt with and that appropriate accounting policies have been applied.

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

- raising greater awareness of the need for internal control and the implementation of audit recommendations
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement); and
- providing additional assurance through a process of independent and objective review.
- Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an audit committee:
  - can give additional assurance through a process of independent and objective review
  - can raise awareness of the need for sound control and the implementation of recommendations by internal and external audit



## **Audit Committee at Barnet**

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

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

To remain independent from the Executive the Audit Committee is chaired by a member of an opposition party. In order to bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.

The Audit Committee has a work programme that has been drawn up to effectively discharge its responsibilities as defined by the terms of reference. The Committee relies upon independent, qualified professionals to provide assurance. Directors and Assistant Directors have been requested by the Audit Committee to support the process and to aid in the Committees effectiveness/understanding.

The Committee undertakes all of its meetings in the public domain, during the year there have been no instances whereby items have been considered exempt. The Chairman encourages public participation at the Audit Committee. It has been demonstrated that interested members of the public have shown that they have a role to play, even if at times their enquiries may be seen as ‘challenging’.

## Audit Committee Outcomes during 2012-13

During the financial year (April 2012 – March 2013) the Audit Committee has demonstrated a number of outcomes with a focus on delivering improvement to the organisation. The way in which these were implemented were as follows.

- Key controls and assurance mechanisms – The Committee relies upon information presented from qualified, independent and objective officers and external assurance providers. The key controls and assurance mechanisms are as described within the Annual Governance Statement. The Audit Committee is not a working group, it does not carry out the work itself, but relies on the assurance framework to bring significant issues to the Committee for discussion and make recommendations for the Executive and officers to take forward. The Committee recognises that management, and the executive, are responsible for a sound control environment<sup>1</sup>.
- Improvement agenda – the Audit Committee is committed to improving shortfalls in the control environment, rather than apportioning blame. The Committee has been provided with assurances on high priority recommendations and the progress against these quarter by quarter. The Committee and its Chairman has asked that leading officers (Directors or Assistant Directors) come to the Audit Committee to explain any deficiencies and how they intent to action them. The important aspect that the Committee has been assessing each quarter is whether the direction of travel from one quarter to the next has been improving (Appendix 2). There were significantly less high priority recommendations to follow-up during the year demonstrating some improvement to the control environment. This focus on improving the control environment through follow-up and discussion has made Directorate's accountable for improvement. This has had tangible impact as this is the first year where a satisfactory Annual Internal Audit Opinion has been issued in the past three years.
- Concerns from external and internal assurances – during the year the Committee has been presented with various reports regarding some serious control weaknesses. Of those weaknesses identified the Committee has continued to follow up recommendations regarding Procurement control deficiencies and have scheduled in regular updates from officers, internal and external audit. Positively in quarter 4 there was satisfactory assurance given the procurement controls in place within the Council. It continues to be monitored during 2013-14. There was a “no” assurance report issued during the year on regeneration that is being followed up by the Committee.

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<sup>1</sup> The control environment comprises the systems of governance, risk management and internal control

- Anti-Fraud – during the year the Corporate Anti Fraud Team (CAFT) operated to a detailed anti-fraud strategy which was approved by the Committee. The Committee also receives Interim and Annual reports from CAFT which provide detailed summary on outcomes including preventative, proactive and reactive anti fraud work undertaken. Their have been some significant success of CAFT to note during the year in relation to benefit fraud, council tax single person discount fraud and tenancy fraud. Their partnership approach was recognised nationally when the CAFT team was shortlisted for a Local Government Chronicle (LGC) award for combating fraud. The CAFT team have continued to strengthen work in partnership with Internal Audit and Risk Management to ensure that any control weakness identified through fraudulent activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.
- Planned and unplanned work – The Committee has completed its workplan in accordance with its planned level of activity. In accordance with the terms of reference for the Committee has considered its own effectiveness through a toolkit prepared by the National Audit Office and considers the following areas will be a focus for 2013-14:
  - Consideration of training needs and induction required for post the annual election in 2014; and
  - Keeping abreast of corporate governance issues nationally through briefing sessions.

The Committee made the following improvements during 2012-13:

- The Committee in furtherance of its policy of maximum transparency produced for 2011-12 a formal Annual Report describing the work of the Audit Committee, Internal and External Audit, and the outcomes achieved. This reporting continues.

## **Conclusions**

The Committee feels that it has demonstrated that it has added value to the council's overall governance framework. During 2013-14 it will continue to request officers to attend Committee meetings to aid in its understanding of the services, but mostly to ensure that internal and external recommendations are implemented on a timely basis.

The Committee's focus will continue to be ensuring action is taken of internal control deficiencies and reviewing progress on a regular basis.

## Appendix 1 – Planned and Unplanned work

### Detail Reports considered:

Date	Reports
June 2012	Annual Report of Audit Committee 2011/12
	Progress Report of Procurement Controls and Monitoring Action Plan
	CAFT Annual Report 2011/12
	Exception Recommendations and Internal Audit Progress Report – Quarter 1
	Internal Audit Annual Opinion 2011/12
	Accounts Audit Approach Memorandum – External Audit
	Quarterly Progress Report – External Audit
	Draft Annual Governance Statement 2011/12
	Unaudited Statement of Accounts 2011/12
September 2012	Annual Governance Statement 2011/12
	External Auditors Report under ISA260 for 2011/12
	Audited Annual Accounts 2011/12
	Exception Recommendations and Internal Audit Progress Report – Quarter 2

Date	Reports
December 2012	External Auditors Annual Audit Letter 2011/12
	Planned External Audit Fees 2012/13
	Grant Certification Work Report 2011/12
	CAFT Interim Report 2012/13
	Exception Recommendations and Internal Audit Progress Report – Quarter 3
April 2013	Exception Recommendations and Internal Audit Progress Report – Quarter 4
	Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management Approach 2013-14
	External Audit Plan 2012/13
	Work Programme of the Audit Committee 2013/14

## Appendix 2

### Audit Committee Recommendations

#### Internal Audit High Priority Recommendations

Quarter 1	Quarter 2	Quarter 3	Quarter 4
54%	44%	87.5%	80%

Target for implementation is 90% each quarter; whilst this has not been achieved the Committee recognise the direction of travel.

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Annual Governance Statement</b>
Report of	Assurance Director
Summary	This report seeks approval for the Annual Governance Statement 2012/13 to be included in the annual accounts.

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Officer Contributors	Maryellen Salter, Assurance Director
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Annual Governance Statement
Contact for Further Information:	Maryellen Salter, Assurance Director, <a href="mailto:maryellen.salter@barnet.gov.uk">maryellen.salter@barnet.gov.uk</a> , 020 8359 3167

## **1. RECOMMENDATIONS**

- 1.1 To comment on and approve the Annual Governance Statement for inclusion within the Statement of Account for 2012/13.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 5 December 2007 (Decision Item 9) - approved the arrangement for preparing an Annual Governance Statement.
- 2.2 Audit Committee 30 June 2008 (Decision Item 8), 29 June 2009 (Decision Item 11), 21 June 2010 (Decision Item 7), 16 June 2011 (Decision Item 13) and 21 June 2012 (Decision Item 12) - approved the proposed Annual Governance Statement for inclusion with the Statement of Accounts for 2007/8, 2008/9, 2009/10, 2010/11 and 2010/11 respectively.
- 2.3 Audit Committee 25 September 2008 (Decision Item 7), 29 September 2009 (Decision Item 9), 21 September 2010 (Decision Item 9), 6 September 2011 (Decision Item 7) and 13 September 2012 (Decision Item 6) - approved the Annual Governance Statement for 2007/8, 2008/9, 2009/10, 2010/11 and 2011/12 respectively

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

- 3.1 Barnet London Borough 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.
- 3.2 Barnet London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 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 ongoing 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.



- 4.2 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. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 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 Equality Act.
- 5.2 In 2012-13 the council published its strategic equality objective as being 'our commitment is that citizens will be treated equally, with understanding and respect, have equal opportunity with other citizens; and receive quality services provided to Best Value principles'. These will be delivered through three corporate priorities which will act as the Barnet Standards: reducing disadvantage, promoting community cohesion, and delivering our values.

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

- 6.1 The Council is able to confirm that its financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). In addition, the authority's assurance arrangements conform with the governance requirement of the CIPFA Statement on the role of the Head of Internal Audit.

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

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

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

## **9. BACKGROUND INFORMATION**

- 9.1 The Annual Governance Statement recognises the governance framework which encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 9.2 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Chief Internal Auditors annual report, any comments made by the Council's external auditors and any other review agencies and inspectorates. In

addition, the Council has assessed its group relationships (The Barnet Group) as part of this review framework.

- 9.3 Consideration was given and the AGS has been adapted based on the CIPFA publication “Delivering Good Governance in Local Government Framework – Addendum December 2012” The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2013 and up to the date of approval of the annual report and accounts.

An update on the position of key areas for improvement identified in the proceeding Annual Governance Statement is included; where they have not been sufficiently progressed the issue is carried forward into the following year. Any gaps or weaknesses in governance arrangements that are identified as part of the Annual Governance Statement are clearly set out as key areas for improvement to be addressed the following year. Please see tables A and B respectively below.

**TABLE A: Progress during 2012-13 on governance issues identified during 2011-12**

<b>Key Improvement Area</b>	<b>Update on position</b>	<b>Carry forward for 2013-14</b>
Governance, accountabilities and decision-making – the change in organisational form to support the externalisation of elements of support services and regulatory services requires an updated governance model which clarifies accountabilities and responsibilities and provides assurance to decision-making bodies.	Phase 1 of this exercise has been complete. The senior management restructure was successfully implemented by the 31st March 2013. A constitutional review was also undertaken during 2012-13 to align the senior management restructure with the current Constitution. Phase 2 carried forward to 2013-14 is to review the entire system of governance to ensure the current organisation fits into the decision making structures.	Found under 2013-14 “System of Governance”
Operating around outcomes – whilst the council is currently progressing the implementation of different models of delivery, its own policies and procedures will need to be aligned to ensure organisational boundaries are removed and there is a shift change is designing processes that focus on operating around outcomes for local people.	Council policies and procedures were reviewed and updated where appropriate to align with the organisations business model. A list of Council policies and responsibility/method of compliance was incorporated into the procurement exercise/contracts. The Customer Access Strategy was developed and included in the NSCSO bid proposals.  Outcome focussed commissioning is the basis of the new commissioning delivery model. The 2013-16 Corporate Plan reinforces outcome focussed commissioning, defining three strategic objectives which will be delivered by focussing on six key outcomes.	Carried forward under “Commissioning Outcomes” for 2013-14
Devolving decision making to local people – the Localism Act	A Localism Project Board was in place to ensure delivery against the Localism Act	Found under 2013-14

<p>requires devolving governance closer to local neighbourhoods and being cost effective in the process. Work is currently progressing to determine methods to grant communities more power to enable them to influence their local area.</p>	<p>responsibilities. The project discharged all of its responsibilities under the Act, an internal audit provided satisfactory assurance over the outcomes from the Board. Further work is planned through the change in system of governance work to review resident participation in decision making.</p>	<p>“System of Governance “</p>
<p>Complaints – there is more work to do to embed arrangements to be effective, particularly to ‘close the loop’ and learn from complaints.</p>	<p>Improvements have been made in the Complaints processes reflected by the ‘no findings of failure’ for the period by the Local Government Ombudsmen and the improvement in response time from 28 days down to 19.5 days. The Corporate Complaints Officer has set up a user group with a view to learning from complaints across all service areas and to ensure mistakes are not being repeated. Children’s Service have an existing ‘closing the loop’ in place which is proving very successful.</p>	<p>Complete</p>
<p>Contract compliance and management post implementation of controls – continuing the progress in implementing an improved framework for contract compliance. The Procurement Controls and Monitoring Action Plan details the specific control improvements required.</p>	<p>The compliance aspects of the procurement controls and monitoring action plan are considered complete and satisfactory. In addition, through the senior management restructure the Commercial team is in place to manage the high risk contracts. There is some further work to complete within Delivery Units to ensure monitoring of contracts is consistent, however this is not considered a significant governance issue.</p>	<p>Complete</p>
<p>Data Quality – embedding the updated data quality policy across the authority and its delivery partners. The data quality policy contains the expected implementation plan.</p>	<p>The Data Quality policy implementation plan is complete including communications, requested training, completion of ‘data quality sheets’ for key indicators and data quality spot checks. The policy was well received across the organisation by setting out clear roles and responsibilities and providing a method (through the ‘data quality sheets’ of documenting the approach to data collection and assurance on how quality is maintained. The annual audit opinion noted progress in that no issues on accuracy of data were reported, however, there were reoccurring themes around collection of non corporate data, data baselines, storage of data and unrealistic target setting.</p>	<p>Continue to develop and improve data quality standards. 2013-14 issue carried forward under “data quality”</p>
<p>Data Protection – the Information Governance Council is progressing the Data</p>	<p>Satisfactory assurance was given in 2012/13, an improvement from limited assurance in 2011-12. A number of improvements were</p>	<p>Taken forward under 2013-14 titled</p>

Protection Compliance Project ensuring that areas such as records retention and management are being addressed with the roll out of Delivery Unit Governance Groups (DUGG) that sit within each service area. Third party interactions and processing are the focus of the project in the short term.	achieved over the year including the establishment of a management structure, the Delivery Unit Governance Group (DUGG), and a Head of Information Management joined in January and will be responsible for the new information management team in the Commissioning Group. Overall assurance has been given that data protection is not considered a significant governance issue, however the need to have fit for purpose systems and processes to manage sensitive data remains a priority	“Information Management”
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**TABLE B: Key governance issues for 2013-14**

<b>Governance Issue</b>	<b>Key Improvement Area</b>
Governance	System of Governance – a whole scale review of the system of governance will take place to ensure that the organisational structure, corporate objectives and priorities and member engagement tie into effective decision making structures. A focus of the review will be to review public participation and engagement rules to consider improvements to resident engagement in decision making, addressing the residents perception survey regarding engagement.
Data Quality	Data Quality – given the focus on commissioning and the reliance on data in respect of third party providers the performance management framework requires development and focus on data quality. The focus should be on setting up an appropriate quality assurance framework to support decision making.
Information Management	Information Management – There is a requirement to align systems and processes to support good information and records management practice across the organisation.
Commissioning Outcomes	Commissioning Outcomes – with the organisational structure in operation from April 2013 it is important that the benefits of commissioning are realised through developing and embedding a commissioning framework that focuses on the delivery of outcomes for local people.
Business Continuity and Resilience	Business Continuity and Resilience - means that the core/critical businesses (mission critical activities) of the Council can continue functioning in the event of an unforeseen adverse (impacting on the ability of the Council to maintain service delivery) event. Overall the direction of travel for improvements to business continuity and disaster recovery resilience has been gradual since 2007 with the overall assessment of the controls remaining limited over a five year period and not considered sufficient to prevent large scale failures in service provision. This is particularly the case for information systems. As plans to rectify this through the NSCSO contract are on hold, due to the judicial review, there remains a significant risk to the Council if plans remain delayed.

**10. LIST OF BACKGROUND PAPERS**

10.1 None.

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

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# Annual Governance Statement

2012-13

## 1. Scope of Responsibility

- Barnet London Borough 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 London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.
- The Assurance Director completed her biennial review of the Code of Corporate Governance during 2012-13. The Code of Corporate Governance is included within the Constitution.

## 2. The Purpose of the Governance Framework

- The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk 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 ongoing 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.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2013 and up to the date of approval of the annual report and accounts.

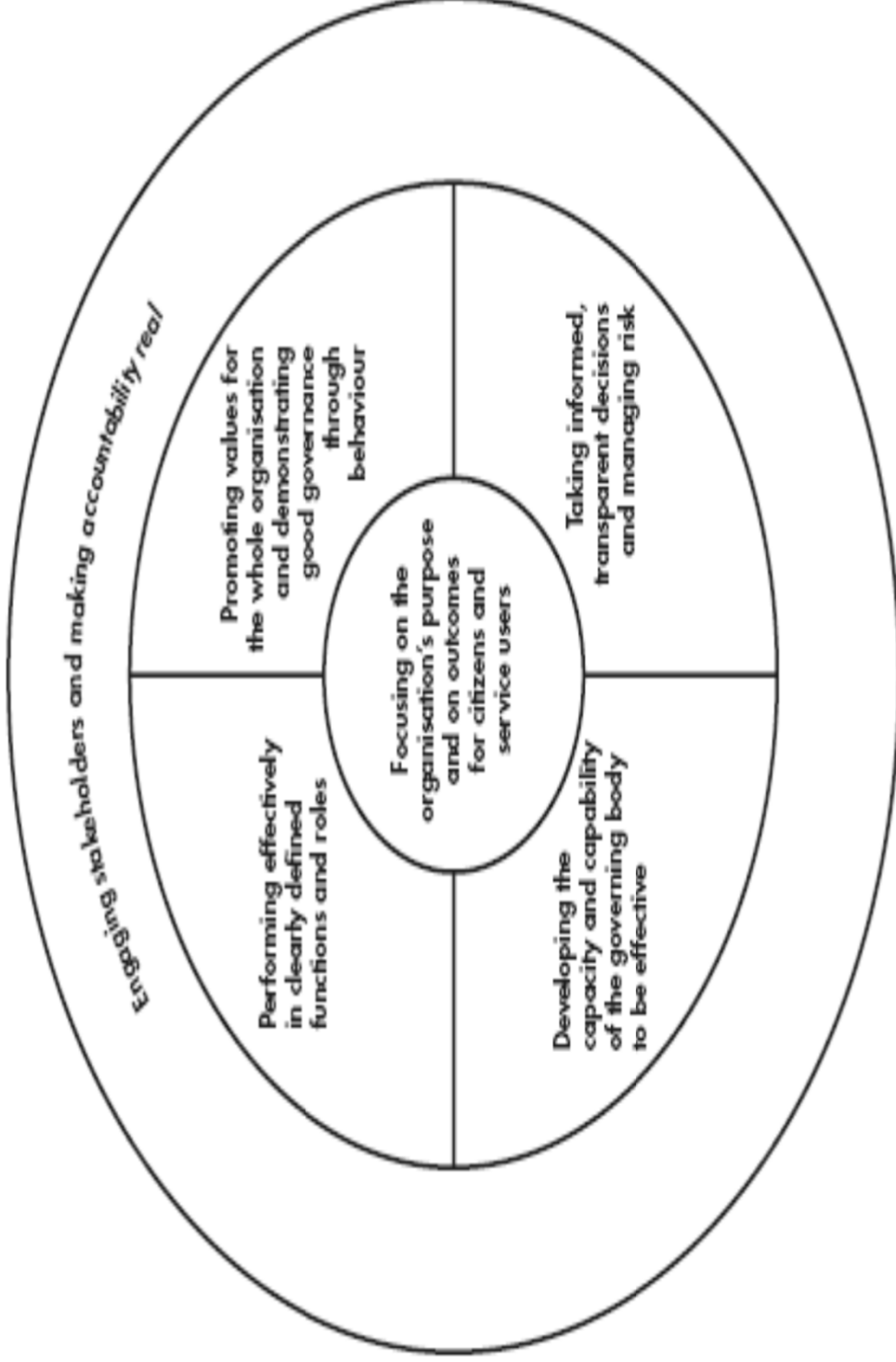


# Assurance Cycle



### 3. The Governance Framework

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



## Principle

## Description of Governance Mechanisms

## Assurances received

### 1. Identifying and Communicating the Council's Vision and Purpose

- Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users:
- The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough
- One Barnet Partnership Board works to the shared vision and oversees the other delivery boards that are tasked with leading on specific themes in the Strategy
- The Corporate Plan expresses the vision and priorities of the council and this has been communicated to residents, service users, partners and other stakeholders
- Delivery Boards: Safer Communities Board, Children's Trust Board, Health and Well Being Board continue to meet and are leading the development of integrated services around specific themes
- Delivery Boards also oversee a variety of mechanisms that have been developed to engage with service users.
- The Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of council performance and stimulate improvement
- A governance structure around Partnerships and Partnership Boards was approved by Cabinet in February 2012.
- One Barnet represents the Council's change and transformation programme, all projects are aligned to the Council's strategic objectives and governed by the published project management toolkit.

- Performance Management Framework – information is published quarterly against the corporate priorities and targets and reported through Cabinet Resources Committee subject to call in by scrutiny committees
- Externally reported data: Government Single Data List, London benchmarking and LGG Inform benchmarking available to support performance reporting
- We publish strategic and service data online to enable residents to hold us to account
- Internal Audit Plan linked to the overall objectives of the Council and the risks to their achievement
- Employee Annual and Half-year review process linked to the Council's objectives



Principle	Description of Governance Mechanisms	Assurances received
<p><b>2. Members and officers working together to achieve a common purpose with clearly defined functions and roles</b></p>	<ul style="list-style-type: none"> <li>Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2000.</li> <li>The Constitution includes a statement on the roles of the Executive and clarifies the Scheme of Delegation in place.</li> <li>Statutory Officers are also documented within the Constitution. The (Interim) Chief Executive (Head of Paid Service) is documented in the Constitution and works with Members and Strategic Directors to deliver the council's themes.</li> <li>Role of the Chief Finance Officer (s. 151 officer), as documented in the constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control</li> <li>The Monitoring Officer is in place and, in accordance the Constitution, is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.</li> <li>Formal procedures and rules govern the Council's business: Constitution, Scheme of Delegation, Financial Regulations, Contract Procedure Rules</li> <li>The Special Constitution Review Committee is in place to monitor and agree changes to the Constitution, making recommendations to full council.</li> <li>Published Pay Policy 2012/13 is in place in accordance with the Localism Act section 38 (1) and the Remuneration Committee has been set up for 2012/13 whose remit will be the review of pay and pay policy</li> <li>General Functions Committee continues to be in place whose remit it is to review conditions of service and appointments</li> <li>Arrangements exist within services and corporate performance to evaluate value for money. Benchmark information is collated and reported quarterly along with an overall corporate value for money indicator</li> <li>Work was undertaken in 2012 to reshape the senior management structure of the council to become more flexible and capable of providing senior leadership capacity and delivering change to achieve the councils ambitions in the new operating model</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit Annual Report satisfactory assurance over the fundamental and key financial systems and satisfactory assurance over system of internal control for 2012-13</li> <li>Monthly Statutory Officer reporting receiving internal and external sources of assurance</li> <li>Performance reporting through the Budget and Performance Overview and Scrutiny Committee on a quarterly basis provides information regarding value for money</li> <li>Performance challenge session with Deputy Leader every quarter</li> <li>Formal Quarterly Performance reporting to Cabinet Resource Committee</li> <li>Audit Committee in place providing independent oversight of internal control environment and corporate governance</li> </ul> <div data-bbox="842 224 1193 743" style="border: 1px dashed black; padding: 5px;"> <p>Weaknesses identified :</p> <ul style="list-style-type: none"> <li>Data quality</li> <li>Records Management and Data sharing</li> <li>Business Continuity and Resilience</li> <li>Evidence of embedding process to support Commissioning Council model</li> </ul> </div>

Principle	Description of Governance Mechanisms	Assurances received
<p><b>3. Values of Good Governance and Standards of Behaviour</b></p>	<ul style="list-style-type: none"> <li>The Council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members and staff.</li> <li>The four core values of the Council were launched in 2011. The values are intended to shape the culture and define the character of the organisation now and into the future. The values are positioned at the core of all we do, guiding our decision making and informing our behaviour.</li> <li>The Assurance Director is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution</li> <li>Directors have the primary responsibility for ensuring that decisions are properly made within operations of the Scheme of Delegation</li> <li>Standards of conduct and behaviour expected of Members and officers exist and are communicated and training programmes were in operation during the year to support good governance</li> <li>Arrangements are in place for Members and Officers to manage conflicts of interest</li> <li>A Performance management framework is in place to embed values with staff</li> <li>There are plans for the values to be reflected within partnerships with private, public and voluntary sector bodies.</li> <li>The council has published its strategic equality objective as being 'our commitment is that citizens will be treated equally, with understanding and respect, have equal opportunity with other citizens; and receive quality services provided to Best Value principles'. These will be delivered through three corporate priorities which will act as the Barnet Standards : reducing disadvantage, promoting community cohesion, and delivering our values.</li> </ul>	<ul style="list-style-type: none"> <li>Values Awards Nomination Panel made decisions on who embodied the Values Awards</li> <li>Monitoring Officer reports to Statutory Officer Group</li> <li>Minutes and Decisions of all Committees observed by Monitoring/Deputy Monitoring Officer</li> <li>Half-yearly and Annual Performance Review RAGG ratings for staff, explicitly linking to achievement of objectives</li> <li>Equalities Impact Assessments carried out for the 2013-14 budget process</li> <li>Member training and development programme provides assurance that skill and capability is focussed on annually</li> </ul>



Be Human



Be Collaborative



Value Diversity



Be Trustworthy

Principle	Description of Governance Mechanisms	Assurances received
<p><b>4. Making transparent decisions which are subject to scrutiny and risk management</b></p>	<ul style="list-style-type: none"> <li>The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and were taken having regard to all relevant considerations</li> <li>The Scrutiny function is in place to challenge policy development and performance and to be a 'critical friend' to the Executive. The Scrutiny function is supported by Task and Finish Groups and Scrutiny Panels, who comprise 5 elected councillors who work together to undertake in-depth reviews of a service, policy or issue of concern to local people</li> <li>Decision making is supported by adequate risk management arrangements, with the Risk Management Strategy and Policy Statement reviewed annually by the Audit Committee and approved by the Cabinet Resources Committee</li> <li>Arrangements exist for the consideration of assurances from the Council's major partners/providers</li> <li>Corporate Risks are considered quarterly by the Cabinet Resources Committee, Audit Committee and officer groups. Operational day to day risk management exists at an officer level with lead member involvement at trigger points</li> <li>The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Audit Letter provides a summary of the activity undertaken during the year</li> <li>The Council is complying with minimum requirements of the Code of Recommended Practice for Local Authorities on data transparency, a standard which aims to enable residents to hold the Council to account. The Council has developed a website further to provide more information to the public.</li> </ul>	<ul style="list-style-type: none"> <li>Overview and Scrutiny Annual Report</li> <li>Statutory Officer monthly reporting</li> <li>Barnet Homes/Barnet Group Annual Internal Audit Report</li> <li>External Audit Annual Audit Letter 2010-11 and 2011-12</li> </ul>

our social work with our local police, social care and judicial standards

2. reduce the time spent on court orders

3. reduce the time spent on court orders

cases where users of services report that they feel more confident in decisions made for children placed for adoption within 12 months

in 2011/12 to support early intervention

**How we will achieve this objective**

Early identification, accurate needs assessment and effective interventions key in supporting and empowering families to ensure that all children have the best possible start.

To achieve this we will:

- implement the Family Focus programme to work with one hundred

Principle	Description of Governance Mechanisms	Assurances received
<p><b>4. Making transparent decisions which are subject to scrutiny and risk management (continued)</b></p>	<ul style="list-style-type: none"> <li>An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee is chaired by a member of an opposition party and has two independent members.</li> <li>The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis</li> <li>The Internal Audit function operates in line with the Code of Practice for Internal Audit on Local Government. There is a 'managed audit approach' with the Council's external auditor in place which ensures there is no duplication of effort. The internal Audit plan is based on the high risks reported within the risk registers.</li> <li>The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment.</li> <li>The Head of Internal Audit and Anti-Fraud supports the Audit Committee and reports to Statutory Officers. CAFT fulfils the Council's statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The council have zero tolerance to fraud and other irregularity.</li> <li>Operational Assurance Assistant Director is the designated Whistle blowing officer which is accessible by officers, staff and those contracting with or appointed by the Council. There is an improved Counter Fraud Framework in place designed to prevent and detect fraud.</li> <li>The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget options, the MTFs is agreed by Full Council.</li> <li>Improvements have been made in the Complaints processes reflected by the 'no findings of failure' for the period by the Local Government Ombudsmen and the improvement in response time from 28 days down to 19.5 days. The Corporate Complaints Officer has set up a user group with a view to learning from complaints across all service areas and to ensure mistakes are not being repeated. Children's Service have an existing 'closing the loop' in place which is proving very successful.</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee Annual Report 2011-12 &amp; 2012-13</li> <li>Audit Committee workplan and terms of reference stipulating the way in which responsibility is discharged</li> <li>Internal Audit review on risk management arrangements 2011-12., 2012-13</li> <li>Internal Audit Annual Report 2011-12, 2012-13</li> <li>CAFT Annual Report</li> <li>Information Management Annual Report</li> <li>RIPA – Commissioner Office</li> <li>Surveillance control</li> <li>Finance and Business Planning group reviews budget risks on a monthly basis</li> <li>Ofsted report rating the Council as Good for Safeguarding and Looked after Children 2012</li> <li>Medium Term Financial Strategy and signed Statement of Accounts</li> </ul>

Principle	Description of Governance Mechanisms	Assurances received
<p>5. Developing the capacity of members and officers to be effective</p>	<ul style="list-style-type: none"> <li>The Council is committed to having Leaders with the right skills to direct and control staff. A Leadership framework was developed as part of the senior management restructure. In addition, a member development programme was carried forward into 2012-13. The Council's learning and development needs are met through training, e-learning and other methods.</li> <li>Member Development sessions not only covered functional roles and responsibilities of the Council but also related to good governance and standards of behaviours such as Corporate Anti Fraud, Audit/probity, Code of Conduct for planning and Local Government Finance &amp; Budget setting.</li> <li>The Council has an Employee Performance Management Strategy to strengthen the relationship between corporate objectives and individual performance. Employees have half year and year end performance reviews and are rated under the RAGG (red, amber, green and gold) methodology.</li> <li>The Council's value set have been incorporated within the Council's Leadership Framework and form the basis of individual performance reviews.</li> <li>The Localism Act redefined the standards regime and Full Council in May 2012 accepted changes to the Constitution to reflect the new requirements. A group leaders panel was formed during 2012-13 to consider complaints against the Member Code of Conduct.</li> <li>All aspects of the Constitution were reviewed during 2012-13 including the Members Code of Conduct, Member and Officers Protocol and Planning and Licensing Code of Member Conduct. These were ratified by Full Council in April 2013</li> </ul>	<ul style="list-style-type: none"> <li>Individual performance review ratings give assurances that staff are carrying out their work in accordance with Council priorities and objectives</li> <li>Member role Profile establish role and appraisal system agreed by General Functions Committee</li> <li>Attendance at Member Development sessions</li> <li>Constitution Review 2012-13</li> </ul>



Principle	Description of Governance Mechanisms	Assurances received
<p>6. Engaging with local people and stakeholders</p>	<ul style="list-style-type: none"> <li>The council is committed to engaging with our citizens so that we can improve our services and plan for the future. The council is also committed to publishing the results of all our consultations and engagement activities, explaining how we will use the results.</li> <li>A consultation hub 'Barnet Citizen Space' is available on the web to allow residents to take part in consultations, this also includes a section on 'We Asked, You Said, We Did' feeding back the results of consultations</li> <li>We also have an on-going dialogue between community and voluntary organisations via CommUnity Barnet, the umbrella organisation for community and voluntary groups in Barnet businesses via our quarterly themed Business Breakfast meetings.</li> <li>The council has a Barnet Citizen's Panel, the panel is statistically representative of the population of Barnet, and has been invaluable to the council and its partners in researching how Barnet residents feel on issues. It also acts a sounding-board for future policies and decisions.</li> <li>The council consults widely on its Finance and Business Planning process, as part of this year's consultation process Citizen Panel members were invited to a consultative event to understand residents priorities in depth and to obtain their views on the Corporate Plan</li> <li>The website was re-launched in April 2012 and assists in ensuring transparent decision making processes take place and encourages public engagement with the council and the decision making process. More recently 'My Voice' was added to the front page of the councils website which serves as a central place where residents can find out how to get involved in council engagement mechanisms.</li> <li>Pledge bank is also another way in which residents can interact with the Council, against the priority of 'new relationship with citizens' this initiative looked to involve citizens by making part contributions to their community.</li> <li>In October 2012 the council conducted a Resident's Perception Survey with over 1600 residents from across the borough. The survey asked residents for their views on local services and various aspects of life in their local area</li> <li>Public Participation &amp; Engagement rules are included within the Constitution guiding public participation at Council meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Barnet Adults Social Care in Focus: Your Local Account 2012 residents</li> <li>Citizen Panel Corporate Plan Consultation findings</li> <li>Residents Perception Survey, October 2012</li> </ul> <div data-bbox="901 250 1193 745" style="border: 1px dashed black; padding: 10px; margin-top: 20px;"> <p>The 2012 Residents Perception Survey shows an improvement on engagement and image of the council but the council remains below the London benchmark</p> </div>

#### 4. Review of Effectiveness

- The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Chief Internal Auditors annual report, any comments made by the Council's external auditors and any other review agencies and inspectorates. In addition, the Council has assessed its group relationships (The Barnet Group) as part of this review framework.
- Internal Audit has concluded overall, based on the findings of work undertaken at London Borough of Barnet that satisfactory assurance can be given on the systems of internal control in place, with satisfactory assurance also provided on the fundamental financial systems in place within the Council. Areas of weakness has been included within the governance issues noted for monitoring during 2013-14.
- The Council is able to confirm that its financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). In addition, the authority's assurance arrangements conform with the governance requirement of the CIPFA Statement on the role of the Head of Internal Audit.
- We consider the arrangements in place to continue to be regarded as fit for purpose in accordance with the governance framework.
- A number of areas were identified in the preceding Annual Governance Statement, an update has also been included on our progress to improve governance regarding these issues. Where they have not been sufficiently progressed they have been included within our governance issues for 2013-14.

## Governance Issues – progress

The table below describes the governance issues identified during 2011-12 and the progress made against these during 2012-13:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2013-14
Governance, accountabilities and decision-making – the change in organisational form to support the externalisation of elements of support services and regulatory services requires an updated governance model which clarifies accountabilities and responsibilities and provides assurance to decision-making bodies.	Assistant Chief Executive and Director of Corporate Governance	Phase 1 of this exercise has been complete. The senior management restructure was successfully implemented by the 31 <sup>st</sup> March 2013. A constitutional review was also undertaken during 2012-13 to align the senior management restructure with the current Constitution. Phase 2 carried forward to 2013-14 is to review the entire system of governance to ensure the current organisation fits into the decision making structures.	Carried forward under “System of Governance” for 2013-14
Operating around outcomes – whilst the council is currently progressing the implementation of different models of delivery, its own policies and procedures will need to be aligned to ensure organisational boundaries are removed and there is a shift change is designing processes that focus on operating around outcomes for local people.	Assistant Chief Executive	Council policies and procedures were reviewed and updated where appropriate to align with the organisations business model. A list of Council policies and responsibility/method of compliance was incorporated into the procurement exercise/contracts. The Customer Access Strategy was developed and included in the NSCSO bid proposals.  Outcome focussed commissioning is the basis of the new commissioning delivery model. The 2013-16 Corporate Plan reinforces outcome focussed commissioning, defining three strategic objectives which will be delivered by focussing on six key outcomes.	Carried forward under “Commissioning Outcomes” for 2013-14

## Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2013-14
<p>Devolving decision making to local people – the Localism Act requires devolving governance closer to local neighbourhoods and being cost effective in the process. Work is currently progressing to determine methods to grant communities more power to enable them to influence their local area.</p>	<p>Director of Corporate Governance and the Assistant Chief Executive</p>	<p>A Localism Project Board was in place to ensure delivery against the Localism Act responsibilities. The project discharged all of its responsibilities under the Act, an internal audit provided satisfactory assurance over the outcomes from the Board. Further work is planned through the change in system of governance work to review resident participation in decision making.</p>	<p>Found under 2013-14 "System of Governance "</p>
<p>Complaints – there is more work to do to embed arrangements to be effective, particularly to 'close the loop' and learn from complaints.</p>	<p>Assistant Chief Executive</p>	<p>Improvements have been made in the Complaints processes reflected by the 'no findings of failure' for the period by the Local Government Ombudsmen and the improvement in response time from 28 days down to 19.5 days. The Corporate Complaints Officer has set up a user group with a view to learning from complaints across all service areas and to ensure mistakes are not being repeated. Children's Service have an existing 'closing the loop' in place which is proving very successful.</p>	<p>Complete</p>

## Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2013-14
Contract compliance and management post implementation of controls – continuing the progress in implementing an improved framework for contract compliance. The Procurement Controls and Monitoring Action Plan details the specific control improvements required.	Commercial Director	The compliance aspects of the procurement controls and monitoring action plan are considered complete and satisfactory. In addition, through the senior management restructure the Commercial team is in place to manage the high risk contracts. There is some further work to complete within Delivery Units to ensure monitoring of contracts is consistent, however this is not considered a significant governance issue.	Complete
Data Quality – embedding the updated data quality policy across the authority and its delivery partners. The data quality policy contains the expected implementation plan.	Assistant Chief Executive	The Data Quality policy implementation plan is complete including communications, requested training, completion of 'data quality sheets' for key indicators and data quality spot checks. The policy was well received across the organisation by setting out clear roles and responsibilities and providing a method (through the 'data quality sheets' of documenting the approach to data collection and assurance on how quality is maintained. The annual audit opinion noted progress in that no issues on accuracy of data were reported, however, there were reoccurring themes around collection of non corporate data, data baselines, storage of data and unrealistic target setting.	Continue to develop and improve data quality standards. 2013-14 issue carried forward under "data quality"
Data Protection – the Information Governance Council is progressing the Data Protection Compliance Project ensuring that areas such as records retention and management are being addressed with the roll out of Delivery Unit Governance Groups (DUGG) that sit within each service area. Third party interactions and processing are the focus of the project in the short term.	Director of Corporate Governance	Satisfactory assurance was given in 2012/13, an improvement from limited assurance in 2011-12. A number of improvements were achieved over the year including the establishment of a management structure, the Delivery Unit Governance Group (DUGG), and a Head of Information Management joined in January and will be responsible for the new information management team in the Commissioning Group. Overall assurance has been given that data protection is not considered a significant governance issue, however the need to have fit for purpose systems and processes to manage sensitive data remains a priority	Taken forward under 2013-14 titled "Information Management"

## 5. Governance Issues for 2013-14

The table below describes the governance issues identified during this review period 2012-13 to carry forward for monitoring within 2013-14.

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p>System of Governance – a whole scale review of the system of governance will take place to ensure that the organisational structure, corporate objectives and priorities and member engagement tie into effective decision making structures.</p> <p>Of particular focus will be a review of public participation and engagement rules to consider improvements to resident engagement in decision making, further improvements into the transparency of decision making, overall addressing the concerns raised within the residents perception survey and other sources of assurance.</p>	<p>Assurance Director &amp; Chief Executive (designate)</p> <p>Leader of the Council</p>	<p>Constitution, Ethics and Probity Committee</p> <p>Full Council</p>	<p>June 2014</p>
<p>Commissioning Outcomes – with the organisational structure in operation from April 2013 it is important that the benefits of commissioning are realised through developing and embedding a commissioning framework that focuses on the delivery of outcomes for local people.</p>	<p>Lead Commissioners</p>	<p>Strategic Commissioning Board</p> <p>Cabinet</p>	<p>April 2014</p>

## 5. Governance Issues for 2011-12

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p>Business Continuity and Resilience - means that the core/critical businesses (mission critical activities) of the Council can continue functioning in the event of an unforeseen adverse (impacting on the ability of the Council to maintain service delivery) event. Overall the direction of travel for improvements to business continuity and disaster recovery resilience has been gradual since 2007 with the overall assessment of the controls remaining limited over a five year period and not considered sufficient to prevent large scale failures in service provision. This is particularly the case for information systems. As plans to rectify this through the NSCSO contract are on hold, due to the judicial review, there remains a significant risk to the Council if plans remain delayed.</p>	<p>Head of Information Management Cabinet Member for Performance and Resources</p>	<p>Customer and Information Management Board Cabinet and Resources Committee</p>	<p>March 2014</p>
<p>Data Quality – given the focus on commissioning and the reliance on data in respect of third party providers the performance management framework requires development and focus on data quality. The focus should be on setting up an appropriate quality assurance framework to support decision making.</p>	<p>Head of Information Management Cabinet Member for Performance and Resources</p>	<p>Customer and Information Management Board Cabinet and Resources Committee</p>	<p>December 2014</p>
<p>Information Management – There is a requirement to align systems and processes to support good information and records management practice. Across the organisation.</p>	<p>Head of Information Management Cabinet Member for Performance and Resources</p>	<p>Customer Service and Information Board Cabinet and Resources Committee</p>	<p>March 2014</p>

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## 6. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council: \_\_\_\_\_

Date: \_\_\_\_\_

Chief Executive (designate): \_\_\_\_\_

Date: \_\_\_\_\_



# Appendix A: Published sources of Assurance

- Code of Corporate Governance
- Corporate Plan 2012-13, specifically the equalities page 18
- Quarterly Performance Reports 2012-13
- Internal Audit, Risk Management and CAFT Annual Plan 2012-13
- Internal Audit Annual Report 2012-13
- Pay Policy 2012-13
- CAFT Annual Report 2012-13
- External Audit Annual Audit Letter 2011-12
- Overview and Scrutiny Annual Report 2012-13
- Task and Finish Group reports
- Audit Committee Annual Report 2012-13
- Audit Committee Terms of Reference and workplan 2012-13
- Offsed report into Safeguarding and Looked After Children 2012
- Corporate Plan Citizen Panel Report 2012
- Barnet Adults Social Care in Focus: Your Local Account 2013
- Statement of Accounts and Medium Term Financial Strategy
- Residents Perception Survey 2012
- Committee minutes, agendas and reports 2012-13
- Safeguarding Adults Peer Review, Overview and Scrutiny Summary Paper June 2013
- Summary Headlines Barnet Safeguarding Children Board Annual Report (Draft)
- Barnet Safeguarding Adults Board Annual Report (Draft)
- Information Management Annual Report (Draft)

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2012/13</b>
Report of	Chief Operating Officer and Director of Finance
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2012/13 accounts. This includes the pension fund accounts

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Officer Contributors	Mark Taylor, Interim, Assistant Director Financial Services, NSOCSO Catherine Peters, Head of Finance SAP Systems, Closing & Compliance Antony Russell, Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not Applicable
Key Decision	No
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	Appendix A – ISA 260 report 2012/13 (to follow) Appendix B – Audited Statement of Accounts 2012/13 (to follow)
Contact for Further Information:	Antony Russell, Finance Manager, 020 8359 7862



## **1. RECOMMENDATIONS**

- 1.1 That the Committee approve the audited Statement of Accounts 2012/13 and they be signed by the Chairman and the Chief Operating Officer/Director of Finance on behalf of the Council.**
- 1.2 That the matters raised by the external auditor relating to detailed aspects of the 2012/13 accounts audit, including the pension fund accounts, be noted.**
- 1.3 That the officer response to matters raised by the external auditor be noted.**
- 1.4 That the Committee consider whether there are any areas on which they require additional information or action.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 None.

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

- 3.1 Review of reports made under the International Standard on Auditing (ISA) 260 are an integral part of corporate governance. This is in line with Barnet's Corporate Plan within "Better services with less money".

## **4. RISK MANAGEMENT ISSUES**

- 4.1 A positive external audit opinion on Barnet'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. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

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

- 6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2013.

## **7. LEGAL ISSUES**

- 7.1 Section 151 Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs..."
- 7.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor appointed by the Audit Commission, under the provisions of the Audit Commission Act 1998.

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

- 8.1 The Council's Constitution, Responsibility for Functions - the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance".

## **9. BACKGROUND INFORMATION**

- 9.1 The audit is substantively complete and is being reported to Audit Committee two months earlier than last year. Grant Thornton anticipate providing an unqualified opinion on the Council's financial statements.
- 9.2 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. The final report of the auditors will be provided at the meeting. The salient points are noted below.
- 9.3 The ISA 260 report has to be considered by "those charged with governance" before the external auditor can sign the accounts, which legally has to be done by 30 September 2013.
- 9.4 Grant Thornton were presented with the draft financial statements on 31 May 2013 and accompanying working papers on 7 June 2013 and recognised that the finance team worked with their audit team effectively throughout the course of the audit to progress testing and respond to audit queries. They also recognised that the council provided good working papers.
- 9.5 Grant Thornton identified one adjustment of £1.7m relating to a correction of the bad debt provision for council tax. In addition there were eight misclassifications and minor disclosure changes, none of which changed the financial results previously reported in the draft financial statements (published on 31<sup>st</sup> May 2013) or the outturn reported to Cabinet Resources Committee on 24<sup>th</sup> June 2013.
- 9.6 The key messages arising from the audit of the financial statements are:
- Assurance was gained that the Council had adopted appropriate accounting policies regarding revenue recognition and testing supported compliance with the policies

- Assurance was gained that all provisions had appropriate supporting evidence and were in accordance with the requirements of the Code.
- There was no evidence of management override of controls or creditors being understated or not recorded in the correct period
- Whilst no significant issue were identified in relation to employee remuneration, it was recommended that the Council work with third party payroll providers to ensure that all information required to support the audit of financial statements is available

9.7 Grant Thornton reported their Audit Findings Report to the Council's Pension Fund Committee on 11<sup>th</sup> July. An update will be presented at the meeting. Grant Thornton expect to give an unqualified opinion on the pension fund accounts.

9.8 In providing the opinion on the financial statements, Grant Thornton are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion). Grant Thornton expect to present an unqualified Value for Money Conclusion.

9.9 The ISA 260 report contains matters raised by the auditor, their recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. To assist Members in reviewing the external auditor's comments the audited Statement of Accounts 2012/13 is attached to this report.

## 10. LIST OF BACKGROUND PAPERS

10.1 None.

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

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Planned External Audit Fees 2013/14</b>
Report of	Chief Operating Officer and Director of Finance
Summary	This report advises the Committee of Grant Thornton's planned audit fees for 2013/14

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Officer Contributors	John Hooton, Deputy Chief Operating Officer Catherine Peters, Head of Finance, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A – Planned Audit Fee Letter 2013/14
Contact for Further Information:	Antony Russell, Finance Manager Closing & Monitoring

## **1. RECOMMENDATIONS**

**1.1 That Grant Thornton's planned external audit fee for 2013/14 be noted.**

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

## **2. RELEVANT PREVIOUS DECISIONS**

2.1 None.

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

3.1 The indicative audit fee letter 2013/14 describes the audit work proposed to be undertaken for the 2013/14 financial year and supports fundamental aspects of financial standing and performance management in Barnet, which will support delivery and achievement of the Council priorities and targets as set out in the Corporate Plan.

## **4. RISK MANAGEMENT ISSUES**

4.1 None.

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

5.1 The planned audit fee relates to the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

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

6.1 The planned audit fee for 2013/14 is as follows: £224,100 for the annual audit (no increase in fee since last year), £37,205 for grant certification (8.8% decrease compared to last year which represents a decrease in number of grants requiring certification) and £21,000 for pension fund audit (3.8% increase compared to last year).

6.2 The planned level of fees have been incorporated by the council when setting the annual budget and council tax for 2013/14.

## **7. LEGAL ISSUES**

7.1 None in the context of this report.

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

8.1 The Council's Constitution, Responsibility for Functions section, details the functions of the Audit Committee including "To consider the external auditor's annual letter" and "To comment on the scope and depth of external audit work and to ensure it gives value for money".

## **9. BACKGROUND INFORMATION**

- 9.1 The planned audit fee 2013/14 letter dated 03 April 2013 is attached as appendix A.
- 9.2 The fee schedule for the planned work for 2013/14 is set out in the letter. The planned fee is £224,100. This is in accordance with the published scale fees published by the Audit Commission. This is the same as the planned audit fee for 2012/13.
- 9.3 The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated by Grant Thornton as necessary as the work progresses.
- 9.4 The fee covers:
- The audit of the financial statements
  - The work to reach a conclusion on the economy, efficiency and effectiveness in the council's use of resources (the value for money conclusion)
  - The work on the Whole of Government Accounts return
- 9.5 The Audit Commission sets a composite fee for the certification of grant claims and returns. The composite indicative fee for grant certification for 2013/14 is £37,205. This compares to £40,800 for 2012/13.
- 9.6 The Audit Commission has established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund for 2013/14 is £21,000. This compares to £20,226 for 2012/13.
- 9.7 Grant Thornton will undertake audit planning and interim audit procedures in February 2014. Upon completion of that phase of their work they will issue a detailed audit plan setting out their findings and details of their audit approach.

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

- 10.1 None.

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

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3 April 2013

Dear Chris

### **Planned audit fee for 2013/14**

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £224,100, which is the same as the fee for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at [www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme](http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme).

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

**Value for Money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will continue to assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

**Certification of grant claims and returns**

The Council's composite indicative grant certification fee has been set by the Audit Commission at £37,205 which compares to £40,800 for 2012/13.

**Pension Fund audit**

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £21,000 which compares to £20,226 for 2012/13. Our work on the pension fund will be undertaken in June 2014 by our specialist pension fund audit team, led by Ade Oyerinde.

**Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2013	56,025
December 2013	56,025
March 2014	56,025
June 2014	56,025
<b>Grant Certification</b>	
June 2014	37,205
<b>Total</b>	<b>261,305</b>
<b>Pension Fund audit</b>	
July 2014	21,000

**Outline audit timetable**

We will undertake our audit planning and interim audit procedures in February 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2014 and work on the whole of government accounts return in July 2014.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	February 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to July 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to July 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	July 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

**Our team**

The key members of the audit team for 2013/14 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Paul Hughes	020 7728 2256	<a href="mailto:paul.hughes@uk.gt.com">paul.hughes@uk.gt.com</a>
Engagement Managers	Tom Edgell	020 7728 3188	<a href="mailto:thomas.edgell@uk.gt.com">thomas.edgell@uk.gt.com</a>
	Nick Taylor	01223 225 514	<a href="mailto:nick.taylor@uk.gt.com">nick.taylor@uk.gt.com</a>
Audit Executive	Chris Poole	020 7728 3334	<a href="mailto:chris.poole@uk.gt.com">chris.poole@uk.gt.com</a>
VFM/Advisory Lead	Bob Stubbs	020 7728 2629	<a href="mailto:bob.stubbs@uk.gt.com">bob.stubbs@uk.gt.com</a>
Pensions Audit Manager	Ade Oyerinde	020 7228 3332	<a href="mailto:ade.o.oyerinde@uk.gt.com">ade.o.oyerinde@uk.gt.com</a>

**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner at [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com).

Yours sincerely



Paul Hughes  
For Grant Thornton UK LLP



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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Internal Audit Annual Opinion</b>
Report of	Head of Internal Audit and Anti-Fraud
Summary	The Committee is asked to note the content of the Annual Opinion for 2012-13.

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Officer Contributors	Caroline Glitre, Head of Internal Audit & Anti-Fraud
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Internal Audit Annual Opinion 2012-13
Contact for Further Information:	Caroline Glitre, 020 8359 3721, <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a>

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the contents of the Annual Opinion / Report.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 8<sup>th</sup> April 2013 (Decision Item 9). – The Committee approved the Work Programme, which included the Internal Audit Annual Opinion for inclusion at this meeting.

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

- 3.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2013-2016, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 3.2 The Internal Audit Annual Opinion forms part of the Annual Governance Statement that is also presented to this Committee.

## **4. RISK MANAGEMENT ISSUES**

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

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

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

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

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

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

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

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

## **9. BACKGROUND INFORMATION**

- 9.1 This report summarises the work that Internal Audit has undertaken during 2012-13 and the key internal control environment strengths and high priority recommendations identified during the year.
- 9.2 Positively this year the majority of Internal Audit reports received satisfactory assurance resulting in an overall satisfactory assurance opinion. This is the first time a satisfactory assurance opinion has been issued in the past three years.
- 9.3 Schools' financial management continues to receive satisfactory assurances around schools that we have direct responsibility for. Broadly schools are performing consistently in respect of financial management capability, compared to the previous year. It is important to note that we are on a three year cycle with the auditing of schools and we are not comparing the same schools year on year.
- 9.4 The Audit Committee's role in receiving this report is to note the overall assurance given for the financial year and to focus on the areas noted as themes for 2012-13 for improvement, which are:
- Data quality
  - Data protection in the context of records, data and information management
  - Business Continuity and Resilience
  - Records Management and Data sharing

These issues have been considered and incorporated with the Annual Governance Statement for inclusion within the Statement of Accounts for 2012-13.

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

- 10.1 None.

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

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**Appendix**

**London Borough of Barnet**  
**Internal Audit Annual Opinion 2012-13**

**Caroline Glitre, Head of Internal Audit and Anti-Fraud**

## Table of Contents

1. Introduction and Overview .....	1
2. Overall Summary.....	3
3. Key themes .....	6
Appendix A: Statement of Responsibility .....	11
Appendix B: List of Assurances 2012-13 .....	12
Appendix C: List of Assurances 2012-13 by Directorate .....	14

# 1. Introduction and Overview

## Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2012-13 and the key internal control environment strengths and weaknesses identified within the year. This report is used to inform the Annual Governance Statement that accompanies the Statement of Accounts for 2012-13.

## Overview of our approach

In line with CIPFA Best Practice, the 2012-13 Internal Audit plan was risk based, which has been formulated by:

- Linking with the Corporate Plan;
- Meetings with officers from all Directorates to discuss risks;
- Assessing the risk management system for adequacy; and
- Internal Audit's 'Cumulative Audit Knowledge and Experience'

Our role in internal audit is to provide an annual assurance statement on the adequacy and effectiveness of the Council's governance processes, risk management and control environment – the 'system of internal control'.

In broad terms our Internal Audit approach takes into account the following (according to 2011/12 audited statement of accounts):

- **Annual gross revenues of approximately £670m** - Internal Audit performs key fundamental audits of all major income systems each year (for example council tax, NNDR, parking, Housing Benefits). Our work is focused on the system controls (including interfaces) and manual controls such as performance of reconciliations and clearing of suspense accounts. In addition, we review the collections of income through an annual review of income and debt management controls.
- **Annual gross expenditure of approximately £1.073bn** – Each year we perform key financial system audits around the Council's devolved accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend e.g. payroll, grants, corporate procurement.
- **Long term assets of approximately £1.160bn** - The majority of assets are property and so pose less risk to the Council. We generally undertake one review in this area each year based on risks identified.
- **Other assets of approximately £261m** - We annually review treasury controls and the Council's administration of investments.

## Overview of our work

The Annual Internal Audit Plan for 2012-13 highlighted that a total of 46 systems based audits and 31 school audits were planned. We have communicated closely with senior management throughout the year to ensure that the audit reviews actually undertaken continue to represent a focus on high risk areas, in the light of new and ongoing developments in the Council to ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some projects have been added/deleted/merged or carried forward from the Plan. Consequently, the total number of audits undertaken in 2012-13 was 45 systems based audits and 28 school based audits. See Section 2 Overall Summary.

We generally undertake individual audits with one of two objectives in mind. The majority of audits are geared towards providing assurance to management on the operation of the Council's internal control environment. Other audits are geared towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible.

All audit reports include recommendations and actions agreed with management that will, if implemented, further enhance the control environment and the operation of the controls in practice.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report ratings and priority of recommendations; and
- **Key themes identified** during our work in 2012-13 and an update on those themes identified from the previous year.

In this report, we have drawn on the findings and assessments included in all of the reports issued, all reports had been finalised in full and signed off by the relevant Director/Assistant Director. Senior Management and the Audit Committee has separately received summaries of the outcomes of the audit work through progress reports issued through-out the year, as a result the findings have not been replicated in this report.



## 2. Overall Summary

Overall, as illustrated in the tables below, we have noted an improvement in the percentage of satisfactory assurance reports issued compared to limited. Overall there were more satisfactory audit reports issued (60%) compared to 51% of audit reports in the previous year. The improvement for the year has been particularly positive due to the level of change experienced through-out the organisation, for example the senior management restructure and the transformation agenda. For detail of which reviews received each level assurance please see Appendix B.

*Based on the internal audit work completed in 2012-13 I can give satisfactory assurance on the Council's overall internal control environment.*

*In addition, based on the internal audit work performed I can give satisfactory assurance on the key controls in operation within fundamental and key financial systems.*

### Report ratings

Assurance opinions	No of Projects/Audits					
	2012-13		2011-12		2010-11	
	No.	%	No.	%	No.	%
Substantial			-		1	2
Satisfactory	27	60	19	51	11	26
Limited	10	22	14	38	29	67
No	1	2	-	-	2	5
Risk Assurance	7	16	4	11		
Sub-total	45		37		43	
Schools audits**	28		25		34	
Merged audits/no opinions	-		-		2	
<b>Total</b>	<b>73</b>	<b>100</b>	<b>62</b>	<b>100</b>	<b>79</b>	<b>100</b>

## Fundamental and Key Financial Systems

Fundamental and key financial systems	2012/13		2011/12		2010/11	
	No.	%	No.	%	No.	%
Substantial					1	9
Satisfactory	8	80	8	80	4	33
Limited	1***	10	2	20	7	58
No	-				-	-
N/A	1**	10	-			
<b>Total Assurance ratings</b>	<b>10</b>	<b>100</b>	<b>10</b>	<b>100</b>	<b>12*</b>	<b>100</b>

\* In 2010-11 the additional 'systems' reviewed were debit and credit cards and compliance with financial regulations. In 2011-12 and 2012-13, these two areas were considered within each of the key financial systems we reviewed rather than separately.

\*\* The capital programme was reviewed through a diagnostic review to consider individual projects and consider consistency. This diagnostic review does not give an assurance level as not all aspects of the diagnostic were run.

\*\*\* The one fundamental and key financial system which was given Limited Assurance in 2012/13 was Housing Benefits.

Positively there was maintenance of the controls during the year surrounding fundamental and key financial systems with 80% obtaining satisfactory assurance.

## Analysis of School audit assurances

The Scheme for Financing Schools states that "the Chief Finance Officer shall arrange an adequate and effective internal audit, under his/her independent control, to examine the schools' accounting, financial and other operations." The table below outlines the assurances given for those 28 schools reviewed. This is the second year in which comparison can be made between years, as previously schools were not given an assurance rating. The results highlight that broadly schools are performing consistently in respect of financial management capability, compared to the previous years. It is important to note that we are on a three year cycle with the auditing of schools and we are not comparing the same schools year on year.

Assurance opinions	2012-13		2011-12		2010-11	
	No.	%	No.	%	No.	%
Substantial	1	4	2	1	-	
Satisfactory	24	86	18	72	31	91
Limited	3	10	4	16	2	6
No	-		-	-	1	3
Special Audits	-		1	1		
Total	28	100	25	100	34	100

*Based on the school audits carried out during 2012-13 I am able to give satisfactory assurance that there is an adequate system for financial management processes and controls among the Council's schools.*

### 3. Key themes

There are a number of areas that are cross-cutting in nature, in that they cross many service directorates, included within our Internal Audit Plan. By reviewing all summaries for each directorate for the year it enables us to draw key themes that require attention by the Council. Any significant issues will be included within the Council's Annual Governance Statement.

#### Internal Control and Governance

From last year's annual audit report (2011-12) there were a number of key themes generated, the following table notes progress against these themes and whether there is a residual governance issue to be taken forward within the Annual Governance Statement:

Issue	Progress 2012-13	Residual Issue
<p>Contract Management/Procurement – although improvement has been made since last year towards the Procurement Controls and Monitoring Action Plan there is still some progress to be made in making the compliance regime business as usual. The Council now has the right data in which to make further efficiencies in contract and category management, and the control framework should be embedded to further support these objectives.</p>	<p>Throughout the year there were a number of procurement related audits, namely:</p> <ul style="list-style-type: none"> <li>• Quarter 1 – Procurement Controls and Monitoring action plan (Limited)</li> <li>• Commerciality of contracts (N/A – risk assurance)</li> <li>• Contract Procurement Rules compliance (under £25k) – EPR (Limited)</li> <li>• Quarter 4 – Procurement Controls and Monitoring Action Plan (Satisfactory)</li> </ul> <p>The compliance aspects of the procurement controls and monitoring action plan are considered complete and satisfactory. In addition, through the senior management restructure the Commercial team is in place to manage the high risk contracts. There is however some further work to complete within Delivery Units to ensure monitoring of contracts is consistent.</p>	<p>There are no significant issues considered relevant for the Annual Governance Statement.</p>

Issue	Progress 2012-13	Residual Issue
<p>Data Quality – although overall arrangements to support data quality at a corporate level have improved there are still instances observed where arrangements within services have not met all data quality standards. It is important that standards for data quality are understood and developed to ensure data quality issues can be identified and flagged with providers prior to placing reliance on data for decision making purposes.</p>	<p>A number of data quality reviews took place in the year:</p> <ul style="list-style-type: none"> <li>• Narrowing the gap</li> <li>• Mental Health Agency Review</li> <li>• DRS KPIs</li> <li>• NSCSO KPIs</li> </ul> <p>Whilst there were no significant issues noted with the accuracy of the data reported we did note the following consistently within these reviews:</p> <ul style="list-style-type: none"> <li>• Lack of policies and procedures to define how data is to be collected to meet the requirements of the council-wide data quality policy;</li> <li>• Baseline data in some cases was found to be missing;</li> <li>• Some targets are set unrealistically;</li> <li>• Some data is not stored appropriately to preserve its integrity; and</li> <li>• Some data submitted was not subjected to quality assurance procedures.</li> </ul>	<p>Given the focus on commissioning and the reliance on data in respect of third party providers the performance management framework requires development and focus on data quality. The focus should be on setting up an appropriate quality assurance framework to support decision making.</p>
<p>Data Protection – during the year a number of improvements occurred to the data protection framework, there is a requirement however to sharpen the compliance framework for more proactive targeted improvement to take place.</p>	<p>We undertook a review of information governance in the year and it obtained satisfactory assurance, this focussed on embedding arrangements within the service to assist in supporting compliance with the Data Protection Act. In addition, the senior management restructure reaffirmed a commitment from the Council to further elevate the importance of information management. We also reviewed records management within Adult Social Care and Children’s Service, the former receiving satisfactory assurance but the latter</p>	<p>Overall data protection is not considered a significant governance issue for the Council, however having fit for purpose systems to manage data in</p>

Issue	Progress 2012-13	Residual Issue
	receiving limited assurance. The majority of issues within Children's Service require cultural change and improvements within the current computer system in use (Tribal).	relation to children and vulnerable adults remains a priority particularly to support good records management.
Focus on internal processes and relevance for the customer – there were a number of opportunities observed across a range of services to redesign processes and procedures to better achieve outcomes for the customer/resident/service user. For example, some processes were inefficient in that they did not act as a control to be relied upon by management but rather added additional time/resource to the customer journey.	Overall we noted improvement within the internal control environment for compliance with processes however consistently there was a theme noted of the lack of review of procedures to ensure that they remain relevant.	There is no significant issue noted for the Annual Governance Statement.

In summary, those issues taken forward from the previous year include:

- Data quality - given the focus on commissioning and the reliance on data in respect of third party providers the performance management framework requires development and focus on data quality. The focus should be on setting up an appropriate quality assurance framework to support decision making.
- Data protection in the context of records, data and information management - having fit for purpose systems to manage data in relation to children and vulnerable adults remains a priority particularly to support good records management.

For 2012-13 the following control issues were noted and considered a governance issue to address in 2013-14:

Business Continuity and Resilience – overall the direction of travel for improvements to business continuity and disaster recovery resilience has been gradual since 2007 with the overall assessment of the controls remaining limited over a five year period and not considered sufficient to prevent large scale failures in service provision. This is particularly the case for information systems. As

plans to rectify this through the NSCSO contract are on hold due to the judicial review there remains a significant risk to the Council if plans remain delayed.

Records Management and Data sharing – in a number of reviews there were some concerns noted for restriction of access to systems and data contained within those systems (Records Management (Children’s Service), Housing Benefits), in addition there was non-compliance noted with the records retention and disposal policy within a number of services. We do however note that data sharing is a necessary aspect of work across partnerships for delivery of outcomes for Children in particular and recommend that this is done under an appropriate framework.

### **Audit Recommendations**

The number of high priority recommendations reduced during 2012-13 and the direction of travel further improved for implementing audit recommendations on a timely basis, the issue remains that services need to be realistic as to when they can reasonably implement recommendations within the resources available.

### **Risk Management**

Arrangements for risk management were reviewed by PwC to ensure they could be relied upon as a basis for setting the Internal Audit Plan. Based on that review they gave satisfactory assurance that the risk management arrangements were operating as intended. The service continues to benchmark its risk management arrangements through CIPFA and also within the current year the risk management framework and policy statement was revised and reported to the Audit Committee.

We do note however from our internal audit work for the year that the risk identification process within services is not consistent across the services, with risks not documented appropriately with the mitigation currently in place within the service. The focus for the risk assurance function within the Assurance Group for 2013-14 will be to facilitate improved methods for risk identification.

### **Performance of Internal Audit**

95% of the 2012-13 Audit Plan was delivered by the end of the financial year (March 2013), this is a continuation of the performance over the past three years. During the year the service has made some further improvements to its performance including:

- Continuing to embed the audit approach to ensure focus on key risks;
  - Revising the risk management framework to align with the new models of delivery the Council is progressing towards;
- and

- Improved challenge of risks reported quarterly as part of the performance management framework.

We continually request feedback from senior management and service managers to ensure we address any perceived or actual weaknesses. This year we received 11 performance questionnaires back following completion of audits. These questionnaires gave a rating from 1 (Excellent) to 5 (Unacceptable), we set a target for the Internal Audit Service to achieve 90% of those to be rated over 3. This year the service achieved 100% (100% in 2011-12) rated satisfactory or above.



## **Appendix A: Statement of Responsibility**

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

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is a summarisation of the 2011-12 and individual reports for each area should be reviewed in detail. Recommendations for improvements should be assessed by management for their full impact before they are implemented.

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

## Appendix B: List of Assurances 2012-13

Audit Opinions on Completed Audits during the period		
	Systems Audits	Assurance
1	Children in Care	Satisfactory
2	Narrowing the gap	Satisfactory
3	Highways	Satisfactory
4	Voluntary Sector Grants	Satisfactory
5	One Barnet programme – follow-up	Satisfactory
6	Localism Act	Satisfactory
7	Records Management – Adult Social Care and Health	Satisfactory
8	Council Tax	Satisfactory
9	NNDR	Satisfactory
10	Cashbook	Satisfactory
11	Accounts payable	Satisfactory
12	Income and debt management	Satisfactory
13	Pupil Place Planning	Satisfactory
14	Information Management – Data Transfer	Satisfactory
15	Budget Management – Commercial Services	Satisfactory
16	Skills Agenda	Satisfactory
17	Information Governance	Satisfactory
18	Risk Management Arrangements	Satisfactory
19	Payroll	Satisfactory
20	Treasury Management	Satisfactory
21	Pensions	Satisfactory
22	Customer Financial Affairs	Satisfactory
23	Public health Integration	Satisfactory
24	One Barnet – working with suppliers	Satisfactory
25	Procurement Controls and Monitoring Action Plan – Q4	Satisfactory
26	Mental health Agency Review	Satisfactory
27	One Barnet – Stakeholders	Satisfactory
28	Business Continuity	Limited
29	Housing Needs and Resources	Limited
30	Procurement Controls and Monitoring Action Plan – Q1	Limited
31	Records Management - Children's Service	Limited
32	Housing Benefits	Limited
33	Contract Procedure Rules under £25k compliance – Environment, Planning and Regeneration	Limited
34	Equalities	Limited
35	Foster carers	Limited
36	Legal Services – clienting	Limited
37	Asset Management – Property Services Rent Review	Limited
38	Regeneration	No
39	SAP Access Controls	N/A

	<b>Systems Audits</b>	<b>Assurance</b>
40	Commerciality of Contracts – Adults and Children’s Service	N/A
41	Capital Programme – diagnostic reviews	N/A
42	DRS KPI review	N/A
43	One Barnet Waste Review	N/A
44	Schools Funding Team	N/A
45	NSCSO KPI review	N/A

	<b>School Audits</b>	<b>Assurance</b>
1	Queenswell Infant	Substantial
2	Moss Hall	Satisfactory
3	Danegrove	Satisfactory
4	Dollis Junior	Satisfactory
5	Whitings Hill	Satisfactory
6	Broadfields	Satisfactory
7	Brunswick Park	Satisfactory
8	Edgware Infant	Satisfactory
9	Northway	Satisfactory
10	Mapledown	Satisfactory
11	Cromer Road School	Satisfactory
12	St John’s (N11) School	Satisfactory
13	Chalgrove Primary School	Satisfactory
14	Moss Hall Nursery	Satisfactory
15	St Margaret’s Nursery	Satisfactory
16	Monken Hadley Primary School	Satisfactory
17	Hampden Way Nursery	Satisfactory
18	Barnfield	Satisfactory
19	Frith Manor	Satisfactory
20	Holly Park	Satisfactory
21	Summerside	Satisfactory
22	St Mary’s	Satisfactory
23	Colindale	Satisfactory
24	Church Hill	Satisfactory
25	Garden Suburb Junior	Satisfactory
26	Edgware Junior	Limited
27	Underhill Junior	Limited
28	All Saints NW2	Limited

## Appendix C: List of Assurances 2012-13 by Directorate

Audit Opinions on Completed Audits during the period		
	<b>Adults Social Care and Health</b>	<b>Assurance</b>
1	Customer Financial Affairs	Satisfactory
2	Mental health agency review	Satisfactory
3	Public Health Integration	Satisfactory
4	Record Management	Satisfactory
	<b>Children's Service</b>	
5	Children in Care	Satisfactory
6	Narrowing the gap – Data quality review	Satisfactory
7	Pupil Place Planning	Satisfactory
8	Foster Carers	Limited
9	Records Management	Limited
	<b>Commercial</b>	
10	SAP Access	N/A
11	Asset Management – Rent Review	Limited
12	Procurement Controls and Monitoring Action Plan – Quarter 1	Limited
13	Procurement Controls and Monitoring Action Plan – Quarter 4	Satisfactory
14	Information Management – data transfer	Satisfactory
	<b>Environment, Planning and Regeneration</b>	
15	Highways	Satisfactory
16	Housing needs and resources	Limited
17	Contract Procedure Rules – compliance under £25k	Limited
18	Regeneration programme	No
	<b>Deputy Chief Executive's Service</b>	
19	Housing Benefits	Limited
20	Council Tax	Satisfactory
21	NNDR	Satisfactory
22	Payroll	Satisfactory
23	Pensions	Satisfactory
24	Cashbook	Satisfactory
25	Accounts payable	Satisfactory
26	Income and debt management	Satisfactory
27	Treasury	Satisfactory
28	Capital	N/A
29	Schools Funding Team	N/A
	<b>One Barnet Programme</b>	
30	Stakeholders	Satisfactory
31	Suppliers	Satisfactory
32	NSCSO KPIs	N/A
33	DRS KPIs	N/A
34	One Barnet follow-up	Satisfactory

Audit Opinions on Completed Audits during the period		
35	Waste Review	N/A
	<b>Corporate Governance</b>	
36	Legal Services	Limited
	<b>Chief Executive's Service</b>	
37	Voluntary Sector grants	Satisfactory
	<b>Cross Cutting</b>	
38	Localism	Satisfactory
39	Equalities	Satisfactory
40	Skills Agenda	Satisfactory
41	Budget management	Satisfactory
42	Business continuity	Limited
43	Information Governance	Satisfactory
44	Risk Management	Satisfactory
45	Commerciality of contracts	N/A

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Annual Report of the Corporate Anti-Fraud Team 2012 – 2013.</b>
Report of	Operational Assurance Assistant Director
Summary	The Committee is asked to consider and comment on the CAFT Annual Report 2012-13.

Officer Contributors	Clair Green Operational Assurance Assistant Director
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	Appendix A: CAFT Annual Report 2012 -13
Contact for Further Information:	Clair Green – 0208 359 7791 <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a>

## **1. RECOMMENDATIONS**

- 1.1 That the Audit Committee consider and comment on the CAFT Annual Report 2012 -13.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Delegated Powers Report (ref: BT/2004-05 -2 March 2004) - The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004
- 2.2 Audit Committee 8 April 2013 - (Decision item 9 ) – the Audit Committee included in the work programme for 2013/4 that an Annual Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.
- 2.3 Audit Committee 8 April 2013 (Decision item 7) – the Audit Committee approved the Internal Audit and Anti Fraud Strategy and Annual Plan and Risk Management approach 2013-2014.

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

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

## **4. RISK MANAGEMENT ISSUES**

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

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

- 5.1 CAFT always strive to ensure that it has takes due regard due regard of its public sector equality duty as set out in the Equality Act 2010. Equalities issues are considered on every CAFT investigation, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

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

- 6.1 The structure and budget that CAFT operate within has proven successful and provides sufficient resource and commitment that is required to carry out an



effective anti fraud service and deliver the key objectives as set out within the strategy.

## **7. LEGAL ISSUES**

7.1 None in the context of this report.

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

8.1 The Council's Constitution under Responsibility for Functions - The Audit Committee's terms of reference, details the functions of the Audit Committee including, "To monitor Council policies on Raising Concerns at Work" and the anti-fraud and anti-corruption strategy.

## **9. BACKGROUND INFORMATION**

9.1 Attached to this report at Appendix A is the CAFT Annual Report 2012-13.

9.2 The purpose of this annual report is to provide the Committee with a summary on the outcome of preventative, proactive and reactive work undertaken during 2012-13. It further details the outcomes of the CAFT partnership work, with Department of Work and Pension, UK Border Agency and Barnet Homes.

9.3 In addition to the CAFT annual report, we also produce an interim report to the Audit Committee and to the Councils Senior Management.

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

10.1 None

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

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# Corporate Anti Fraud Team (CAFT) Annual Report 2012-13

## Introduction

The Corporate Anti Fraud Team (CAFT) has been established within Barnet for 9 years. During that time we have embedded and promoted a strong anti fraud culture across the council, its staff, partners and residents. The CAFT supports the council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

Like any organisation of significant size and complexity, Barnet Council is inherently vulnerable to risks of fraud and corruption. With reducing government funding and the current economic downturn it is vital that we continue to maintain strong defences against fraud and make best use of our information and intelligence in order to ensure we have effective fraud barriers in place and make best use of our anti fraud service. The purpose of this annual report is to provide a summary on the outcome of the functions within CAFT; Corporate Fraud, Benefit Compliance and Investigation. Work processes in the team are designed for maximum efficiency and as such all functions are intricately linked and are dependent on each other in order to ensure CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT provide advice and support to every aspect of the organisation. This advice varies between fraud risk, prevention and detection, money laundering and criminal activity and deterrent measures as well as misconduct and misuse of public funds – some of the matters will progress to criminal investigation and others do not. It is this element of the work of CAFT that is hard to quantify statistically, however all of the work of the team supports and promotes best practice, principles of public life along with the corporate priorities.

**Corporate Fraud** team deal with the investigation of any criminal and fraud matters (except benefit related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. CAFT continue to work in partnership with the UKBA, Police and HM Revenue and Customs to ensure that the public purse is adequately protected.

The table below details the number of referrals that were made to CAFT during 2012/13 (102 cases) in addition to the ongoing investigations that were carried forward at the close of 2011/12 (26 cases). CAFT continue to deal with a variety of issues and are often requested, such as providing intelligence reports for the Police, other local authorities and advice and assistance to services within the Council on matters that do not necessarily equate to criminal activity but are still issues of concern that require CAFT expert advice. These include preventative fraud advice, breaches of internal procedures and disciplinary issues. This element of CAFT work is difficult to breakdown into statistical reporting as it is so varied, but is however listed below under advice and assistance given.

Breakdown of Referrals: Chart 1 shows the number of new cases by Directorate referred to CAFT in the year 2012/13. Whilst most directorates are comparable to previous years, there was a marked increase in cases within the Children's Services. This is a direct result from a proactive exercise into the submission of false

applications to secure school places for children who fall outside of the catchment areas, particularly of the top rated schools in the Borough. This exercise was undertaken to assist with the implementation of fair and transparent allocation of secondary school places.

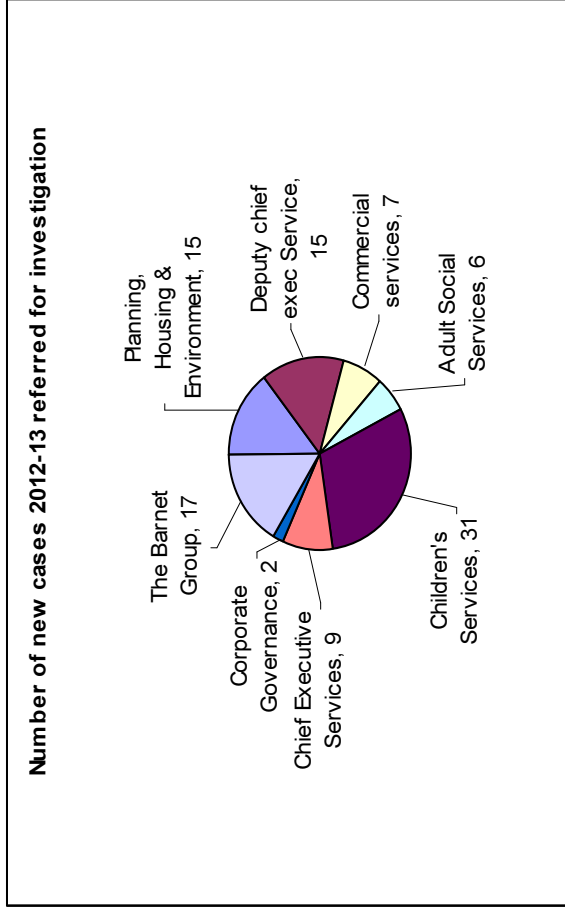


Chart 1: Details the source of the referrals to CAFT in 2012/13

Directorate	Total number of cases referred in 2011/12	cases carried over from 2011/12	new cases Referred in 2012-13	Insufficient evidence to proceed	Passed to other agency to investigate	Closed Advice given	Closed No Fraud	Staff No longer employed	Closed Fraud Proven
Planning, Housing & Environment		5	15	7	0	4	4	3	1
Deputy chief exec Service		9	15			5	4		1
Commercial services		2	7	2	1		1	2	1
Adult Social Services		1	6	1	1	2		1	
Children's Services		3	31	3		9	6	6	6
Chief Executive Services		4	9				3	2	4
Corporate Governance		2	2	1		1	1		1
The Barnet Group		0	17	4		3	3	2	1

Total	91	26	102	18	2	24	22	16*	15
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Table 1: Referrals / outcomes in 2012/13

\* The cases categorised as 'Staff No longer employed' are as a result of a CAFT investigation and relate to various kinds of internal investigations. Some examples of these are:

**Operation Mustang** – This case relates to a criminal and financial investigation into various payments fraudulently obtained through the Rent Deposit Scheme. The scheme allows Housing Supply Team to locate private rented accommodation for those in need of housing and assist them with the initial deposit in order to secure the tenancy. CAFT Investigators identified 41 fraudulent payments totalling £132,629 and during the course of the investigation a further 12 fraudulent payments totalling a further £31,600 were intercepted and blocked. After a lengthy and detailed investigation, two of the three identified suspects were arrested. The third suspect is believed to have fled the country. In January 2013, Adnan Nazir and Jamile Pertussati were both handed prison terms at Wood Green Crown Court after pleading guilty to carrying out the fraud. Nazir, a former Barnet Council housing supply officer, was sentenced to two and half years in prison after pleading guilty to charges of fraud by abuse of position and conspiracy to defraud, while Pertussati received a 15 month prison term after pleading guilty to charges of conspiracy to defraud. Immediate mitigating action was taken by CAFT and the service to ensure anti-fraud controls were implemented; in addition CAFT and Internal Audit conducted a joint review of the area resulting with a number of recommendations made to management. The service has now transferred to Barnet Homes and as a result CAFT have reported to their Audit and Risk Committee on the matters identified through the review

There have been a number of investigations relating to identity issues and right to work issues – some examples are:

**Operation Savana** – This investigation relates to a member of staff who started working for Barnet in 2008 as an Agency worker. The investigation established that at that time of employment they had no right to work in the UK. In order to secure employment they had supplied a counterfeit passport with a counterfeit Home Office Stamp giving the false impression of entitlement for indefinite leave to remain in the UK. The employee was arrested and after a trial at Crown court was found guilty and sentenced to 6 months imprisonment which was suspended. He was also ordered to wear a curfew tag for 3 months and complete 150 hours of unpaid work.

**AA89** – This case relates to the cleaning supervisor at a primary school. An ongoing vetting process carried out by CAFT raised concerns over the cleaning supervisor's identity. Checks with the UKBA revealed that the supervisor had produced a forged Portuguese passport in order to gain employment. CAFT and UKBA officers attended the school and conducted full identity checks on all of the cleaners. This resulted in the supervisor's real identity being discovered. It transpired that the supervisor's real identity documents did not allow for him to work in the UK at the time that he gained employment with school. After working at the school for some time the Home Office approved an application in his real name which allowed him to live and work in the UK legitimately. However due to the original false documents supplied to the school the head teacher dismissed the supervisor.

**Operation Skyhawk**- This investigation relates to an investigation into three council employees from that allegedly collected builders rubbish from a house that was being refurbished. The allegation was that the three had entered into a private agreement with the builder to remove rubbish for a cash payment. CAFT interviewed all three suspects for possible offences under the Bribery Act 2010. In these interviews all three admitted that they should not have been collecting the rubbish from that address but claimed that no cash was exchanged. As there was insufficient evidence to prove that monies had changed hands, the case was referred to for disciplinary action as the investigation also identified a number of other internal procedural breaches and all three employees were subsequently dismissed.



NATIONAL ANTI-FRAUD NETWORK

**Joint Pro Active Fraud Plan with Internal Audit and Risk Management**

**Proactive Anti-Fraud work** - The level of proactive anti-fraud work will be dependent on how much reactive work is received by the CAFT. As a result not all areas were reviewed in 2012-13. Any areas that are still relevant are carried forward to 2013-14. The continuous anti fraud work / reviews element of this plan are incorporated within the work streams of the CAFT strategy.

Area of review	Description of Work	Status
Self Directed Support (Direct Payments)	In 2011-12 CAFT instructed PWC anti-fraud / direct payment specialists to undertake this audit to ensure the arrangements for direct payments are fit for purpose, in relation to anti fraud measures. The report was issued in 2011/12 and the recommendations were accepted and agreed. During 2012-13 the purpose of this review was to follow up previous anti-fraud recommendations in this area and work collaboratively to review anti fraud arrangements in relation to the new payment cards system.	Complete. The review found that 12 (80%) of the recommendations had now been implemented, 2 (13%) of the recommendations had been partly implemented and 1 (7%) of the recommendations had yet to be implemented. The review identified that their had been some significant delays in implementing the recommendations in accordance with the original agreed timescales, however recent changes in the management team had ensured that the recommendations and outstanding actions were dealt with swiftly - timescales have been given to those still outstanding.
Purchase Cards	A CAFT Pro-Active anti-fraud exercise to ensure that the Council's anti-fraud arrangements around purchase cards are fit for purpose.	In progress.  Due to the level of reactive work this review was put on hold. However work has now recommenced and the review has continued into 2013/14.
Registration and Nationality Service	Pro-Active joint working with UK Border Agency (UKBA) embedded officer to prevent, deter and identify persons who are looking to exploit council's services illegally.	Not Reviewed in 2012/13.  Due to pressures on UKBA resources this pro active review did not take place and is not planned to take place in 2013/14.  Liaison with the service has confirmed that there is an efficient referral process system in place within the Registration and

Council Tax and National Non Domestic Rates (NDR) and Electoral Registration	Pro-Active exercise and targeted anti fraud work in this area to ensure that the anti-fraud measures are fit for purpose and robustly complied with and that any exemptions and discounts given are valid and appropriate.	Nationality service and all referrals are assessed and responded to accordingly appropriately by either CAFT or UKBA.  Council Tax - Single Person Discount (SPD) – complete.  As a result of the review a number of changes were made in the way in which referrals are made to ensure an efficient process. In addition to this the benefits compliance team reviewed 512 National Fraud Initiative (NFI) matches relating to SPD and Electoral Registration which resulted in removing the SPD, and recovering funds amounting to £96,323. The exercise involved identifying those households claiming SPD when in actual fact they were not the sole residents.  NDR – Not reviewed this year due to levels of re-active work in CAFT– carried forward for review in 2013/2014.
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The **CAFT Strategy 2012-13** demonstrates how the council is committed to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity. The strategy also incorporates the CAFT response to the fraud risks and good practice detailed within the publications CIPFA's 'Managing the Risk of Fraud', the Audit Commission's 'Protecting the Public Purse', the Department for Communities and Local Government 'ten point plan for tackling fraud in the local authorities' and the National Fraud Authority 'Fighting Fraud Locally' document.

Objective	Work stream	Status
To provide an efficient value for money anti fraud activity, that is able to effectively investigate all referrals that are passed to us to a high professional standard with the appropriate investigation/prosecution outcome.	Ensure that all investigation staff are fully qualified and that internal investigation procedures are effective and compliant with legislation.  Review and devise an updated Counter Fraud Framework (CFF) in accordance with good practice and change agenda within the Council.	All investigation staff are fully qualified and there is an ongoing professional development and training.  Review of internal procedures is continuous in response to changing practice and legislative changes.  Revised CFF presented to Audit Committee July 2013.
	Review and ensure that the team has sufficient resources to respond to demand: investigating all suspected frauds	Budget reviewed annually in accordance with Council business planning.
	Provide assurance reports to Statutory Officers and Annual and Interim reports to the Council Directors and the Audit Committee	Reporting schedules in place and adhered to.



Objective	Work stream	Status
<p>To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all Housing and Council Tax Benefit Fraud and Error, in partnership and in accordance with the Department of Work and Pensions (DWP) guidelines and Fraud and Error Strategy.</p>	<p>Ensure that the Benefit and compliance Investigation Teams staff are fully qualified and that internal investigation procedures are effective and compliant with legislation</p> <p>Set internal performance measures.</p> <p>Provide statistics on a quarterly basis to the DWP as required.</p> <p>Effectively deal with all benefit related data matches that are received.</p> <p>Ensure that we keep updated and respond appropriately to the planned changes in respect of the DWP single fraud investigation service and implementation of universal credit.</p>	<p>All investigation staff are fully qualified and there is supported ongoing professional development training.</p> <p>Review of internal procedures is continuous in response to changing practice and legislative changes.</p> <p>Performance measures set and monitored internally – refer to Benefit Investigation section of report for details.</p> <p>All statistics provided on a timely basis to DWP.</p> <p>Refer to Benefit Compliance section of report.</p> <p>The Benefit Fraud Manager is nominated lead officer. Changes due to universal credit have so far had minimal impact to current investigation process.</p>
<p>To encourage all Council Services and the LATC to acknowledge fraud risks, and for CAFT to provide anti fraud control recommendations, as well as continuous anti fraud reviews, audits and compliance work in relation to identified high risk areas in order to prevent fraud.</p>	<p>Develop and deliver a Joint Risk Based Annual Plan between CAFT, Internal Audit and Risk Management.</p> <p>Continue to build on the work of the Fraud and Risk Forums-- provide guidance and challenge and ensure that fraud risks are considered and identified on service risk registers / JCAD.</p> <p>Collaborative working with partners and the LATC and partners to ensure that anti fraud controls are appropriate and fit for purpose on all aspects of fraud risk.</p> <p>Continue to provide Fraud Awareness training via the e-learning package.</p>	<p>Refer above for detail on outcomes.</p> <p>Forums took place quarterly and have been effective in increasing the awareness of fraud risks across the Council.</p> <p>Continued good working relationships in place. Partnership work in relation to Tenancy Fraud has resulted in the recovery of 30 properties.</p> <p>This has been a successful training package reflected in the increased amount of contact with the team. CAFT continues to provide invaluable advice and support to staff at all levels across all services.</p>
<p>Deter Fraudsters from committing fraud within or against the Council.</p>	<p>Have an aggressive publicity campaign in relation to all prosecutions.</p> <p>Ensure that Fraud Awareness training via the e-learning</p>	<p>This has been successful with a further TV production of saints and scroungers, 'First Team' article on work of team published, had various press releases issued and investigations covered in the local press.</p> <p>There are plans to redesign and re-launch the training in 2013/14</p>

Objective	Work stream	Status
<p>Pursue fraudsters and seek redress.</p> <p>Apply appropriate sanctions- we will take action against any one who commits fraud whether they are members of staff or members of the public.</p>	<p>package is kept updated and relevant with examples of CAFT investigations</p>	<p>in accordance with new Council structure and Assurance Group.</p>
	<p>Having a communications plan in relation to raising awareness of the work of the team and the Council's counter fraud framework</p>	<p>Complete. We have had a "First Team" article on work of team published, had various press releases issued and investigations covered in the local press.</p>
	<p>Launching and publicising an online fraud reporting form and new web page</p>	<p>Completed. New webpage on fraud investigation along with online reporting form launched with new website in April 2012.</p>
	<p>Publicising the Council's Whistle blowing policy</p>	<p>This is part of the revision of the CFF (July 2013). Once this is completed then will be publicised and communicated as part of the new Assurance Group.</p>
	<p>Seek appropriate penalties for fraudsters and recover any losses and obtain compensation by utilising our in house financial investigation Officers.</p>	<p>Refer to Corporate Fraud section of report for a detailed breakdown for of referral / outcomes and case summaries.</p> <p>We continue to work joint jointly with Barnet Homes in relation to tackling tenancy fraud and the joint partnership has been successful in recovering 30 properties in 2012/13.</p>
	<p>Liaise with relevant Services to raise awareness in relation to Proceeds of Crime legislation / investigation</p>	<p>Complete. Good liaison in place with other relevant departments and legal which has resulted in a number of referrals.</p>
	<p>Ensure consideration is given to financial investigation in all CAFT investigations in order to maximise recovery of losses and income for the Council.</p>	<p>Complete. Process in place to ensure this happens.</p>
	<p>Ensure that financial investigation staff meet the requirements of their continuous professional development and their accreditation</p>	<p>All relevant staff are fully accredited and continue to meet the requirements of the National Policing Improvement Agency (NPIA). This is monitored internally by Head of CAFT in role as NPIA Senior Authorising Officer.</p>
	<p>Ensure that the Council's approved Counter Fraud and Anti- Money Laundering Frameworks are reviewed and updated in response to the changing environment of the council and good practice</p>	<p>Revision presented to Audit Committee in July 2013.</p>
	<p>Ensure that all investigations are carried out in compliance with our policies and appropriate legislation, consistently applying our "Zero Tolerance" approach</p> <p>Communicate updates / new polices to all staff</p>	<p>Procedure in place to ensure that this is reviewed by CAFT management on the conclusion of each investigation before case closure.</p> <p>There have been two requests relating to the same investigation under the Regulation of Investigatory Powers Act during 2012/13.</p> <p>Completed as part of staff one to ones and team meetings and</p>

Objective	Work stream	Status
	<p>Ensure that there is a system in place to review compliance checking against policies</p>	<p>posted on the intranet for all staff to observe council-wide. The framework is in place and managers are responsible for ensuring compliance with all council policies. CAFT and Internal Audit review cases where appropriate where internal controls are lacking, providing recommendations for improvement. UKBA partnership ongoing and effective.</p>
<p>Strengthen existing partnerships – develop new partnerships.</p>	<p>Build on existing UKBA Partnership where UKBA have an embedded officer within the CAFT office ensuring that only those eligible (i) to work and/or reside in the UK (ii) receive services and benefits from the Council, do so</p>	<p>CAFT embarked on a joint pro-active joint exercise with UKBA and HR with regards to verifying over 3,019 employees identity documents to ensure that we they had the right to work in the UK in order to satisfy both Home Office legislation and provide assurance over our workforce. Any employees without documents on file were requested to produce them and all non UK passports and VISA's on file have now been checked and verified. There are some outstanding issues that need to be finalised such as a small number of employees that need to reproduce their documents as some copies are eligible and CAFT will follow this up with HR. As a result of this exercise 4 employees have now been dismissed as they found had no right to work.  CAFT continue to work closely with HR in relation to any recruitment or identity issues and the new recruitment and selection policy including enhanced vetting and revising the code of conduct to ensure implications of the Bribery Act are now operational and effective and built into working procedures. Ongoing. Excellent liaison, support and working relationships with local police and crime payback unit.  The financial Investigations powers continue to be vital to progressing our investigations and we are now in a position where we have restrained a number of suspects financial assets and will be able to request confiscation on these asset, on completion of successful prosecution proceedings. This year we have completed our first financial confiscation case with an confiscation order awarded to Barnet for £62,000. This is</p>
	<p>Further strengthen the existing partnerships and liaison with Police within Barnet alongside continued working with our local "crime payback unit" ensuring that criminals we are investigating within the borough do not profit from the proceeds of crime.</p>	

Objective	Work stream	Status
		due for payment in 13/14 and will be utilised to fund CAFT pro active exercises or additional posts.
	Continue to work in partnership with the DWP in relation to Housing and Council Tax Benefit Fraud and Error.	Refer to Benefit Investigation section of report for detail.
	The London Fraud Hub – build on collaborative working with other local authorities in West London to use data analytics to track cross boundary fraud.	Ongoing - continued into 2013/14.
	Develop arrangements with new partners in accordance with the Council's strategic objectives	Effective arrangements in place. New arrangements being developed as part of Assurance Framework in 2013/14.

**Benefit Compliance Team** identify and correcting error in our benefits system through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS) and the Audit Commissions (AC) National Fraud Initiative (NFI) Benefit Matches. The team conduct assessments of benefit which may result in an overpayment which is then passed to our Benefit Investigation team to further investigate and identify fraudulent claims.

Performance Table	Q1 2012/2013	Q2 2012/13	Q3 2012/13	Q4 2012/13	Total 2012/13	Total 2011/12
Number of HBDMS matches received	966	737	96	580	2379	3602
Total Number of Compliance benefits assessments	39	219	60	169	487	862
Number of assessments which resulted in no change or increased benefit	15	84	20	49	168	151
Total Amount of Fraud overpayments identified	£252,771	£98,872	£286,512	£106,464	£744,619	1,006,840
Total Amount of Error overpayments Identified	£41,119	£229,162	£44,439	£129,733	£444,453	712,241
Total Amount of Fraud and error overpayments identified by CAFT	£293,890	£328,034	£330,951	£236,197	£1,189,072	1,744,511

There have been 44 separate assessments that have resulted in a fraudulent overpayments higher than £4,001; all of these overpayments have been investigated by Benefits Investigations team and to date 14 of these have resulted in prosecutions with guilty verdicts, 11 administrative penalties issued and 4 formal cautions issued. A further 7 cases have been passed to our legal team for prosecution and 8 are with the DWP legal team. CAFT still continue to run the Single Housing Benefit Extract (SHBE) on a monthly basis, submitting it to the Department of Work and Pensions (DWP) to extract the Housing Benefit Data Matches. In April 2012 DWP launched the Atlas (Automatic Transfer local Authority system) which became fully operational and impacted on the number of HBMS that we received as Atlas interfaces with the Housing benefit system and identifies changes of circumstances at source, therefore reducing the number of changes.

In light of the reduced number of HBDMS the team have had capacity to dedicate resource into other areas such as investigating Council Tax SPD (Single Persons Discounts) and pro active drives such as validating benefit claims which identified single male earners who had not declared any income changes in the past two years. For this particular exercise the team reviewed 112 claims which resulted in raising £32,049.00 in housing benefit overpayment and £7,581.00 council tax

benefit and approximately 25% of the claimants cancelled their claims without submitting any information. The team are currently working on the benefit related National Fraud Initiative matches that were received in January 2013 and continue to concentrate on resolving data matches and developing pro active exercises to identify fraud and error in the benefits system.

Benefit overpayment recovery continues to be the responsibility of the Benefits Service. The role of CAFT is to identify, prevent and stop fraud and error in the benefits system. Where appropriate, we investigate and apply a sanction to the claimant. Our work ultimately means that that we have prevented a claim that should not be in payment from continuing thereby protecting and preventing further loss to the public purse. In cases where CAFT have not been able to identify assets or instigate a Financial Investigation the decision on the rate and method that an overpayment shall be repaid to the council is either at the discretion of a magistrate or responsible officer within the Benefits Service. The decision is usually dependent on the claimant's circumstances at the time, and could be recovered from an "attachment to earnings", from ongoing benefits or repaid at an agreed amount dependent on the claimant's current circumstances. In recent years, CAFT have become more involved in overpayment recovery process. If we have identified that a claimant has realisable assets, we have been able to instigate a financial investigation, allowing CAFT Officers to use their accredited powers under the Proceeds of Crime Act 2002 to obtain restraint orders. Two examples of CAFT action in relation to this are:

Example A: Mr Arsim Mehmeti had various accounts with capital well in excess of £16,000 that he had not declared when claiming housing and council tax benefit. The claim was reassessed taking this information into account and resulted in a housing and council tax benefit overpayment of £26,421.73. A restraint order was obtained at Wood Green Crown Court in March 2013 by CAFT Financial Investigators to ensure that the overpayment was paid off in full. Example B: Mr Leslie Potts had failed to declare that he had capital in excess of £100,000 when he made a claim for housing and council tax benefit, along with income support. This resulted in a housing and council tax benefit overpayment of £8,932.78 and income support overpayment of £3,108.50. A restraint order was obtained from Wood Green Crown Court in July 2012 by CAFT Financial Investigators and as a result the overpayment was repaid in full



**Benefit Investigation Team** prevent, identify, investigate, deter and sanction or prosecute persons that commit benefit fraud in Barnet. They are fully qualified professional investigation officers who operate in accordance with both the DWP's Fraud and Error Strategy and the Council's Counter Fraud Framework as well as relevant legislation.

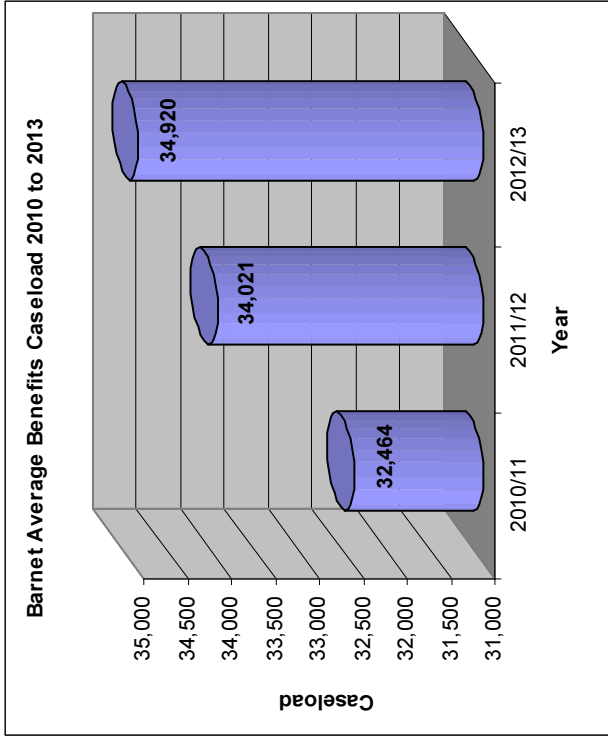


Chart 2: In recent years, the number of benefit claimants in the borough has increased by 7.56%. This reflects the continuing national economic downturn resulting in an ever increasing Housing and Council Tax Benefit caseload for local authorities all over the country.

The latest benchmarking results against London Benefit Investigation for 2011/12 shows Barnet continue to be placed within the top three in London for the number of sanctions per Investigator and the team have an average of 31 sanctions per investigator for the 2012/13 financial year, with an overall number of sanctions achieved being 93. This demonstrates that investigation working procedures continue to be efficient, effective and demonstrate value for money. CAFT continue to have an excellent partnership working relationship with DWP. This has resulted in 14 successful joint prosecutions during 2012/13, as well as one joint administrative penalty. These figures are included in the total above. Ongoing into 2013/14, we have 173 current investigations being carried out by the team. In addition to these investigations, we already have investigated and passed for prosecution 17 cases that are with our legal team and we have a further 21 cases that we have investigated jointly with the DWP that are with their legal team for prosecution. This level of prosecution demonstrates our successful joint working practices and our aim to deter and seek punishment for the more serious offenders of benefit fraud in our borough.

**Some examples of joint working and Benefit Fraud Investigation Case Studies:**

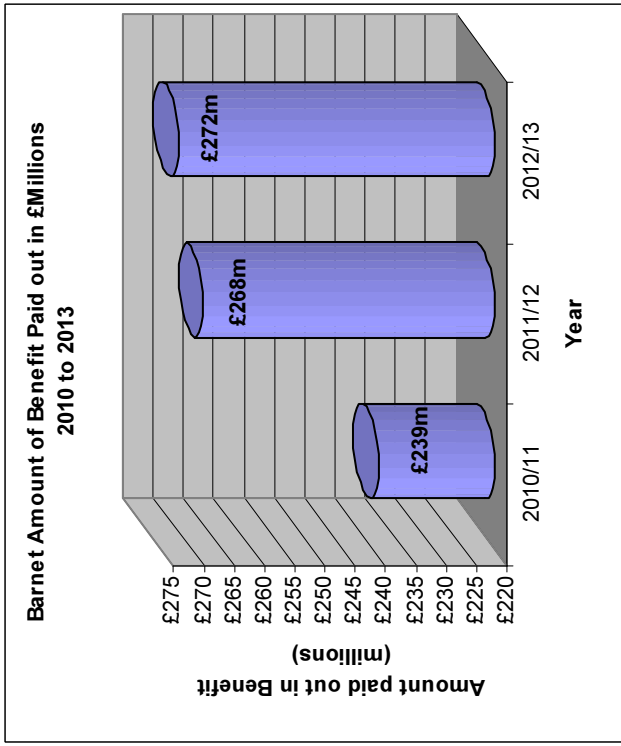


Chart 3: Due to the increase in benefit claimants the amount of benefit Barnet has paid out has also risen by 14% in the same period, further reflecting the current national and local situation.

**A joint prosecution between CAFT, Barnet Homes and the DWP's Counter Fraud Investigation Service (CFIS) is the case of Mrs Susan Cohen:** CAFT received an enquiry from CFIS concerning a Mrs Susan Cohen. The allegation was that she was the owner of another property and this had not been declared when she had been claiming housing and council tax benefit and had a council tenancy. Our Investigations revealed that she was the owner of two properties through using another name. Mrs Cohen had been claiming housing and council tax benefit on the basis of living in a Council property. Evidence was gathered which confirmed that Mrs Cohen had not been resident for many years. Mrs Cohen was arrested and gave a pre-prepared statement during the interview under caution stating the properties were being held in trust for her daughter. As a result of the investigation, the housing and council tax benefit was cancelled with an overpayment amounting to £72,820.25 being recovered?. In addition there were DWP overpayments of £36,015.06. Mrs Cohen pleaded guilty to 7 counts of benefit fraud at Crown Court and was sentenced to 8 months imprisonment. In addition, Barnet Council recovered the Council property that Mrs Cohen was supposedly living while claiming benefits.

**A joint prosecution between CAFT and DWP's local Counter Fraud Investigation Service (CFIS) is the case of Miss Oby Barnes:** CAFT received a referral from the Homeless person unit who were concerned that Miss Barnes may own a property whilst also in receipt of housing benefits? Miss Barnes had been claiming housing and council tax benefit since 2001. Investigations showed that she had not declared that she purchased two properties and held capital in excess of £16,000 within her claim for housing benefit. She had also been in full time employment. She was interviewed under caution twice regarding the matter and stated during the first interview that the properties were in her name, but belonged to her brother-in-law in Ghana. At the second interview, she stated her brother-in-law had passed away in November 2007, which was at odds with a letter produced by the defendant purporting to be from her Sister stating he had died in October 2007. She had also failed to declare he had passed away during the first interview. As a result of the investigation, Miss Barnes claims were cancelled and she was overpaid housing and council tax benefit of £50,674.66 and income support of £24,304.05. She pleaded guilty at Crown Court to 17 counts of benefit fraud and was sentenced to 18 months imprisonment.

**A joint prosecution between CAFT, DWP's local Counter Fraud Investigation Service (CFIS) and Enfield Council is the case of Mr Mohsen Sabet:** CAFT received a referral from Enfield Council's appeals team that linked a Mohsen Aboudarda to the property that Mr Sabet was claiming housing benefit for. Mr Sabet was arrested at the property and interviewed under caution at Colindale Police Station. He admitted making a false claim from 2009 with the London Borough of Barnet, but not with claims made to DWP and Enfield Council. Further checks showed that he had not declared 17 bank accounts that had over £800,000 at one point while he was claiming benefits. In addition, he had not declared that he was the owner of 4 properties, 3 of which had no outstanding mortgage. Mr Sabet fraudulently claimed over £35,000 in benefits during the period 2004 – 2011, of which £6,526.29 was from Barnet Council. He pleaded guilty to 10 charges of benefit fraud at Crown Court and received a sentence of 9 months imprisonment. Barnet Council are now in the process of confiscation proceedings.

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Counter Fraud Framework update 2013</b>
Report of	Operational Assurance Assistant Director
Summary	The Committee is asked to approve the updates to the Counter Fraud Framework 2013

Officer Contributors	Clair Green - Operational Assurance Assistant Director
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	None
Contact for Further Information:	Clair Green – 0208 359 7791, <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a>

## **1. RECOMMENDATIONS**

- 1.1 That the Audit Committee approves the proposed updates to the Counter Fraud Framework.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Delegated Powers Report (ref: BT/2004-05 -2 March 2004) - The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004
- 2.2 Audit Committee 11 March 2010 Decision No. 13 – the Committee noted the contents of the revised Counter Fraud Framework.

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

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

## **4. RISK MANAGEMENT ISSUES**

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

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

- 5.1 CAFT always strive to ensure that it has takes due regard due regard of its public sector equality duty as set out in the Equality Act 2010. Equalities issues are considered on every CAFT investigation, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

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

- 6.1 The structure and budget that CAFT operate within has proven successful and provides sufficient resource and commitment that is required to carry out an effective anti fraud service and deliver the key objectives as set out within the strategy.

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

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

- 8.1 The Council's Constitution under Responsibility for Functions - The Audit Committee's terms of reference details the functions of the Audit Committee including, "To monitor Council policies on Raising Concerns at Work" and the anti-fraud and anti-corruption strategy.

## 9. BACKGROUND INFORMATION

- 9.1 The Counter Fraud Framework and Anti Money Laundering Frameworks (AMLF) are periodically reviewed by the Operational Assurance Assistant Director and presented to senior management and to those charged with governance for approval.

- 9.2 All policies within the Counter Fraud Framework (CFF) have been revised and updated to reflect the recent changes to the Council structure and the changes to the Assurance Group and Council's constitutional arrangements for 2013/14. There are no proposed significant changes of policy.

- 9.3 Listed below is a table summarising the proposed changes.

Current Policy Name	Proposed changes	Revised Policy Name
Introduction	Revised to include reference to the new policy names and updated into a concise introduction to avoid duplication of detail already included within individual policies.	Counter Fraud Framework Manual - Introduction
Fraud Policy	Amalgamated into one concise policy and updated to include the new criminal legislation 'Prevention of Social Housing Fraud Act'.	Fraud Policy Statement and Procedure
Fraud Response Plan		
Fraud reporting Toolkit		
Anti Money (AM) Laundering Introduction	Amalgamated into one concise policy and incorporated as part of the CFF.	Anti Money Laundering Policy Statement and Procedure
AM reporting toolkit		
AM response plan		
Prosecution Policy	Revised to include updated regime for sanctions and prosecution as per the Department for Work and Pensions prosecution guidelines.	Prosecution Policy Statement
Whistleblowing Policy	Revision reflects updates to the council structure.	Whistleblowing Policy Statement
Anti Bribery Policy Statement and Procedure.	Revision reflects updates to the council structure.	No Change
Regulation of Investigatory	Policy was separately revised	Regulation of

Powers Act 2000: Policy and Procedures.	in March 2013. However the policy previously sat in silo within the councils Legal Service so has now been incorporated as part of Counter Fraud Framework.	Investigatory Powers Act (RIPA) Policy Statement and Procedure
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## 10. LIST OF BACKGROUND PAPERS

### 10.1 Revised Counter Fraud Framework Manual 2013

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

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Risk Management Framework</b>
Report of	Operational Assurance Assistant Director
Summary	The new Risk Management Framework, which comprises the Risk Management Policy and Procedures, replaces the previous Risk Management Strategy. This report seeks to inform the Audit Committee of the minor revisions described in more detail below.

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Officer Contributors	Courtney Davis, Risk Assurance Manager Clair Green, Operational Assurance Assistant Director
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Risk Management Framework
Contact for Further Information:	Courtney Davis, 020 8359 4901, <a href="mailto:Courtney.davis@barnet.gov.uk">Courtney.davis@barnet.gov.uk</a>

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note minor amendments made to the Risk Management Strategy, and to note the change in the arrangements from a Risk Management Strategy to a Risk Management Framework.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Audit Committee 26 April 2012 (Decision Item 7) - Revisions to the risk management policy statement and strategy were approved. The most significant change to the policy was the inclusion of additional guidance on risk management when commissioning services. Other revisions included the addition of a section setting out the duties of all relevant parties and Committees with regard to risk management, the correct procedure for involving Members in decisions regarding risk responses and clarification on the definition of a serious incident.
- 2.2 Audit Committee 24 March 2011 (Decision Item 8) - The risk management policy statement and strategy was approved as the policy and procedure by which the Authority will continue to manage and monitor risks.

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

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

## **4. RISK MANAGEMENT ISSUES**

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

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

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

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

6.1 When used appropriately risk management can ensure that resources are used effectively within the organisation and effective decision making can take place. In addition, coupled with a rigorous assurance process to test the controls identified within the individual risk registers it can foster a positive control environment that can assist the Council to self-regulate.

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

## **7. LEGAL ISSUES**

7.1 None in the context of this report.

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

8.1 The Council's Constitution under Responsibilities for Functions - the Audit Committee terms of reference details the terms of reference for the Audit Committee to provide independent assurance of the adequacy of the risk management framework.

## **9. BACKGROUND INFORMATION**

9.1 The Risk Management Framework which comprises the Risk Management Policy and Procedures and replaces the previous Risk Management Strategy. There have been no significant changes; however, some changes to note are as follows:

- The policy and procedures are now clearly distinct sections within the document
- The document has been updated to align with new organisational structure
- The escalation process is effectively the same with the addition of the intervention and support role by the Risk Assurance Manager.
- Subject specific guidance remains unchanged for Commissioning, CAFT, Programmes and Projects, with the addition of Business Continuity, Information Management and Health and Safety added.

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

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

10.1 None.

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

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# LB Barnet Risk Management

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## Risk Management Framework Policy Statement and Procedures

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

## DOCUMENT CONTROL

<b>Document Description</b>	To define the approach to managing risks across the Council		
<b>Reference</b>	LB Barnet – Risk Management Policy & Procedure		
<b>Version</b>	V1.0		
<b>Date Created</b>	30 May 2013		
<b>Status</b>	Final		
<b>Filename</b>	Held on “S” drive LB Barnet – Risk Management Frameworkv1.0		
<b>Authorisation</b>	<b>Name</b>	<b>Signature</b>	<b>Date</b>
<b>Prepared By:</b>	Courtney Davis		30 May 2013
<b>Checked By</b>	Maryellen Salter		18 June 2013
<b>Distribution To</b>	<b>Name :</b> Strategic Commissioning Board Cabinet Member for Resources and Performance		<b>Date Approved:</b> 25 <sup>th</sup> June 2013 27 <sup>th</sup> June 2013

## Contents

<b>1. INTRODUCTION .....</b>	<b>3</b>
<b>2. RISK MANAGEMENT POLICY.....</b>	<b>4</b>
2.1. Aims and Objectives .....	4
2.2. Roles and Responsibilities.....	5
2.3. Reporting and Monitoring .....	8
<b>3. RISK MANAGEMENT PROCEDURE .....</b>	<b>10</b>
3.1. Risk Assessment .....	10
3.2. Recording and Managing .....	10
3.3. Risk Monitoring and Reporting.....	13
3.4. Intervention and Support.....	14
<b>4. SUBJECT SPECIFIC GUIDANCE .....</b>	<b>15</b>
4.1. Business Continuity.....	15
4.2. Commissioning Services.....	16
4.3. Fraud Detection.....	20
4.4. Health and Safety .....	20
4.5. Information Management.....	21
4.6. Programmes and Projects.....	22
<b>5. ADDITIONAL INFORMATION .....</b>	<b>23</b>
<b>6. APPENDIX .....</b>	<b>23</b>
6.1. Probability and Impact Examples .....	23
6.2. Commissioning Services Checklist.....	26

# 1. Introduction

Risk is defined as anything that may have an impact on the Council’s ability to achieve its objectives. Risk management refers to the culture, processes and structures inherent within the Council that are directed towards the effective management of potential opportunities and threats. The Council’s Risk Management Policy is to proactively identify, understand and manage both positive and negative risks inherent in the delivery of our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking.

Risk Management is a fundamental part of best management practice for Directors, Assistant Directors, Lead Commissioners, Heads of Service and other managers when planning and setting objectives, assessing adequacy of controls (both financial and service delivery) and monitoring performance. Risk Management is a key way in which the Council manages its business. It is essential that risk management is embedded into corporate processes including:

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

Risk Management sits within the Assurance function; the following depicts the relationship between The Assurance Groups risk management function with the Strategic Commissioning Board (SCB), Members and Chief Operating Officer as well as the on-going risk management process established in this framework.

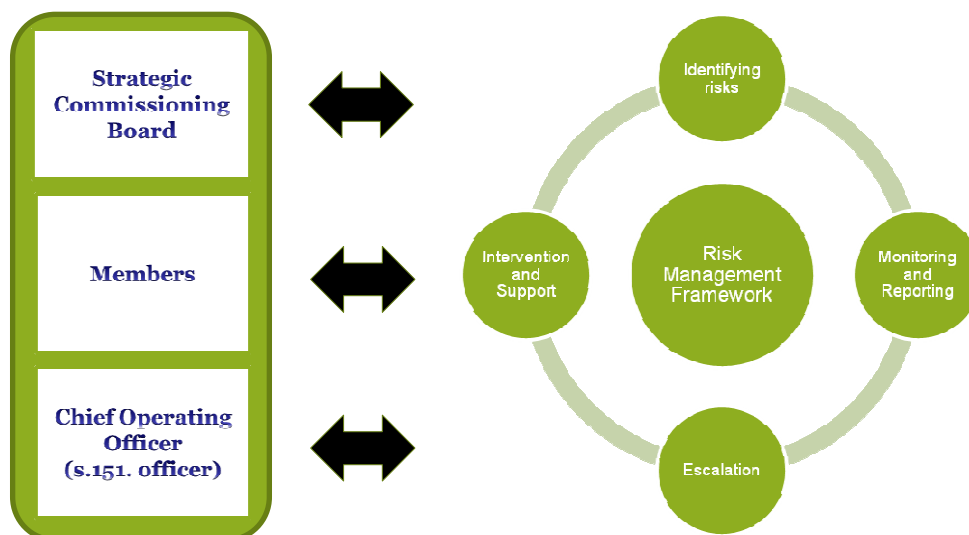


Diagram 1: The risk management framework

The risk assurance function within the Assurance Group will focus on enabling the organisation to identify, monitor, report and escalate risks as described within the risk management framework. Using the current risk management system, the team will support and enable groups to assess their risks, assist in devising action plans and undertake gap analysis on controls. Risk management forms part of the quarterly performance management framework where risks identified (internally or from external providers) are reported quarterly and escalated as appropriate between the quarterly reporting cycle.

At the highest level within the Council, the Cabinet will approve any major changes to the Risk Management approach. The Council's Strategic Commissioning Board (SCB) is responsible for approving this risk management framework at an officer level and ensures the Risk Management Framework is reviewed annually to remain aligned with current best practice and to demonstrate that risk management evolves with the organisation.

## 2. Risk Management Policy

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### 2.1. Aims and Objectives

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

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

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

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

The prime purpose of risk management is to aid management in the delivery of value for money services. The mechanics of risk management are not to simply identify risks but to identify and implement effective controls to mitigate those risks – commensurate and balanced to the rating of the risk with the associated costs of implementation and affect on the priorities of the Council. Concise risk management is built around clear **ownership of risks** and the identification of nominated officers to implement the

mitigating actions, followed up by a monitoring process to ensure that those officers take the actions agreed.

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

These aims and objectives and broad statements of approach start to define the organisation's risk appetite. Risk Appetite is a method to help guide an organisation's approach to risk and risk management; it describes the level of risk an organisation is prepared to accept before action is deemed necessary to reduce it. In conjunction with the policy statements risk appetite is gauged through the risk assessment process. By assessing the impact and probability of risks and using the guidance which provides category based examples (e.g. Finance, Health and Safety) people are guided on the level of risk permitted and a consistent approach across the organisation is encouraged. The Council's risk appetite should be set with reference to the corporate plan and relevant Service strategies; it is also important to involve the relevant Council Members when determining the risk appetite for a given risk.

## **2.2. Roles and Responsibilities**

All Members, managers, employees and partners must proactively engage with risk management and the potential impact of risks on achieving objectives. It is everyone's job to identify risks and report them to their manager/ director. **Managers at all levels** are responsible for the collation and management of risks within their area, using risk registers compiled on the Council's **risk management system (JCAD)**.

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

### **The Council**

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

### **Cabinet Resources Committee**

The Cabinet Resources Committee has responsibility for reviewing and approving the Risk Management Framework where there have been fundamental changes to the approach.

### **Audit Committee**

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

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

## **Cabinet Member for Resources and Performance**

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

The Cabinet Member for Resources and Performance is the Lead Member on Risk Management for the Council. Periodic review meetings occur between the Cabinet Member and key officers in order to maintain oversight of risk management within the Council.

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

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

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

## **Delivery Board**

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

## **Risk Assurance**

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

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

The function plays a central role in the quarterly performance process whereby risks are reviewed for escalation from the business and delivery units to Delivery Board and the SCB. It challenges on the efficacy of steps being taken to manage risks, considers cross cutting risks, emerging "hot spots", common risks, and potential clashes of risk.

Risk Champions also play a super user role in terms of the JCAD risk management system.

### **Service Directors and Managers**

Service Directors and Managers monitor their Service specific risks and ensure an appropriate response has been implemented. Review risks against performance on a quarterly basis for reporting to Delivery Board and SCB and include on the monthly performance monitor. Service Directors and Managers have oversight of risk management and seek the involvement of their Lead Council Member in determining the risk appetite for the Service in general and for discussion on specific risks with a score of 12 (medium-high rating) or more.

### **All staff**

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

### **Internal Audit**

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

### **Risk management and Fraud Detection**

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

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

### **Risk Management and Commissioning**

The Council's primary responsibilities when commissioning services and working in partnerships is to ensure that the partnership has effective risk management procedures and to provide assurance that the risks associated with working in partnership have been identified, prioritised and are being appropriately managed.

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



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

Every service contract will be uniquely tailored; however it is desirable to have a consistent approach across the Council on key aspects of contract management. While it will be the responsibility of providers to determine their risk attitude, there will need to be a requirement upon providers that they will collaborate with the Council to monitor and report on those risks that the Council has identified as having a score of 12 or more where the activity is ongoing.

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

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

### **2.3. Reporting and Monitoring**

Day to day monitoring and escalation of risks is described in section 3.3; risks are initially identified at a team level and responded to at this level. However when a risk has a score of 12 or above this is a trigger for discussion and consideration for escalation, i.e. making a judgement in consultation with Manager/Risk Champion on whether it should be escalated to the next level.

The corporate structure for monitoring and providing assurance on risks is outlined below:

#### Performance Management framework

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

#### Audit Committee

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

### Assurances on the effectiveness of key controls

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

### Annual Governance Statement

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

## 3. Risk Management Procedure

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

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

### 3.1. Risk Assessment

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

Risk assessment should be carried out, at a minimum, on an annual basis at **team, service and corporate level**, as and when the objectives have been set for the following year, as part of the business planning cycle. Risk can also be identified through inspections and audits or through workshops and brainstorming throughout the year.

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

The following are examples of risk assessment techniques:

- Workshop and brainstorming
- Flowcharts and dependency mapping
- Inspections and audits
- Research and review, e.g. lessons learned documents

See section four for additional subject specific guidance.

### 3.2. Recording and Managing

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

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

Corporate Plan	Select from the drop-down list the objective from the corporate plan the risk is impacting	
Category	Choose one of the following:	Strategic: those risks affecting the medium to long term goals and objectives
		Operational: those risks that managers and staff encounter on a daily basis
		Project risk/issue: are those risks/issues which affect the intended outputs or benefits of the project
Nature of Risk	Choose one of the following:  <i>If more than one applies please choose the one which will have the greatest impact on the council or project.</i>	Business Continuity: a risk that has an impact on the ability to deliver services during an event of a significant disruption that threatens/effects the ability of the organisation to deliver its services.
		Compliance: a risk that prevents compliance with legislation, policy or strategic guidance
		Financial: a risk that has a financial impact on the project and / or council.
		Health & Safety: a risk that has a detrimental effect on the wellbeing of staff or contractors of the Council
		Information Governance: a risk which will have a detrimental effect on the council or a member of the public due to the creation, distribution, archiving or destruction of information assets
		Political: a risk that is out of line with the political direction of the Authority or conflicts with policy.
		Reputational: a risk that is visible to or have a direct impact on external parties which could damage the reputation of the Authority.
		Staffing & Culture: a risk that has impacts on motivation, staffing levels and/or arrangements or that may be at odds with the culture of the organisation.
		Unassigned: None of the above are applicable.
Risk Description	Provide succinct and sufficient description of the risk	
Control(s) In Place	Describe the controls that are in place to manage and monitor the issue. Controls can be either preventive or detective. Preventive controls are proactive and attempt to deter or prevent undesirable acts from occurring. Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over assets. Detective controls attempt to detect undesirable acts. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, reconciliations, physical inventories, and audits.	
Cause/Consequence	Describe the cause of the risk and the consequences if the risk occurs	
Assigned to	Assign owner	
Status	Choose one of the following:	Tolerate: The exposure of risk may be tolerable without any further action being taken. In risks that are not tolerable, ability to do anything about them may be limited, or the cost of action may be disproportionate to the potential benefit gained.
		Treat: Most risks will be treated by a mitigating action plan that is tailored to the identified risk and undertaken to control the risk to within an acceptable level.
		Transfer: For some risks the best response is to transfer them. This may be done by conventional insurance or by paying a third party to take the risk in another way. Section 4.2 of this policy considers the Commissioning perspective of risk transfer in more depth.
		Terminate: Some risks will only be treatable or containable to acceptable levels, by the termination of the activity.
		Closed: Used when closing a risk
Review every	This field sets the review period. The default is 3 months.	
Risk Assessment Section: Using the 5X5 impact and probability risk matrix (described in more detail in next section) to determine the risk profile: initial (without any controls), current (residual with existing set of controls) and target (level of risk that the owner is prepared to accept and will drive what additional controls are required). Cost is an opportunity to assess the financial impacts of the risk, e.g. extra resources (internal and external), new systems, time delays etc.		

## Risk Matrix

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

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

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

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

		PROBABILITY						
		Score:		1	2	3	4	5
				Rare	Unlikely	Possible	Likely	Almost Certain
IMPACT	5	Catastrophic	5	10	15	20	25	
	4	Major	4	8	12	16	20	
	3	Moderate	3	6	9	12	15	
	2	Minor	2	4	6	8	10	
	1	Negligible	1	2	3	4	5	

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

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

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

### 3.3. Risk Monitoring and Reporting

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

Business and Delivery Units are responsible for ensuring all staff know how to report a risk for monitoring by Management. All risks should be discussed regularly at team meetings as a standing agenda item. Where a risk is rated as having a score of 12 or above at a team level, this is considered to be a trigger point for further escalation process.

Questions to ask during monitoring and review:

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

#### Risk Escalation process

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

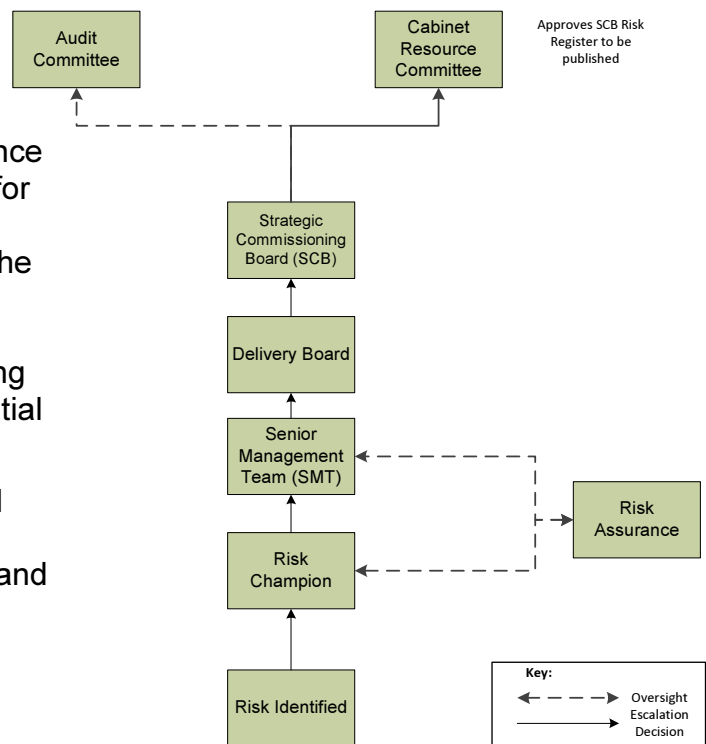
1. The team should seek the involvement of their Risk Champion or other risk specialists to ensure the risk score is appropriate and consistent with this risk management framework.
2. Assuming the risk score remains as 12 or above, the risk is to be considered for escalation by including it within the relevant Service risk register on JCAD and taken forward in 1:1 discussions or team meetings.
3. All risks rated 12 and above are to be included within monthly monitors and agreed at each Senior Management Team (SMT) or equivalent for each Service.
4. Officers should involve their lead Council Member in discussing the risk appetite and for sending monthly monitors with risks agreed at SMT.

5. As part of the risk assurance function (described in policy) Risk Champions will participate in the quarterly performance process whereby risks are reviewed for escalation from the business and delivery units to Delivery Board and the SCB.
6. The quarterly report for each Service will show a summary Heat Map, identifying how many risks in each area of the probability-impact matrix. A JCAD report on all risks with an initial score of 12 or more will also be presented for each service. This report includes a description of the risk, the initial score, control activities, the status of the risk response, key dates, a current and a target risk score.
7. Where a Service level risk rated 12 or above is considered to have the potential to impede the achievement of corporate objectives, following consultation at Delivery Board, it is to be proposed for inclusion within the SCB Risk Register.
8. Corporate risks will be reported to SCB and Cabinet Resources Committee quarterly, more regularly if the need arises.

### 3.4. Intervention and Support

Risk Assurance will support and enable groups to assess their risks, assist in devising action plans and undertake gap analysis on controls. Risk management will compliment the framework audit approach to ensure that risks identified (internally or from external providers) are reported to the Council quarterly and escalated as appropriate between the quarterly reporting cycle.

- The Risk Assurance function plays a central role in the quarterly performance process whereby risks are reviewed for escalation from the business and delivery units to Delivery Board and the SCB. It challenges on the efficacy of steps being taken to manage risks, considers cross cutting risks, emerging “hot spots”, common risks, and potential clashes of risk.
- Risk Assurance will support SCB and Audit Committee monitor risks in the Council through using JCAD reports and any other information available, for example from Internal Audit reviews.



#### Serious risk incidents

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

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

In the unfortunate event of a serious risk incident occurring a review of the events that led to that loss will be undertaken by the Risk Assurance Function to foster a culture of learning from these untoward incidents. Service Directors and Managers will be required to demonstrate to SCB and their lead Member what actions have been taken to improve the design or implementation of controls with regards to the risk recurring.

## 4. Subject Specific Guidance

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

### 4.1. Business Continuity

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

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

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

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

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

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

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



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

## **4.2. Commissioning Services**

This section is intended to give specific guidance regarding commissioning services and outsourcing service provision to partner organisations. A summary checklist for managers covering the key aspects of this section has been included, see Appendix 6.2.

The approach to risk management when commissioning services has two key elements:

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

### Identifying existing risks

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

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

### Identifying new risks

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

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

### Working with potential partners

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

### Understanding retained risks

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

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

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

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

- Internal control
- Staffing
- Some financial risks

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

- Reputational
- Compliance
- Political
- Information
- Some health and safety and financial risks

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

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

### Dealing with joint risks

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

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

### Risk appetite

As mentioned previously, it is important to involve the relevant Council Members when determining the risk appetite for a given risk, this principle remains applicable when risks are being considered for commissioned services. The assessment of whether a risk with a score of 12 or more that is effectively retained by the Council should involve the lead Council Member for the service area. They should also be involved in setting the risk appetite for all such risks.

The Council's risk appetite should be set with reference to the strategy for service delivery in that area, and also considering the overall corporate plan. The process of

aligning risk response with strategic priorities will help to determine which of the 'Four T's' (Treat, Tolerate, Transfer, Terminate) will be used on a given risk.

#### Risk allocation and responsibility

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

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

#### Monitoring risks

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

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

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

#### Aligning risk and performance

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

#### Contingency planning

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

#### Requirements for partner organisations

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

### Risk management policies

The service contract should include a requirement that the provider of services maintains a minimum standard of risk management procedures, proportional to the size of their contract. While it will be the responsibility of providers to determine their risk attitude, there will need to be a requirement upon providers that they will collaborate with the Council to monitor and report on those risks that the Council has identified as significant i.e. potentially has an impact on achievement of corporate priorities, is cross cutting, impacts on other risks, objectives, dependencies.

### Risk reporting

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

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

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

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

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

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

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

### Information sharing

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

### **4.3. Fraud Detection**

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

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

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

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

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

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

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

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

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

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

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

## 4.5. Information Management

### Identifying Risks

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

Information can take many forms, from personal data, organisational strategy, policy recommendations, correspondence, case files, archives etc and it can take many forms such as databases, paper, email or video.

Information risks are not always as straightforward as “sharing information inappropriately” or “disclosing it unlawfully”, the reverse of this i.e. “not sharing information” can in the same manner cause more harm than good and therefore, is potentially an information risk. For example there are often social and economic benefits that can be achieved by sharing and re-using information appropriately and in some more serious cases, failure to disclose information could result in physical harm to, or loss of life.

In order to be able to identify information risks within your service area, you will need to have a good knowledge of the information you hold and an understanding of the ways in which it is handled.

Think about the legislation and best practice that surrounds information management, E.g. security, data quality, retention, data sharing, data transfer and transparency. What are the potential pit falls of breaching that guidance in relation to the data and processes your service are undertaking.

### Working with third parties / partners

Working with external parties, and outsourcing functions will naturally increase our information risks, as we are not only relying on our own staff to abide by policies and process, but we are handing over responsibility for appropriate information management to an external organisation / individuals. Ensuring we have appropriate contract clauses and checks in place specifically with regards to information management will help to mitigate this type of risk and provide reassurance.

### Monitoring Risk

Whilst information risks are often seen as “corporate” risks, information management is a responsibility of every employee and is something that everyone is involved in on a daily basis (whether you realise it or not). Information risks exist within every council service area, regardless of the role that is being undertaken and should be appropriately reflected on service risk registers.

Due to the ever growing awareness of information management the JCAD risk management system now has an appropriately named “Information Governance” risk category. Use of this category will allow the Information Management Team overview of the areas of concern and rising issues across the council. Allowing them to implement where necessary, corporate policy and process to assist service managers in mitigating and managing their information risks.

## 4.6. Programmes and Projects

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

### Definitions:

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

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

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

### Roles and Responsibilities:

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

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

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

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

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

## 5. Additional Information

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The following documents can be found on the intranet on the Assurance page, Risk Management section.

[http://barnetwork/index.php?option=com\\_content&view=category&layout=blog&id=297&Itemid=521](http://barnetwork/index.php?option=com_content&view=category&layout=blog&id=297&Itemid=521)

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

Advice and support can be provided by Courtney Davis; Risk Assurance Manager, and/or Risk Champions. All risk champions are given training and development support to ensure that they have competence for managing risk.

For subject specific advice, please contact the relevant team.

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

## 6. Appendix

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### 6.1. Probability and Impact Examples

#### Probability score

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

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

#### Impact score



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

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
<b>Business Continuity</b>	No or minimal disruption (< 1 hour) to service or conduct of Council business	Disruption to service or conduct of Council business of < 1 day	Disruption to service or conduct of Council business of < 3 days	Disruption to service or conduct of Council business of > 3 days	Disruption to service or conduct of Council business of > 7 days
<b>Compliance</b>	No or minimal impact or breach of guidance statutory duty	Breach of statutory legislation  Reduced performance rating from external/internal inspector	Single breach in statutory duty  Challenging external or internal recommendations or improvement notice	Enforcement action  Multiple breaches of statutory duty  Improvement notices  Low performance ratings	Multiple breaches in statutory duty  Prosecution  Complete system changes required  Zero performance against key priorities and targets
<b>Finance</b>	Small loss risk of claim remote	Loss of 0.1-0.25 per cent of budget  Claim less than £20k	Loss of 0.25-0.5 per cent of budget  Claims between £20k - £150k.	Uncertain delivery of key objectives/losses of 0.5 – 1.0 percent of budget  Claims between £150k to £1m	Non delivery of key objective/loss of >1 percent of budget  Failure to meet specification/slippage  Loss of major income contract
<b>Health &amp; Safety</b>	Minor injury Cuts, bruises Unlikely to result in sick leave	Minor injuries: Likely to result in 1-3 days absence	Moderate injuries: Likely to result in 4-9 days absence	Major injuries: prescribed major injury or condition (RIDDOR Reportable)	Fatality
<b>Information Governance</b>	No or minimal impact upon customer/staff information	Minimal/moderate impact upon customer/staff information governance	Non-compliance with IG policies and statutory duties.  Breach /	Non-compliance with IG policies and statutory duties.	Significant failure of compliance with IG policies or statutory duties.  Immediate action required to

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
	<p>governance rights.</p> <p>No or minimal customer/ staff harm or distress.</p> <p>No or minimal impact upon authority / third party confidentiality of data.</p>	<p>rights.</p> <p>Minimal/moderate customer or staff harm or distress.</p> <p>Minimal/moderate impact upon authority / third party confidentiality of data.</p> <p>Non-compliance with best practice.</p>	<p>incident involving personal data or sensitive / confidential data.</p> <p>Breach or incident not reportable to governing body. E.g. ICO or FSA.</p>	<p>Breach / incident involving significant personal data or sensitive / confidential data.</p> <p>Breach or incident is reportable to governing body. E.g. ICO or FSA.</p>	<p>mitigate and contain breach / incident.</p> <p>Breach or incident is reportable to governing body. E.g. ICO or FSA</p>
<b>Political</b>	<p>Parties largely work positively together with occasional differences</p> <p>Members and executive work co-operatively</p>	<p>Parties have minor differences of opinion on key policies</p> <p>Members and executive have minor issues</p>	<p>Members begin to be ineffective in their role</p> <p>Members and Executive at times do not work positively together</p>	<p>Members raise questions to officers over and above that amount tolerable</p> <p>Strained relationships between Executive and Members</p>	<p>Internal issues within parties which prevent working collaboratively</p> <p>Questions from members shift resources away from corporate priorities</p>
<b>Reputational</b>	<p>Rumors</p> <p>Potential for public concern</p>	<p>Local media coverage – short term reduction in public confidence</p> <p>Elements of public expectation not being met</p>	<p>Local media coverage – long term reduction in public confidence</p>	<p>National media coverage with key services performing well below reasonable public expectation</p>	<p>National media coverage, public confidence eroded.</p> <p>Member intervention/action</p>
<b>Staffing and Culture</b>	<p>Short-term low staffing</p>	<p>Low staffing level that</p>	<p>Late delivery of key</p>	<p>Uncertain delivery of</p>	<p>Non-delivery of key</p>

Impact score	1	2	3	4	5
Descriptor	Negligible	Minor	Moderate	Major	Catastrophic
	level that temporarily reduces service quality (<1 day)	reduces the service quality	objective/service due to the lack of staff  Low staff morale  Poor staff attendance for mandatory/key training	key objective/service due to lack of staff  Unsafe staffing level of competence  Loss of key staff  Very low staff morale  No staff attending training	objective/service due to lack of staff  Ongoing unsafe staffing levels or competence  Loss of several key staff  No staff attending training on an ongoing basis

## 6.2. Commissioning Services Checklist

The following checklist for use by officers when commissioning services is intended to highlight key considerations for risk management. The checklist should be used within the context of the overall Risk Management Policy, in particular commissioning services (Section 4.2)

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

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Meeting	Audit Committee
Date	24 July 2013
<b>Subject</b>	<b>Internal Audit and Risk Management Quarter 1 2013-14 and Exceptions Recommendation report</b>
Report of	Head of Internal Audit and Anti-Fraud
Summary	The Committee is asked to note the progress against internal audit high priority recommendations and work completed to date on the Internal Audit Annual Plan 2013-14.

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Officer Contributors	Caroline Glitre, Head of Internal Audit & Anti-Fraud
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A: Internal Audit Progress Report (up to 30th June 2013) Appendix B: Work completed to date to June 2013 Appendix C: Work in progress to June 2013 Appendix D: Internal Audit Effectiveness Indicators Appendix E: Internal Audit Recommendations quarter 1 (end of June) Appendix F: Internal Audit Charter
Contact for Further Information:	Caroline Glitre, <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a> , 020 8359 3721

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the progress against the Internal Audit Plan for 2013-14 to 30th June 2013 and the actions being taken to address some cases of non-implementation of high priority recommendations.**
- 1.2 That the Committee approve the Internal Audit Charter (Appendix F), which has been updated to reflect the requirements of the Public Sector Internal Audit Standards.**

## **2. RELEVANT PREVIOUS DECISIONS**

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

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

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

## **4. RISK MANAGEMENT ISSUES**

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

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

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

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

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

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

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

- 8.1 The Council's Constitution under Responsibility for Functions – The Audit Committee's terms of reference includes "to consider the annual audit opinion".
- 8.2 The Constitution Part 3 Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

## **9. BACKGROUND INFORMATION**

- 9.1 The Internal Audit service has, during quarter 1, commenced delivery of work in accordance with its plan endorsed by the Audit Committee in April 2013. Over the current period the service has issued 10 reports, 2 of which received a limited assurance rating:
- Asset Management Plan (Rent Review) 2012-13
  - Osidge Primary School
- 9.2 The report is on an exception basis, with detail on the 2 limited assurance reports. A summary of the other reports and work in progress is also included within the report.
- 9.3 The report covers the follow-up review of the Regeneration service, which received a 'No Assurance' rating in November 2012. Of the 8 recommendations made, 6 are now assessed as having been implemented and 2 are part-implemented.
- 9.4 The Regeneration service has proposed that where recommendations have not yet been fully implemented, they will undertake a further self-assessment and take this to the October 2013 Audit Committee.
- 9.5 Overall the number of audit recommendations implemented within the quarter has improved from 80% in quarter 4 to 85% in quarter 1 for 2013-14. This continues the positive direction of travel reported consistent with the progress noted in 2012-13.
- 9.6 The Public Sector Internal Audit Standards (PSIAS) came into force on 1st April 2013. The Standards require the Internal Audit Charter to be periodically reviewed by the Chief Internal Auditor and presented to senior management SCB (Strategic Commissioning Board) and to those charged with governance (the Audit Committee) for approval.

- 9.7 The Charter was approved by SCB on 30<sup>th</sup> April 2013 and is included at Appendix F for approval by the Audit Committee.
- 9.8 Key changes to note are the need to:
- Define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
  - Define the role of internal audit in any fraud-related work;
  - Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities; and
  - Establish the role of statutory officers (the s151 officer, monitoring officer and the head of paid service).
- 9.9 The development of the SCB risk register for Quarter 1 is underway and will be presented as part of Q1 performance at 24 September CRC and an update brought to the Audit Committee on 24 October.
- 9.10 The final outturn and performance report for 2012/13 can be found via the link below. This includes the final Q4 corporate risk register  
<http://barnet.moderngov.co.uk/documents/s9233/Final%20Outturn%20Report%20with%20Appendices.pdf>

## 10. LIST OF BACKGROUND PAPERS

- 10.1 None.

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



## **Appendix A**

# **London Borough of Barnet Internal Audit & Risk Management Progress Report 2013-14 – Quarter 1**

**Caroline Glitre, Head of Internal Audit and Anti-Fraud**


## **1. Introduction**

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

## **2. Final Reports Issued**

This report covers the period from 26<sup>th</sup> March 2013 to 30<sup>th</sup> June 2013 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 11 reports: 9 reports in accordance with the 2013-14 Internal Audit Plan and the 2 reports that were in draft stage at the close of quarter 4 (2012-13). The full list of completed audits during this period is included within Appendix B. The majority of reports issued in the current period were given satisfactory assurance with 2 reports given limited assurance. The summary detail of those reports issued as limited assurance is included within section 3.

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

Title	Asset Management Plan (Rent Review)			
Assurances	No	Limited	Satisfactory	Substantial
<p><b>Audit Opinion &amp; Direction of Travel</b></p> <p>There has not been an audit with this scope been undertaken within the last 5 years.</p>				
<p>Date final report issued</p>	27 <sup>th</sup> June 2013			
<p><b>Background</b></p>	<p>A limited scope audit of the Asset Management (Rent review), examining an aspect of the asset management plan, the rent review process, was agreed 18 March 2013. The audit replaced the audit of Asset Management Plan agreed in the Internal Audit, CAFT and Risk Management Plan 2012-13.</p> <p>Rent reviews are regular contractual negotiations undertaken between tenant and landlord (Council) at defined stages during the terms of lease to re-negotiate the rent/lease charge payable under the existing rental/lease agreement.</p> <p>The rent review supports the Sustaining Financial Efficiency objective of the Estates Strategy through identifying opportunities to maximise rent income and the financial return of investment properties.</p>			

## Summary of Findings

We noted the following significant issue:

### Data quality

- We found that there was no quality assurance framework in place to ensure that rents and back rents for completed rent review cases had been correctly input to SAP on a timely basis and back dated where appropriate. In addition, for rent review cases allocated for completion, we found an allocated case which did not appear on the allocation schedule and noted that the date of allocation was not consistently recorded on the allocation schedule to optimise progress monitoring. In addition, we established that there were no internal arrangements to specifically quality assure rent review cases completed by officers to ensure that rent review processes, and negotiations were undertaken correctly and promptly.

We noted the following other issues:

- There were no documented procedures for key rent review processes describing the timely and correct identification, allocation and monitoring of rent review cases, the timely and accurate update of rent review data on the system and the communication and subsequent update of the authorised rent review outcome to SAP.
- Progress monitoring of rent review delivery was not supported by the use of the monitoring tools. For example, target deadlines for completion were not agreed in line with the complexity of the case and the dates cases were allocated and completed were not consistently recorded.
- Management indicated that an external review covering rent review processes had been undertaken by the Royal Institution of Chartered Surveyors (RICS). Valuers interviewed recalled the review but indicated that they had not been made aware of the findings. At the time of writing the report we had not received the external review report
- Senior Management sign-off of 2 rent reviews completed in 2011 and the signed Delegated Powers Report (DPR) for 1 rent review had not been retained for inspection in line with the Council's Records Retention & Disposal Guidelines which indicated that documentation relating to "The process of managing leased property" be kept 15 years after the expiry of the lease.
- A review of the JCAD Property Services risk register in the Estates Service confirmed that only one operational risk was recorded, in particular there were no risks specifically related to rent review operation which we would have expected, for example in relation to data quality, data protection and the loss of key staff affecting the Service .

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

**Recommendation 1:**

A quality assurance framework to ensure data is processed accurately and timely should be implemented, for example a process:

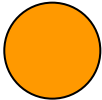
- to evidence the input and independent check of rent review Delegated Powers Report (DPR) detail to the system and
- to evidence independent review of DPR back rent calculations and DPR rent and back rent upload to SAP. The process for comparing SAP and system generated reports for comparison of rents in SAP and the system and the investigation of discrepancies should be undertaken periodically.

The quality assurance framework should include the independent quality review of rent review delivery by officers to ensure that rent review outcomes are correct and completed within acceptable timeframes in line with case complexity.

Note: The quality assurance framework need not review each case but should involve the review of a sample of cases in line with the risks.

**Management Comment 1:**

Agreed. **(End August 2013)**

<b>Title</b>	Osidge Primary School			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b> Previous report from June 2010 did not have assurance rating therefore no DOT given here				
<b>Date final report issued</b>	19 <sup>th</sup> June 2013			
<b>Background</b>	Osidge Primary School is a foundation school with places for 421 pupils aged between 4 and 11 years of age. The School budget for 2012/13 was £2,019,658 with employee costs of £1,624,971 (80% of the delegated budget). The School was assessed as 'Good' by OFSTED in February 2012.			
<b>Summary of Findings</b>	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting three high and seven medium priority issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> <li>• Purchasing - A Purchase Order form is raised after receipt of the invoice for payment of goods and supplies and therefore the expenditure has not been (i) formally approved &amp; (ii) entered onto the accounting system as a commitment; <ul style="list-style-type: none"> <li>- Inconsistent checks were found to verify that goods had been received;</li> <li>- Cost sharing arrangements with the on-site Private Nursery have not been formalised;</li> </ul> </li> <li>• Contracts - A 'value for money' exercise is not carried out for in-house services (payroll/catering/cleaning);</li> <li>• Income – Checks are not carried out by an independent officer to verify that amounts banked agree to control records for all income collected (with the exception of meal income);</li> <li>• Banking – An Authorised Signatories Mandate, which sets out signatories, as approved by the Governing Body,</li> </ul>			

for each area of financial administration is not held;

- Payroll – ‘Payflow Payment’ forms showing monthly pay advised to the School’s bankers, for each member of staff, have not been consistently signed by relevant officers to verify approval of each sheet;
- Insurance – The insurance limit for money held on site, of £1000, is exceeded;
- Assets - Dates of acquisition, supplier details and purchase order numbers are not recorded for each item entered in the inventory records; There is no facility within the inventory records in order to record disposed/written-off items; no annual stock check is carried out;
- Voluntary Funds – The Private Fund account has not been audited on an annual basis;
- Governance – The Financial Management & Procedures Policy document has not been updated to reflect:
  - revisions to the ‘Scheme for Financing Schools’ document following the abolition of FMSiS requirements;
  - the removal of out-of-date data;
  - procedures for administration and payroll arrangements with the on-site private nursery;
  - and introduction of a ‘PDQ’ card machine.

Following our ‘Schools Financial Values Standard’ (SFVS) self – assessment review we were able to confirm that there were no major discrepancies in judgements noted, however, although the School has responded with ‘Yes’, in the area(s) outlined below, it is the opinion of audit that these areas are only met ‘In-Part’ (refer also to appendix D below):

- C16: The School has not provided evidence of collaboration, or consideration of any collaboration with other LA schools, for example, the sharing of staff, or joint procurement/contracting arrangements/LA consortia etc. There is evidence only for services provided and charged to the on-site private nursery school;
- C17: Although the School has reported an increase in ‘lettings’ income, there is no evidence to show that ‘value for money’ has been reviewed, for example, over contracts, in-house services (refer to audit finding under ‘Contracts’ below), in order to improve the use of resource;
- D19: Controls over the purchasing and income systems should be tightened, refer to bullet points 2, 3 & 4 above;
- D22: The Private Fund account has not been audited on an annual basis.

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

**Recommendation 1:**

Purchasing

The School should ensure that:

- a. A purchase order is raised for all relevant goods and services and this is approved by an authorised signatory. This expenditure should be entered as a commitment to the accounting system prior to the order being placed;
- b) The officer(s) responsible for checking receipt of goods, sign and date the delivery note to indicate that the delivery was received complete etc;
- c) A formal agreement is drawn up and signed by both parties.

**Management Comment 1:**

Agreed. Purchase order forms will be completed for all purchasing and orders entered on accounting software before orders are placed **(Immediately)**;

All invoices will require budget holder to sign to confirm goods received prior to paying invoice **(Immediately)**;

Financial agreement between School and Nursery to be formalised **(July 2013)**

**Recommendation 2:**

Contracts

The School should consider carrying out at least bi-annual reviews of its in-house services to ensure they are achieving 'value for money'.

**Management Comment 2:**

Agreed. Benchmarking will be used to ensure 'value for money' for in-house services **(July 2013)**

'Value for money' review to be undertaken for payroll **(October 2013)**

**Recommendation 3:**

Income

Controls and procedures should be in place to ensure independent checks are carried out to confirm amounts banked



agree to control records for all income collected and this is adequately evidenced.

**Management Comment 3:**

Agreed.

Residential Trips: A report will be printed when entering cash & cheque payments for each session. Reports will be then counter signed noting the banking slip reference **(Immediately)**;

Day Trips/Workshops: A class list showing all payments made will be countersigned noting the banking slip reference **(Immediately)**.

#### **4. Work in progress and effectiveness review**

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

12% of the annual plan has been delivered, which is below the target for quarter 1 of 16%. Although performance is currently below target, there are several reviews at the fieldwork stage therefore we anticipate reporting improved performance at the end of quarter 2. Also, a small number of audits have not had information presented to audit on a timely basis resulting in delays in issuing final reports.

Of those reports issued 86% have been issued within 10 days of finalising fieldwork. This is slightly below the target of 90% due to delays in reviewing some of the school audits; this will be rectified in the following quarter.

The service has had a number of quality performance questionnaires returned, of which 100% have been returned with a rating over 3 (satisfactory).

Implementation of internal audit recommendations – the progress of quarter 1 recommendations is included in Appendix D where 85% recommendations are implemented. Last quarter (quarter 4 of 2012/13) the number of recommendations implemented was 4 out of 5, representing 80%. As such there has been an improvement in the completion of audit recommendations in the timescales originally agreed.

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

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

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

## 6. Changes to our plan

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

Type	Audit Title	Reasons
Additional to plan	Special Parking Account (SPA) Penalty Charge Notice (PCN) Write-Off	Review of proposed SPA PCN write-off as requested by Finance.
Additional to plan	NSCSO review of Key Financial Systems pre-transfer – split into two separate audits	Review split into two separate audits as follows in order to adequately address risk areas. Therefore number of days doubled.
Deferred	Streetlighting PFI contract management	Deferred to quarter 2 from quarter 1 due to addition to plan of the above SPA PCN review which required the same operational staff.
Deferred	Internal Governance reviews of Procurement and Human Resources	Originally planned for these reviews to be undertaken in Q1 and Q3; now will be undertaken in Q2 and Q4 in order to allow adequate time for new governance arrangements to be operational.
Deferred	External Assurance - recommendation tracker review	Deferred due to major external contracts not yet being operational.

## 7. Reports and assurance projects for management purposes

There were two assurance projects undertaken by internal audit that are not considered assurance reports (i.e. they do not give an assurance rating) but none the less aid management in assessing the effectiveness of their control environment:

- Children's Safeguarding Assurance process mapping
- Adults' Safeguarding Assurance process mapping

No significant issues were highlighted through these projects for inclusion within this progress report.

## **8. Risk Management**

Work to align risk management with the new structure and operating model is ongoing. The Risk Assurance team is responsible for delivering a robust risk assurance function through the Risk Management framework that ensures the Council meets the highest standards of risk management. Included separately within the Audit Committee agenda is the revised Risk Management Framework.

## Appendix B: 2013-14 work completed during quarter 1 including assurance levels as at June 2013

### Audit Opinions on Completed Audits during the period

<b>Systems Audits</b>		<b>Assurance</b>
1	Mental health Agency 2012-13	Satisfactory
2	Asset Management Plan (Rent Review) 2012-13	Limited
3	Regeneration detailed follow-up	N/A
4	Special Parking Account PCN write-off review	Satisfactory
5	Children's Safeguarding Assurance process mapping	N/A
6	Adults' Safeguarding Assurance process mapping	N/A

<b>School Audits</b>		<b>Assurance</b>
1	Woodcroft primary	Satisfactory
2	Osidge primary	Limited
3	Bishop Douglass secondary	Satisfactory
4	Friern Barnet secondary	Satisfactory
5	Childs Hill	Satisfactory

## Appendix C: Work in progress

The following work is in progress at the time of writing this report (June 2013):

### Work in progress

	<b>Systems Audits</b>	<b>Status</b>
1	DRS Baseline Review	Fieldwork
2	NSCSO Mobilisation	Planning
3	NSCSO review of Key Financial Systems Pre-Transfer : Treasury Management & Pensions, Payroll, Accounts Payable, Income, Cashbook and Capital Programme.	Fieldwork
4	NSCSO review of Key Financial Systems Pre-Transfer Group 2: Revenues & Benefits	Fieldwork
5	Safeguarding Adults – Data Quality review	Fieldwork
6	Children in Need	Fieldwork
7	Children’s Placements	Planning
8	Transformation Q1 review	Fieldwork
9	Welfare Reform	Planning

	<b>Schools Audits</b>	<b>Status</b>
1	Orion	Draft Report
2	Wessex Gardens	Draft Report




## Appendix D: Internal Audit Effectiveness Indicators

Performance Indicator	Annual Target	End of Quarter 1
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	85%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment
Average client satisfaction score (above 3)	90%	100%
% of Plan delivered	16%*	12%
% of draft reports completed within 10 days of finishing fieldwork	90%	86%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By April	Quarter 4 assessment
Preparation of Annual Report (previous year)	Prior to A.G.S.	Achieved
Staff with professional qualifications	70%	75%
Staff development days	5 days	Quarter 4 assessment

\* Quarter 1 target equated as 95% of quarter 1 activity

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

Code to ratings:

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



Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>1. Regeneration Programme</b></p> <p><b>Governance – organisation, roles and responsibilities</b></p> <p>The review identified issues and inconsistencies in the programmes organisation structure, roles and responsibilities and the escalation process.</p> <p>Prior to this transfer, management should confirm if the individual regeneration projects should be managed as a cross-cutting programme.</p> <ul style="list-style-type: none"> <li>• If the work is to be managed as a programme, management should take steps to enhance programme-level controls. For example: The organisation structure in place provides sufficient management and oversight on project delivery.</li> <li>• The project and programme roles and associated responsibilities are clearly documented and understood, and plans are in place for covering any significant vacancies before DRS goes live.</li> <li>• There are clearly defined escalation points at which project information is required to be taken to the programme board</li> <li>• A programme plan should be introduced.</li> </ul>	<p>Regeneration Programme</p>	<p>The regeneration projects will be managed as a cross cutting programme.</p> <p>An enhanced interim programme and project management process will be introduced; including the introduction of a programme plan and clearly defined escalation procedures.</p> <p>A review of the Governance structure, including the terms and reference of the Programme Board has already been discussed and agreed by the Programme Board and is underway.</p>	<p><b>Governance and escalation process</b></p> <p>The Compliance and Transition Project Board, was in place to oversee the implementation of recommendations.</p> <p>The Compliance and Transition Project Board has since been replaced by the Growth &amp; Regeneration Operations Board. This Board is supported by a terms of reference and is the initial escalation point for projects. The Strategic Commissioning Board (Chaired by the Chief Executive) acts as executive Regeneration Programme Board and will monitor the delivery of the Regeneration Programme objectives.</p> <p><b>Roles and responsibilities</b></p> <p>Regeneration programme roles and responsibilities are now documented within the Programme Definition Document.</p> <p>The team have employed additional resource in order to effectively manage the Regeneration programme as a cross cutting programme and to improve the standard of project and programme management. All projects are now supported by comprehensive project initiation documents which clearly document individual project team member's roles and responsibilities as well as project escalation processes.</p>	<p><b>Implemented</b></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>2. Regeneration Programme</b></p> <p><b>Governance - project management process</b></p> <p>The review identified areas of control weakness in relation to the project management process used in the sample projects we tested and the quality of core project management documentation.</p> <p>We note that from April 2013 the management of Regeneration projects and programmes will be outsourced and new processes will be adopted, in the meanwhile, management should consider introducing, throughout the regeneration programme and projects, a clearly defined interim project management process, that should ensure:</p> <ul style="list-style-type: none"> <li>• Compliance with the corporate project management methodology and production of the required minimum standards of project documentation.</li> <li>• Periodic review points for key project information.</li> <li>• Clearly defined escalation procedures.</li> <li>• This process should be supported with the appropriate training as required.</li> </ul>	<p>Regeneration Programme</p>	<p>Prior to the Audit, the Regeneration Team had begun to review the existing project management process with a view to ensuring up to date and complete documentation is in place before transition.</p> <p>Meetings will be held with Regeneration Managers and Officers on a project by project basis to review the current existing documentation, and how this will be updated so that it meets the requirements of the Corporate Project Management Toolkit.</p> <p>Arrangements will be made to ensure all new members of the team undertake the Council's Project Management training. Existing members of the team will also be refreshed as to the project management processes that must be followed.</p>	<p><b>Project Management Processes</b></p> <p>The Regeneration Programme is now following the Corporate Project Management methodology. The Compliance and Transition Project Board was responsible for ensuring projects compliance with the toolkit and coordinating project management training.</p> <p>Regeneration staff attended a briefing session on the Corporate Project Management Toolkit in January 2013 and the Programme Management Office have provided advice and support in the preparation of key project management documents, including templates tailored specifically for the Regeneration projects.</p> <p>Project Initiation Documents (PIDs), Project Plans, risk registers and issue logs are now in place for all projects and have been reviewed by the Compliance and Transition Project Board.</p> <p>External project management training workshops were held for regeneration staff during May 2013, covering key project management areas such as project delivery monitoring, risks and issue management and budget monitoring.</p>	<p><b>Implemented</b></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>3. Regeneration Programme</b></p> <p><b>Project plans and dependency management</b></p> <p>The review identified areas where the Council side programme and project plans and dependency management should be improved.</p> <p>a) Management should consider the introduction of Programme Plan to monitor competing priorities and project interdependencies</p> <p>b) The interim management process introduced for the effective management of projects should include planning and dependency management controls. In particular, this should include:</p> <ul style="list-style-type: none"> <li>• The introduction of appropriately detailed client side project plans, which ensure all tasks are identified, including the critical path.</li> <li>• Opportunity to ensure that progress is formally monitored and reviewed against an agreed baseline on a regular basis.</li> <li>• A process to ensure that all project and programme dependencies are identified assessed and agreed. Followed by coordinated and focussed action in order to ensure</li> </ul>	<p>Regeneration Programme</p>	<p>a) As set out above, a programme plan and interim project management process will be introduced.</p> <p>b) The interim project management process will incorporate all items required.</p>	<p><b>Project Level</b></p> <p>At the project level this recommendation has been implemented. All regeneration projects now have comprehensive Project Initiation Documents, which detail major project milestones and project dependencies. These are supported by client side MS Project Plans as well as contractor delivery plans. Delivery against project milestones are monitored at individual project boards via project highlight reports, with slippage escalated to the Growth &amp; Regeneration Operations Board as required. Every member of the regeneration team now has access to MS Project.</p> <p><b>Programme Level</b></p> <p>The initial Programme Definition Document (PDD) was produced alongside a critical path of programme activities. The Growth &amp; Regeneration Operations Board agreed that further work was required on the dependency management, stakeholder engagement, communications, costs and benefits sections of the document.</p> <p>An initial dependency map has been drafted. A process for the continued identification, agreement and on-going monitoring and managing of regeneration dependencies is required.</p> <p><b>Revised recommendation</b></p>	<p><b>Partly Implemented</b></p> <p><i>Further work has commenced to establish a process for the continued identification, agreement and on-going monitoring and management of regeneration dependencies. Engagement with Corporate Programmes to obtain advice and templates for dependency logging has been undertaken. An interactive workshop for the Regeneration team has been arranged where project and programme dependencies</i></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
they are managed and monitored.			<b>implementation date:</b> 30/08/2013	<i>will be identified. Programme dependencies will be monitored by the Growth &amp; Regeneration Operations Board and also through the Programme Highlight report which is presented monthly to Strategic Commissioning Board for approval.</i>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>4. Regeneration Programme</b></p> <p><b>Risk management</b></p> <p>The review found a number of areas where risk management controls and documentation were insufficient for a programme of this size and complexity.</p> <p>The interim management process introduced for the effective management of projects should include risk management process for the regeneration programme and projects. In particular, this should contain:</p> <ul style="list-style-type: none"> <li>• Required minimum standards for project managers on the level of documentation they are required to keep to ensure that all project risks are consistently and accurately identified, assessed, monitored and managed.</li> <li>• Clearly defined escalation points between individual projects, the programme and Council senior managers</li> <li>• A standard format for client side risk registers that includes, risk owners, the date the risk was added, date of last review, action required and dates for when this will be completed.</li> </ul> <p>The strategy and process, once agreed, should be implemented across the projects and supported with training and the involvement of the Council's risk manager as required.</p>	<p>Regeneration Programme</p>	<p>The existing risk management strategy will be reviewed and enhanced to include all the recommendations of the Audit.</p>	<p>Regeneration programme and project risks are now being recorded and managed in line with the Corporate Risk Management Strategy.</p> <p>A workshop on risk and issue management, lead by Corporate Risk, took place on 16<sup>th</sup> May 2013 for Regeneration staff.</p> <p>The Programme Management Office has produced guidance for project managers on the management and escalation process for risks. All projects now have risk registers which are reviewed at project board meetings and escalated to the Growth &amp; Regeneration Operations Board as required.</p> <p>Risks have also been successfully added to JCAD (the Councils risk management tool).</p>	<p><b>Implemented</b></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>5. Regeneration Programme Issue management</b></p> <p>The review found a number of areas where issue management controls and documentation were insufficient for a programme of this size and complexity.</p> <p>The interim management process introduced for the effective management of projects should include an issue management process for the regeneration programme and projects which, should contain:</p> <ul style="list-style-type: none"> <li>• Required minimum standards for project managers to ensure that issues which occur are consistently and effectively recorded, monitored and resolved in a timely manner.</li> <li>• The strategy document should contain guidance to project managers around the introduction of a single issue log for project issues and the amount of information they are expected to record.</li> </ul>	<p>Regeneration Programme</p>	<p>The existing issue management strategy will be reviewed and enhanced to include all the points outlined.</p>	<p>Regeneration programme and project issues are now being recorded and managed in line with the Corporate Issue Management Strategy.</p> <p>A workshop on risk and issue management, lead by Corporate Risk, took place on 16<sup>th</sup> May 2013 for Regeneration staff.</p> <p>The Programme Management Office has produced guidance for project managers on the management and escalation process for issues. All projects now have issue registers which are reviewed at project board meetings and escalated to the Growth &amp; Regeneration Operations Board as required.</p> <p>Issues have also been successfully added to JCAD (the Councils risk management tool).</p>	<p><b>Implemented</b></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>6. Regeneration Programme</b></p> <p><b>Governance – operation of project and programme level controls</b></p> <p>The review identified areas in the design and operation of controls in relation to governance controls at both the project and programme level that required improvement.</p> <p>The management process introduced for the effective management of projects should include appropriate meeting arrangements, for example:</p> <ul style="list-style-type: none"> <li>• Clearly defined project and programme board structures and associated timetables.</li> <li>• Agreed terms of reference that documents each board’s purpose and the attendee’s roles and responsibilities.</li> <li>• Clearly defined escalation points between individual project boards, the programme board and Council senior management meetings</li> </ul>	Regeneration Programme	<p>An enhanced interim project management process will be introduced; including the introduction of a programme plan and clearly defined escalation procedures.</p> <p>The terms of reference of the programme and project boards will also be reviewed and refreshed (as already discussed and agreed by the Programme Board).</p>	<p>The Strategic Commissioning Board agreed the new Regeneration governance structure in April 2013.</p> <p>All projects have a monthly project board meeting, which report to the monthly Growth &amp; Regeneration Operations Board. The Strategic Commissioning Board (Chaired by the Chief Executive) acts as executive Regeneration Programme Board and will monitor the delivery of the Regeneration Programme objectives.</p> <p>All meetings are supported by documented terms of references which define the board’s purpose and the attendee’s roles and responsibilities.</p>	<b>Implemented</b>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>7. Regeneration Programme</b></p> <p><b>Monitoring and reporting</b></p> <p>The review noted a number of issues in relation to reporting for the Grahame Park project that should be improved.</p> <p>Management should ensure that the project management processes outlined throughout this report are implemented to ensure that the information provided by the projects is complete, timely and accurate.</p>	<p>Regeneration Programme</p>	<p>A review and refresh of the process for project monitoring and reporting is already underway with a view to ensuring accurate and complete documentation is in place before transition.</p> <p>The recommendations of the audit report will be addressed as part of this work.</p> <p>All project plans and highlight reports will be updated by the end of January 2013.</p>	<p>Project delivery is monitored at individual project boards and project managers now produce monthly highlight reports, which include status updates on key project information, including milestones, risks, issues, costs and benefits and highlight any key decisions required by the Growth &amp; Regeneration Operations Board.</p> <p>The Strategic Commissioning Board receives a monthly Regeneration programme highlight board, which includes items escalated by the Growth &amp; Regeneration Operations Board.</p> <p>The reporting arrangements will be reviewed again at the July 2013 Growth &amp; Regeneration Operations Board to ensure they continue to be fit for purpose.</p>	<p><b>Implemented</b></p>



Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>8. Regeneration Programme</b></p> <p><b>Financial management</b></p> <p>The review identified areas where financial management for the Grahame Park project, particularly in relation to costs to the Council, could be improved. We recognise that much of the costs associated with the project are the responsibility of development partners – nonetheless, the Council provides financial support in key areas to help drive the projects forward. As such, good practice would suggest that fit-for-purpose controls are embedded in the project management control environment.</p> <p>The management process introduced for the effective management of projects should include arrangements for agreeing, forecasting and monitoring project spend, this should include:</p> <ul style="list-style-type: none"> <li>• A clearly defined process for project managers to agree their budget each financial year.</li> <li>• The production of a detailed project forecast which accurately estimates costs to the Council throughout the year.</li> <li>• Actual costs should be monitored against those forecast and regularly reviewed.</li> </ul>	<p>Regeneration Programme</p>	<p>The interim project management process will ensure that all project budgets are profiled and monitored as recommended.</p> <p>This is being undertaken in conjunction with the existing service level budgeting process which was not considered as part of this Audit.</p>	<p>The initial Programme Definition Document (PDD) documents the process for future monitoring of the Regeneration projects budgets.</p> <p>The Growth &amp; Regeneration Operations Board on 4<sup>th</sup> June agreed that further work in relation to detailed budget information was required and work is currently underway to the review the programmes overall budget position. A revised PDD, which includes budget information, is expected to be tabled at the August 2013 meeting.</p> <p>Once the overall position has been agreed, detailed project budgets will be agreed, forecast and monitored by the individual project managers. Budget monitoring templates have been produced and budget information will be included within project highlight reports.</p> <p>Templates will be populated once the actual budget position is known; this is expected during September 2013.</p> <p>Draft key performance indicators for the DRS programme, include the requirement for monthly budget monitoring.</p> <p><b>Revised recommendation implementation date:</b></p> <p>30/09/2013</p>	<p><b>Partly Implemented</b></p> <p><i>Both the Compliance &amp; Transition Project Board and the Growth &amp; Regeneration Operations Board identified that further work is required in relation to detailed programme and project budget information. Work is currently underway to review the overall budget position, including reconciling SAP records with historical and current budget records maintained by the team. Once the</i></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
				<p><i>overall position has been agreed, a baseline forecast and yearly budget for the programme and projects within in it will be established (by end September 2013).</i></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>9. Equalities</b></p> <p><b>Equalities Duties – Equalities Objectives</b></p> <p>The Council should immediately put in place and publish specific, measurable equality objectives and ensure that plans for monitoring and reporting the objectives are set and followed.</p>	<p>Commissioning Group</p>	<p>The council has now agreed and put in place measures to track progress against its Strategic Equalities Objective, which is enshrined in its constitution and is published in its annual Corporate Plan. The measures – which are based around community cohesion and council support to different groups - will be reported publicly as part of the council's quarterly reporting cycle. Reporting will formally begin in Quarter 4 2012-13.</p> <p>The council is taking the opportunity, through its transition to a commissioning organisation, to review its equalities objectives and reporting framework to ensure they are in line with the changing nature of the borough in terms of its diversity – as highlighted in the recent release of Census data. This review will be completed by the end of April 2013. Any changes to the council's specific duties, or the way in which progress is monitored, following the</p>	<p>Specific, measurable equality objectives have been selected and published for quarter 4 of 2012-13.</p>	<p><b>Implemented</b></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>10. Foster carers</b></p> <p><b>Foster carer' allowances</b> All foster carer authorisations should be carried out in line with statutory requirements and authorised at the appropriate level.</p> <p>Where foster carer agreements have been entered into and reviews have been carried out, they should be signed off.</p>	<p>Children's Service</p>	<p>Accepted</p> <p>The initial Regulation 24 paperwork that is authorised at the time of placement will be amended to make clear that this also serves as a temporary foster carers agreement to comply with the Care Planning, Placement and Case Review, Regulation</p>	<p>Regulation 24 carers (where a relative, friend or other person connected with the child fosters the child) paperwork has been amended as agreed, to emphasise that these placements should last for 16 weeks or exceptionally 24 weeks.</p>	<p><b>Implemented.</b></p>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>11. Joint Legal Service</b></p> <p><b>Contract Management</b>  Management should consider implementing an interim resource solution until the permanent Contract Manager is appointed, to ensure that all the Council's contractual management obligations are adequately resourced and that the Joint Legal Service (JLS) provides the service in accordance with its obligations under the IAA.</p>	Assurance	An interim resource solution is currently be explored with the Head of Commercial it is expected that this will be in place by mid-April 2013.	<p>A dedicated Contract Manager for HB Public Law started with the Council on 24<sup>th</sup> April 2013.</p> <p>The Assurance Director formally took on a relationship manager role for HB Public from 1st April 2013</p>	<b>Implemented</b>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>12. Joint Legal Service</b></p> <p><b>Risk Management</b>  Management should ensure that the Council's risk management process is adopted and that risks facing the Council in relation to the Joint Legal Service (JLS) are:</p> <ul style="list-style-type: none"> <li>Identified, analysed, sufficiently mitigated and recorded on the Council's JCAD system;</li> <li>and</li> <li>Regularly monitored, managed and escalated appropriately.</li> </ul> <p>Management should ensure that, once appointed, the Contract Manager is actively engaged in JLS case work risk management processes.</p>	Assurance	Risk Management processes will be adopted immediately.	<p>Risks were entered into JCAD, the Council's risk management system in April and owned by the Assurance Group originally prior to the Contract Manager starting.</p> <p>These were reported and included within the Management Agreement with HB Public which was discussed by the Strategic Management Board (attended by CEX of Harrow and Barnet, Both Monitoring Officers, the Head of Legal (HB Public Law) and the contract Manager for LBB) on 18th June 2013.</p> <p>Revised risks were defined following this and were entered into an updated risk register and are owned by the Commercial Team.</p>	<b>Implemented</b>

Audit Title and Recommendation	Responsible Area	Response from Management (initial)	Management Response	Audit Assessment
<p><b>13. Joint Legal Service</b></p> <p><b>Benefits Realisation</b>  Management should implement a process to ensure that the benefits identified in the original Joint Legal Service (JLS) business case are fully realised. This should include:</p> <ul style="list-style-type: none"> <li>• Identifying baseline measurements for the realisation of benefits to be measured against</li> <li>• Ensuring that each benefit has an owner responsible for ensuring its realisation; and</li> <li>• Regular monitoring and management of benefits, supported by reporting to Strategic Monitoring Board as appropriate.</li> </ul>	Assurance	Benefits realisation will be monitored and followed-up through the contract manager and will be designed in liaison with the Head of Commercial.	<p>A defined management agreement has been developed and discussed at the Strategic Monitoring Board in June 2013. Benefits realisation are included within the management agreement.</p> <p>Additionally, Commercial Services monitor performance quarterly – the first relevant quarter will report in August in line with the timetable for Cabinet Resources Committee (therefore could not be viewed at the time of the audit). The formal follow-up is also part of the Contract Manager’s role.</p>	<b>Implemented</b>

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## Appendix F: Internal Audit Charter

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### 1. Introduction

1.1 This document sets out the service vision and mission and clarifies the role and responsibilities of the London Borough of Barnet Internal Audit Service and the audited managers. This Charter underpins the Audit Strategy & Annual Plan approved by the members of the Audit Committee. The Head of Internal Audit and Anti-Fraud will periodically review this Charter and present it to senior management (defined as the Strategic Commissioning Board Assurance subgroup) and the board (defined as the Audit Committee) for approval.

### 2. Definition of Internal Audit

2.1 Internal Audit is defined in the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

2.2 The Accounts and Audit Regulations 2011 state that there is a statutory obligation on local authorities to have an adequate and effective system of internal audit. The PSIAS (comprising the ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and the ‘Standards’) and CIPFA’s Local Government Application Note are mandatory in nature and both are adhered to in the operation of the Internal Audit service.

### 3. Purpose of Internal Audit

3.1 The objective of Internal Audit is to assist officers and members in the effective discharge of their responsibilities. To this end, internal audit furnishes them with assurance, analysis, appraisals, counsel and information concerning the activities reviewed and risks not mitigated adequately. This objective includes promoting effective control at reasonable cost.

### 4. Organisational Independence

4.1 The Internal Audit function sits within the Assurance Group, which provides independent oversight and assurance to the Strategic Commissioning Board (SCB) and to elected members. For every review undertaken, potential conflicts of decision making will be considered. To be able to achieve Internal Audit’s objectives, the Head of Internal Audit and Anti-Fraud and internal audit staff play no role in any of the Council’s operational activities. Thus the Internal Audit function is able to carry out independent reviews of the areas subject to audit.

4.2 The Assurance Director is also the Monitoring Officer, and has a commissioning role for the Legal Shared Service. To avoid a conflict of interest, the Assurance Director will not be involved in any internal audit reviews that concern the Harrow and Barnet shared legal service (HB Public Law).

4.3 Any reviews that need to be undertaken of the Assurance Group (for example, governance, elections, corporate anti-fraud or risk management) will be undertaken through the internal audit provider to ensure independence and objectivity to the review.

## **5. Status of Internal Audit**

5.1 The Head of Internal Audit and Anti-Fraud (Chief Internal Auditor) reports to the Operational Assurance Assistant Director and has a statutory reporting line to the Chief Executive. The Chief Internal Auditor supports the Chief Executive and the section 151 officer to discharge their responsibilities with regard to “making proper arrangements for the financial affairs of the Council”.

5.2 The Head of Internal Audit and Anti-Fraud has direct access to the Audit Committee and Chief Executive and reports in his / her own name to members. He/she is able to meet with the Chair of the Audit Committee in private for the purposes of the role.

5.3 Internal Audit has the authority to:

- enter any Council land or premises;
- have access to all records, documents, correspondence, personnel and assets of the Council (including contractors as far as the contract allows);
- receive such information and explanation as are necessary to fulfill its responsibilities; and
- require any employee of the Council to produce cash, stores or any other Council property under his or her control.

## **6. Responsibility of the Audit Committee**

6.1 The Audit Committee is responsible for endorsing the Internal Audit & Anti-Fraud Strategy and Annual Plan. It is also responsible for approving any periodic revisions to the Internal Audit Charter.

6.2 During the course of the financial year, progress reports of internal audits carried out, with their outcomes, will be reported to members. These progress reports will include the opinions given for each audit.

6.3 The Audit Committee has formally requested details of any audits given limited or no assurance within the quarter. The detail will include the background to

the audit, the findings, priority 1 recommendations and associated management comments.

## **7. The role of Statutory Officers**

7.1 The role of the Chief Executive, Section 151 officer, and the Monitoring officer is to provide feedback on the Internal Audit and Anti-Fraud Strategy and Annual Plan prior to it being approved by the Audit Committee. During the year, statutory officers receive progress reports from the Head of Internal Audit and Anti-Fraud at Strategic Commissioning Board (SCB) Assurance meetings and are responsible for providing comments on audit recommendations and action taken to resolve those issues as reported by Internal Audit.

## **8. Delivery of the Audit Service**

8.1 The Head of Internal Audit and Anti-Fraud is responsible for preparing the Audit Strategy and Annual Plan and for delivering the audit service in accordance with that document and this Charter. To ensure that this can be achieved, there are appropriate arrangements, including reviewing the internal audit budget, for:

- determining and planning the audit work carried out; and
- providing the appropriate resources to carry out the work

8.2 The Annual Plan agreed with the Audit Committee confirms that if, during the course of the year, the Head of Internal Audit and Anti-Fraud believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, this will be brought to the attention of the Audit Committee.

8.3 During the year, the Internal Audit service may be approached to provide advice which would be classified as 'consulting services' under the PSIAS. Examples include counsel, facilitation and training. Where there is potential for this to be significant and result in the planned assurance work for the year not being achievable, this change to the Audit Plan will be taken to the Audit Committee for approval.

## **9. Role and Scope**

9.1 It is the responsibility of the Head of Internal Audit and Anti-Fraud to provide senior management and the Audit Committee with an annual report on the work of the Service. This Report includes an opinion on the control environment.<sup>1</sup> Thus all of the Council's activities are included in the scope of internal audit.

9.2 The work of the Service is, therefore, planned to achieve this opinion and will include evaluation of:

- the risk management system;

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<sup>1</sup> The control environment comprises the systems of governance, risk management and internal control.

- the effectiveness of systems in relation to the business risks of delivery units, including alignment with the Council’s strategic goals, and assessing their adequacy in operation;
- the effectiveness of the framework agreements underpinning the work of the Commissioning Group;
- external assurances provided by the auditors of bodies external to the Council but providing services on its behalf;
- compliance with the Council’s standing orders, financial regulations, corporate and directorate codes, legislation and other regulations;
- the extent to which assets are acquired in accordance with Council regulation, used appropriately and efficiently, accounted for and protected from losses of all kinds arising from waste, extravagance, poor value for money, fraud or misuse;
- the suitability, accuracy, reliability and integrity of management information, including financial information, and its effective use; and
- the operation of the Council’s Governance arrangements.

9.3 The Strategy and Annual Plan is owned by the Internal Audit and Corporate Anti-Fraud team. The risk of fraud is a standard consideration across all audit reviews undertaken. Close liaison occurs between the Internal Audit and Corporate Anti-Fraud colleagues.

9.4 By virtue of the fact the Head of Internal Audit and Anti-Fraud oversees provision of the internal audit service and corporate anti-fraud services, it is ensured that any instances of suspected or detected fraud will be known and will be considered when planning internal audit reviews.

## **10. Managers’ responsibilities with regard to Internal Audit**

10.1 The effective operation of internal audit relies upon all directors, managers and staff at the Council playing a full and co-operative part in the process. To achieve this, it is vital that the following responsibilities are accepted if the full benefits of the internal audit service are to be realised. These are:

- Strategic level involvement to inform the annual audit plan;
- Operational level involvement with individual audits;
- Being open and honest with audit staff;
- Making staff and records available when requested;
- Responding to draft audit reports in the agreed timescale;
- Confirming risks and providing details of actions to mitigate risks with timescales for implementation that are achievable; and
- Implementing the agreed actions (by the agreed date) arising from the audit.

## **11. Internal Audit Reporting**

11.1 All audit assignments will be subject to a formal report. At the end of the “audit fieldwork”, a draft report will be issued to the line manager accountable for the activity under review, for the factual accuracy of the findings to be confirmed. The reports will identify any risks associated with the internal control environment and recommend actions to address any deficiencies. Reports will contain recommendations that are considered to be high, medium or low priority for attention.

11.2 Assessments within risks will be based on the following criteria:

High – Significant risk that objectives will not be met efficiently and effectively, there will be breaches of legislation policies or procedures, or that fraud or irregularity will not be prevented or detected. Ideally should be mitigated within 3 months unless the nature of work required to mitigate the risk does not easily allow this.

Medium – Some risk that objectives will not be met efficiently and effectively, there will be breaches of legislation policies or procedures or that fraud or irregularity will not be prevented or detected. Ideally, should be mitigated within 6 months unless the nature of work required to mitigate the risk does not easily allow this.

Low – Issues of best practice that merit attention/where action is considered desirable. Ideally, action to be effected within 6 months to 1 year.

11.3 Following a meeting to discuss the draft report and its risks/recommendations, (or a written response from the accountable manager) an action plan will be prepared and included in the final report.

11.4 It is the accountable manager’s responsibility to confirm reported risks and to agree to recommendations, or suggest alternatives, and timescales that are realistic and achievable.

11.5 At the end of the financial year, the Head of Internal Audit and Anti-Fraud prepares an Annual Report which includes an opinion, based on the internal audits carried out during the year, on the internal control environment. This is Internal Audit’s contribution to the annual review of effectiveness of the control environment required by the Accounts and Audit (England) Regulations 2011. The Head of Internal Audit and Anti-Fraud’s opinion is used to support the Annual Governance Statement.

## **12. Liaison with other auditors and review agencies**

12.1 Internal audit is involved in a wide range of internal and external relationships. The quality of these relationships will have a significant impact on the effective delivery of audit and review services to the Council. Effective relationships

will maximise the scarce resources available and minimise disruption to audited services.

12.2 Internal auditors and external auditors have differing roles. Wherever possible, audits will be organised to provide sufficient assurance to the other set of auditors. Regular meetings will be held between the Head of Internal Audit and Anti-Fraud and the Audit Commission appointed senior manager to discuss audit plans, joint working and other matters of mutual interest.

12.3 Wherever possible, the Head of Internal Audit and Anti-Fraud will establish a working relationship with other external inspectors and reviewers and also with the Council's own Scrutiny functions.