



## 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 Comments and Questions (If any)	
5.	Members' Items (If any)	
a)	Chairman's Item - Annual Report of the Audit Committee 2013/14	1 - 12
6.	Annual Governance Statement	13 - 36
7.	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2013/14	37 - 142
8.	Head of Internal Audit Annual Opinion 2013-14	143 - 168
9.	Corporate Anti-Fraud Team (CAFT) Progress Report April - June 2014	169 - 182
10.	Internal Audit Exception Recommendations Report and Progress Report up to 30th June 2014	183 - 226
11.	Any item(s) the Chairman decides are urgent	

### FACILITIES FOR PEOPLE WITH DISABILITIES

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	AGENDA ITEM 5a
	<p><b>Audit Committee</b></p> <p><b>22 July 2014</b></p>
<b>Title</b>	<b>Members' Item – Annual Report of the Audit Committee 2013/14</b>
<b>Report of</b>	Chairman of the Audit Committee – Councillor Brian Salinger (on behalf of the outgoing Chairman Lord Monroe Palmer)
<b>Wards</b>	Not applicable
<b>Status</b>	Public
<b>Enclosures</b>	Annual Report of the Audit Committee 2013/14
<b>Officer Contact Details</b>	Maryellen Salter, Assurance Director, <a href="mailto:maryellen.salter@barnet.gov.uk">maryellen.salter@barnet.gov.uk</a>

<b>Summary</b>
<p>The Constitution under Responsibility for Functions includes the following within the Audit Committee's terms of reference:</p> <p>"The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness."</p> <p>The attached Annual Report describes how the Audit Committee meets its objectives as well as detailing the work of the Committee to date and the outcomes it has achieved for 2013-14.</p>

<b>Recommendations</b>
<p><b>1. That the Committee approve the Annual Report of the Audit Committee for 2013-14 as an accurate record of the outcomes and work programme for the year.</b></p>

<b>2. The Annual Report is reported to the next Full Council meeting.</b>
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**1. WHY THIS REPORT IS NEEDED**

- 1.1 The Annual Report describes the work of the Committee to date and the outcomes it has achieved for 2013-14.
- 1.2 The Committee is asked whether they wish to make any amendments and note that the report will be presented to Full Council in due course.

**2. REASONS FOR RECOMMENDATIONS**

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

**3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None.

**4. POST DECISION IMPLEMENTATION**

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

**5. IMPLICATIONS OF DECISION****5.1 Corporate Priorities and Performance**

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

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

- 5.2.1 None in the context of this report.

**5.3 Legal and Constitutional References**

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

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

- 5.3.3 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.

#### **5.4 Risk Management**

5.4.1 None in the context of this report.

#### **5.5 Equalities and Diversity**

5.5.1 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.

#### **5.6 Consultation and Engagement**

5.6.1 Not applicable.

### **6. BACKGROUND PAPERS**

6.1 The Audit Committee on the 24<sup>th</sup> July 2013 resolved that the substance of the proposed Annual Report of the Audit Committee 2012/13 be noted and agreed. That the Annual Report of the Audit Committee 2011/12 be reported to Full Council.

6.2 Full Council on the 16<sup>th</sup> July 2013 agreed and noted the Annual Report of the Audit Committee 2012/13.

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**Barnet Council**

**Audit Committee Annual Report**

**2013/14**

## 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.”

From the Election in 2010 to the most recent in 2014 the Audit Committee had been Chaired by Councillor Lord Monroe Palmer, a member of an opposition group, for the four year period. Over that period the Council had an Executive/Cabinet model of governance.

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. In addition, there have been no instances whereby items have been considered exempt. The Chairman during 2013-14 encouraged public participation at the Audit Committee.

# Audit Committee Outcomes during 2012-13

During the financial year (April 2013 – March 2014) 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 was 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 then Executive and officers to take forward. The Committee recognises that management 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). This focus on improving the control environment through follow-up and discussion has made Delivery Units accountable for improvement. The number of high priority recommendations reduced this year from 47 in 2012-13 (30 Council and 17 Schools) to 42 in 2013-14 (22 Council and 20 Schools). The direction of travel further improved for implementing audit recommendations on a timely basis with 100% of high priority recommendations confirmed as having been implemented in 2013-14. This has had tangible impact and has resulted in a ‘Satisfactory’ Annual Internal Audit Opinion for the second consecutive year.
- Concerns from external and internal assurances – during the year the Committee has been presented with various reports regarding some control weaknesses. Of those weaknesses identified the Committee has continued to follow up recommendations, particularly regarding Contract Management. After management of the Barnet Homes contract was given a “no” assurance rating the Committee requested a review of the management of the Your Choice Barnet contract early in 2014-15. Throughout the year the Committee has challenged the assurances being received over the newly outsourced contracts with Capita. Serious weaknesses over IT controls were identified in quarter 4 with two “no” assurance reports over IT Access Controls and the SWIFT & Wisdom

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

systems in use by the Adults & Communities service. Progress against these recommendations will be reviewed by the Committee in quarter 1 of 2014-15. Finally, in 2012-13 Regeneration was given a “no” assurance rating; this was followed up by the Committee during 2013-14 and in quarter 2 all recommendations were confirmed as being implemented.

- Anti-Fraud – during the year the Corporate Anti Fraud Team (CAFT) operated to a detailed anti-fraud strategy and annual plan 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. There has been consistent good work reported by CAFT in relation to benefit fraud, council tax single person discount fraud and corporate fraud. Further success to note has been achieved by CAFT in the area of tenancy fraud, in particular the ‘Key Amnesty’ campaign (and recovery of properties) which effectively launched the transfer of the responsibility for investigating Tenancy Fraud to CAFT in November 2013 in line with changes to legislation. The CAFT team have continued to strengthen working 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 work plan in accordance with its planned level of activity.

### **Conclusions**

The Committee feels that it has demonstrated that it has added value to the council’s overall governance framework.

During 2014-15 it continues 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
8 April 2013	Exception Recommendations and Internal Audit Progress Report – up to 25 <sup>th</sup> March 2013
	Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management Approach 2013-14
	Audit Plan 2012-13
	Audit Committee Work Programme 2013/14
24 July 2013	Annual Report of the Audit Committee 2012/13
	Annual Governance Statement 2012/13
	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2012/13
	Planned External Audit Fees 2013/14
	Internal Audit Annual Opinion
	Annual Report of the Corporate Anti-Fraud Team
	Counter Fraud Framework update 2013
	Risk Management Framework
	Internal Audit and Risk Management Quarter 1 2013-14 and Exceptions Recommendation report

Date	Reports
24 October 2013	Members item – CAPITA Contract Audit Clauses
	Internal Audit and Risk Management Quarter 2 2013-14 update and exceptions report
	Corporate Anti-Fraud Team Interim Report 2013
	Quarterly Progress Reports - The External Auditors – verbal update
28 January 2014	Internal Audit and Risk Management Quarter 3 2013-14 update and exceptions report
	Quarterly Progress Reports - The External Auditors – verbal update
	Annual Audit Letter 2012/2013
	Grants Certification Work Report 2012/2013


## Appendix 2

### Audit Committee Recommendations

#### Internal Audit High Priority Recommendations 2013/14

Quarter 1	Quarter 2	Quarter 3	Quarter 4
85%	67%	100%	100%

Target for implementation is 90% each quarter; whilst this was not achieved in the first two quarters of the year by Quarter 3 all recommendations due had been implemented and this was maintained in Quarter 4. This shows a strong direction of travel compared to previous years.

	AGENDA ITEM 6
	<b>Audit Committee</b> <b>22 July 2014</b>
<b>Title</b>	<b>Annual Governance Statement</b>
<b>Report of</b>	Assurance Director
<b>Wards</b>	None
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A: Annual Governance Statement 2013/14
<b>Officer Contact Details</b>	Maryellen Salter, Assurance Director, <a href="mailto:maryellen.salter@barnet.gov.uk">maryellen.salter@barnet.gov.uk</a> , 020 8359 3167

<b>Summary</b>
This report seeks approval for the Annual Governance Statement 2013/14 to be included in the annual accounts.

<b>Recommendations</b>
<b>That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2013/14.</b>

**1. WHY THIS REPORT IS NEEDED**

- 1.1 This report is a requirement of the Constitution in that the Audit Committee is required through its terms of reference to “to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption”.

## **2. REASONS FOR RECOMMENDATIONS**

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

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

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

## **4. POST DECISION IMPLEMENTATION**

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

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 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.

- 5.1.2 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.

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

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

### **5.3 Legal and Constitutional References**

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

- 5.3.2 The Council's Constitution under Responsibilities for Functions - the Audit Committee terms of reference includes "to oversee the production of the



Annual Governance Statement (AGS) and to recommend its adoption”.

#### **5.4 Risk Management**

- 5.4.1 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.
- 5.4.2 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.

#### **5.5 Equalities and Diversity**

- 5.5.1 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 Equalities act.

#### **5.6 Consultation and Engagement**

- 5.6.1 None in the context of this decision.

### **6. BACKGROUND PAPERS**

- 6.1 Audit Committee 5 December 2007 (Decision Item 9) - approved the arrangement for preparing an Annual Governance Statement.
- 6.2 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 within the Statement of Accounts for 2007/8, 2008/9, 2009/10, 2010/11 and 2011/12, respectively.
- 6.3 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), 13 September 2012 (Decision Item 6) - approved the Annual Governance Statement for 2007/8, 2008/9, 2009/10, 2010/11 and 2011/12, respectively.
- 6.4 Audit Committee 24 July 2013 (Decision item 7) approved the Annual Governance Statement for inclusion within the Statement of Accounts for 2012/13.  
<http://barnet.moderngov.co.uk/documents/s9993/Annual%20Governance%20Statement%20Report.pdf>

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# Annual Governance Statement

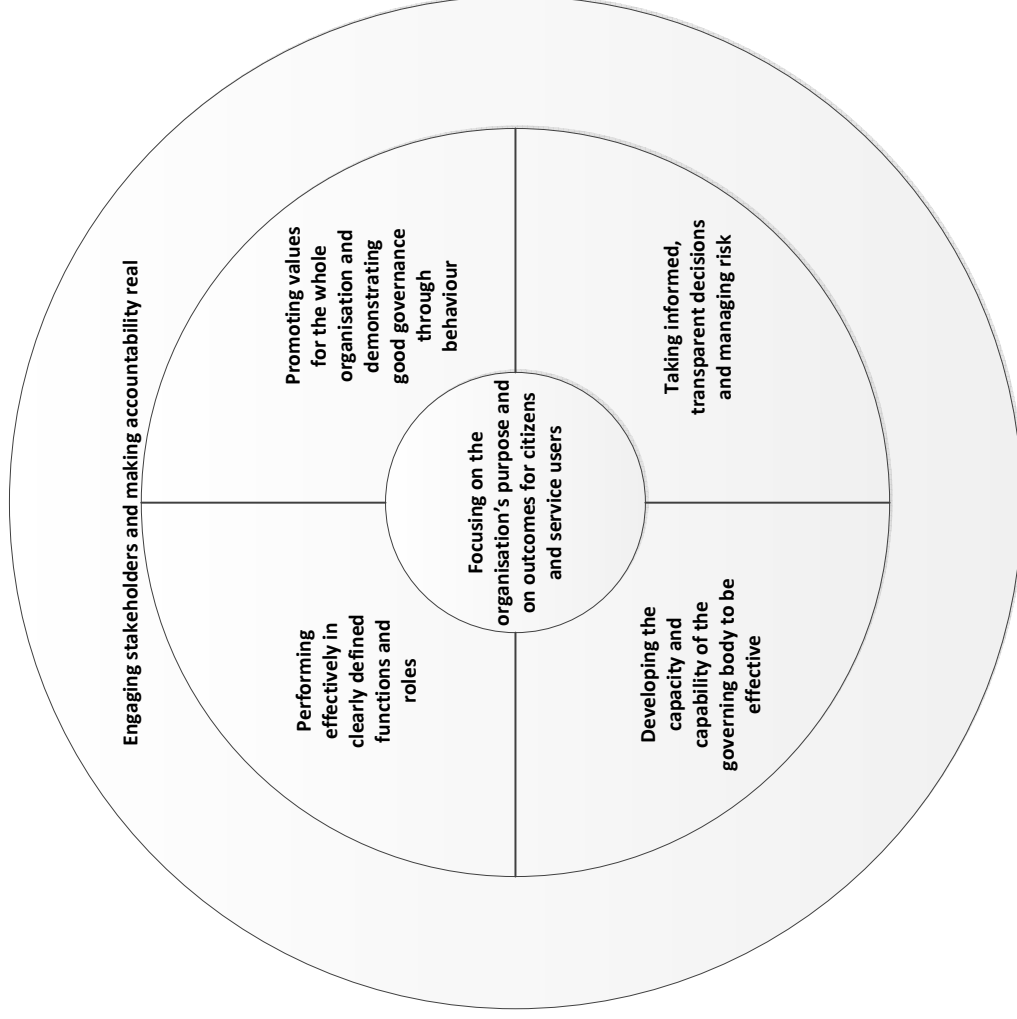
2013-14

## 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 2013-14. The Code of Corporate Governance is included within the Constitution.

## 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 2014 and up to the date of approval of the annual report and accounts and is consistent with the six core principles of the CIPFA/SOLACE framework on this page:



# Assurance Cycle



## What are we seeking to receive assurances on?

- Delivery against the corporate plan whilst observing the governance framework
- Management of the Council's key risks
- Design and effectiveness of internal controls
- Compliance with laws, regulation, internal policies and procedures
- Key governance tools are fit for purpose, e.g. the performance management and risk management framework
- Value for money
- Direction of travel of previous governance issues
- Effectiveness of the system of Governance

*Code of Corporate Governance*

## What sources of assurance do we require?

- Internal Audit Annual Plan
- CAFT Annual Plan
- External Audit Annual Plan
- Ofsted and Care Quality Commission
- Other external agencies
- Management assurances from active compliance frameworks
- Committees/Internal Boards responsible for monitoring and reviewing the systems, processes and documentation
- Governance review project

## How we will arrange ourselves to receive adequate assurances?

- Officer and Member structures working together
- Senior Management Teams working closely with Executive Roles
- Decision-making bodies
- Bi-monthly Assurance Meetings
- Cabinet Resources Committee
- Scrutiny Committees
- Audit Committee
- Board Assurance: Partnership/Enabling/Delivery Boards
- Group Leaders Panel
- Constitution Ethics and Probity Committee and Member working group.

## How we know that we are effective?

- Review sources of assurance identified at the Planning Phase
- Review Annual Reports that provide further insight such as: scrutiny committee report, audit committee annual report, task and finish groups
- Ensure sources of assurances have delivered against their plans at the necessary quality
- Internal and External Audit Annual Reports/Letters
- Highlight areas of weakness, development and implement action plans.

*Annual Governance Statement*

Principle	Description of Governance Mechanisms	Assurances received
<p><b>1. Identifying and Communicating the Council's Vision and Purpose</b></p>	<ul style="list-style-type: none"> <li>Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users.</li> <li>The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough.</li> <li>The Corporate Plan expresses the vision and priorities of the council and this has been communicated to residents, service users, partners and other stakeholders</li> <li>A governance structure supporting the Barnet Partnerships Board (BPB) was approved by Cabinet in February 2012. The BPB and its three main sub boards (Health and Well Being Board, Children's Trust Board, Safer Communities Board) work to a shared vision as set out in the Sustainable Community Strategy 2010-2020.</li> <li>The Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of council performance and to highlight areas of improvement.</li> <li>All key projects (capital, transformation, regeneration) are aligned to the Council's strategic objectives and governed by the published project management toolkit.</li> <li>Relationships with our commercial partners are governed by performance indicators that are linked to our overall vision. Our partners were selected through a competitive dialog process which determined strategic fit to organisation.</li> <li>Additionally, a joint venture company (JVCo is known as Re) was formed to deliver Development and Regulatory Services</li> <li>The Contract Monitoring Overview and Scrutiny Committee was responsible for scrutinising the group of services provided by CSG, Re, The Barnet Group Ltd and Joint Legal Service (otherwise known as external delivery units). The role of the Committee was to scrutinise performance against key performance indicators and financial targets; change requests; and the delivery of new commissions.</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. The new structure came into effect in April 2013.</li> <li>An employee engagement survey was carried out to gauge employee satisfaction and assist in improving the organisation for employees as a place to work and consequently improve how the organisation performs.</li> </ul>	<ul style="list-style-type: none"> <li>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. The performance of commercial contracts for external delivery units is also monitored through this process.</li> <li>Externally reported data: Government Single Data List, London benchmarking and LGG Inform benchmarking available to support performance reporting.</li> <li>We publish strategic and service data online to enable residents to hold us to account</li> <li>Internal Audit Plan linked to the overall objectives of the Council and the risks to their achievement</li> <li>Employee Annual and Half-year review process linked to the Council's objectives</li> <li>CSG and Re Commercial Contracts</li> <li>Contracts and Performance Management Overview and Scrutiny</li> <li>Employee Engagement Survey 2014</li> </ul> <div data-bbox="1066 273 1316 719" style="border: 1px dashed black; padding: 10px;"> <p>Weaknesses identified :</p> <p>The staff survey observed that the management and communication of change could be improved</p> </div>

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 Scheme of Delegation in place. This governance structure was in place in 2013-14 but will move to a committee system of governance in 2014-15.</li> <li>Statutory Officers are also documented within the Constitution. The 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 and procedure rules such as financial regulations, etc.</li> <li>The Constitution, Ethics and Probity Committee is in place to monitor and agree changes to the Constitution, making recommendations to full council.</li> <li>There is an annual process to review and agree the Pay Policy in accordance with the Localism Act section 38 (1); the Remuneration Committee remit is to review senior management pay, set a pay policy and appoint senior management (Chief Officers).</li> <li>General Functions Committee continues to be in place whose remit it is to review conditions of service.</li> <li>Arrangements exist within services and corporate performance to evaluate unit costs and performance. Benchmark information is collated from London Council's LAPS tool and the LGA's Inform tool and reported quarterly internally as a mechanism for ensuring clarity between Members, policy and Officer implementation.</li> <li>The Health and Well-Being Board became a statutory body of the Council in April 2013. The Board's terms of reference outline its responsibilities to ensure that health and social care monies are spent effectively to benefit Barnet's residents and improve health and care outcomes. An annual report will be produced in November 2014 and governance assurances considered in the 2014-15 AGS.</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 2013-14</li> <li>Bi-Monthly SCB Assurance 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.</li> <li>Internal unit cost comparison summary is created each year and circulated to senior officers.</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 style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p>Weaknesses identified within the Internal Audit Opinion:</p> <ul style="list-style-type: none"> <li>Fit for purpose systems</li> <li>Business Continuity and Resilience</li> <li>Contracts Management and Benefits realisation</li> <li>Roles, responsibilities and accountabilities</li> </ul> </div>

## Principle

### 3. Values of Good Governance and Standards of Behaviour

## Description of Governance Mechanisms

- The Council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members, staff and partners.
- The Council agreed four core values that were launched in 2011. The values are intended to shape the culture and define the character of the organisation now and into the future. Each year the Council awards staff who embody these values.
- The Assurance Director is the Monitoring Officer and is responsible for ensuring that decisions are made in accordance with the Constitution.
- Directors have the primary responsibility for ensuring that decisions are properly made in line with the Scheme of Delegation
- Standards of conduct and behaviour expected of Members and Officers exist and are communicated. Training programmes were in operation during the year to support good governance
- Arrangements are in place for Members and Officers to register interest and manage conflicts of interest.
- A Performance management framework is in place to embed values with staff
- Values are embedded within the main body of the CSG contract, and for Re, are represented through membership of the Joint Venture Board.
- The Equalities Policy develops and maintains shared values including leadership values for both the organisation and staff reflecting public expectations, and communicates these with members, staff, the community and partners. The council has published its strategic equality objective: 'our commitment is that citizens will be treated equally, with understanding and respect, have equal opportunity with other citizens; and receive quality services. This is monitored through performance indicators.
- The Committee and Delegated Powers Report (DPR's) templates require consideration of risk and equalities and require formal clearance by Finance, Legal and Governance.

## Assurances received

- Values Awards Nomination Panel made decisions on who embodied the Values Awards
- Monitoring Officer reports to SCB Assurance
- Minutes and Decisions of all Committees observed by Monitoring/Deputy Monitoring Officer
- Half-yearly and Annual Performance Review
- RAGG ratings for staff, explicitly linking to achievement of objectives
- Equalities Policy
- Equalities Impact Assessments and a cumulative impact assessment of the budget process which published with the 2013-14 budget papers.
- Equalities given Satisfactory Assurance internal audit report 2014
- CSG Contract
- Equalities Annual Report (Draft)





**Principle**

**4. Making transparent decisions which are subject to scrutiny and risk management**

**Description of Governance Mechanisms**

- 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.
- During 2013-14 when an Executive Model was in place, the Scrutiny function challenged policy development and performance and was 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.
- Decision making is supported by satisfactory risk management arrangements, with the Risk Management Strategy and Policy Statement reviewed annually by the Strategic Commissioning Board and Audit Committee.
- Arrangements exist for the consideration of assurances from the Council's major partners/providers; this involves regular liaison with other audit, anti-fraud and risk management functions.
- Corporate Risks are considered quarterly, as part of performance reporting, by the Cabinet Resources Committee, with oversight from the Audit Committee.
- Operational day to day risk management exists at an officer level with lead member involvement where appropriate.
- 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.
- 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 its website further to provide more information to the public.

**Assurances received**

- Overview and Scrutiny Annual Report
- SCB Assurance bi-monthly reporting
- Barnet Homes/Barnet Group Annual Internal Audit Report
- External Audit Annual Audit Letter 2012-13
- Risk Management given Satisfactory Assurance internal audit report 2014.
- Major commercial partners joint risk registers
- Resident perception survey

...the who were in 12 months placed for ad...

**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

1. that they feel with our local police, social care and judicial standards
2. increase the number of children placed for adoption to 75%
3. reduce the time spent becoming the subject of a Child Protection Plan for the second subsequent time to 12%

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 group 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 Public Sector Internal Audit Standards for 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 supports the Audit Committee and reports to Statutory Officers. Corporate Anti Fraud Team (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>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> </ul>	<ul style="list-style-type: none"> <li>Audit Committee Annual Report 2012-13, 2013-14</li> <li>Audit Committee workplan and terms of reference stipulating the way in which responsibility is discharged</li> <li>Internal Audit Annual Report 2012-13, 2013-14</li> <li>CAFT Annual Report</li> <li>Medium Term Financial Strategy and signed Statement of Accounts</li> </ul>

decision to 75%

3. reduces the time spent on becoming the subject of a Child Protection Plan for the second subsequent time to 12%

4. increase the percentage of children who are not referred to child protection services

placed for adoption

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 families with complex problems

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 2013-14. The Council's learning and development needs are met through training, e-learning and other methods.</li> <li>Member Development sessions are held to brief Members on key areas and issues covering areas such as planning, safeguarding, growth and regeneration, new contracts, etc.</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 has been incorporated within the Council's Leadership Framework and forms the basis of individual performance reviews.</li> <li>The Localism Act redefined the Member 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 to consider complaints against the Member Code of Conduct. This met four times during 2013-14.</li> <li>All aspects of the Constitution were reviewed in 2013-14 as a result of the Council taking the decision to move to the Committee System. This included the Member Code of Conduct and Member and Officer Protocol and the Officer Code of Conduct. These were ratified by Full Council in January and April 2014 to ensure they were fit for purpose under the new Committee System.</li> <li>In 2014 an employee engagement survey was carried out to gauge employee satisfaction and assist in improving the organisation for employees as a place to work and consequently improve how the organisation performs.</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</li> <li>Attendance at Member Development sessions, 12 internal events held and 36 external sessions attended.</li> <li>Constitution Review 2013-14</li> <li>Member development programme provides assurance that skill and capability is focussed on annually</li> <li>Employee Engagement Survey 2014</li> </ul> <div data-bbox="718 257 1053 728" style="border: 1px dashed black; padding: 10px; margin-top: 20px;"> <p>Weaknesses identified :</p> <p>The staff survey observed that we needed to build effective leadership with manager who are visible, open and honest in their presentation</p> </div>

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 and consulting with citizens about our services. A range of tools for effective engagement are used including: online surveys 'Engage Barnet', involving residents through face to face events, and empowering residents to help provide services themselves.</li> <li>A consultation hub 'Engage Barnet' is available on the web where we publish all our consultations activities, this also includes a section on 'We Asked, You Said, We Did' feeding back the results of consultations. Barnet First also includes a page in each issue reporting on live consultations and the outcome of recent surveys.'</li> <li>We have an on-going dialogue between community and voluntary organisations via CommUnity Barnet, the umbrella organisation for community and voluntary groups in Barnet. The council has a Citizens' Panel, the panel is statistically representative of the population of Barnet, and they participate on how Barnet residents feel about issues. It also acts a sounding-board for future policies and service decisions.</li> <li>The council consults widely on its Business Plan and Budget process with an online survey on the website, face to face engagement and the Citizen's Panel.</li> <li>The website was re-launched in April 2012 and assists encouraging public engagement with the council and the decision making process. More recently 'My Voice' was added to the front page of the council's website which serves as a central place where residents can find out how to get involved in council engagement mechanisms.</li> <li>Adopt a Place is a new initiative launched this year, and is another way in which residents can interact with the council. The scheme enables community groups to maintain a local feature, a green space, or a whole street, by the council providing them with support, materials, and tools.</li> </ul>	<ul style="list-style-type: none"> <li>Local Account of Adult Social Care in Barnet 2013</li> <li>Budget Consultation 2014/15 findings</li> </ul>



Principle	Description of Governance Mechanisms	Assurances received
<p>6. Engaging with local people and stakeholders (continued)</p>	<ul style="list-style-type: none"> <li>The frequency of the Resident's Perception Survey (a survey with over 1600 residents from across the borough) has been increased to twice a year to help inform our new performance management system more regularly. The outcome and results of all consultations are published on the website and Barnet First.</li> <li>The council has updated its 2010 Consultation and Engagement Strategy which commits to publishing a Consultation Forward Plan and Annual Reports. Public Participation &amp; Engagement rules are included within the Constitution guiding public participation at Council meetings.</li> <li>The Communities Together Network was approved in November 2013 and includes a wide range of community organisation and puts in place arrangements designed to encourage individuals from all sections of the community to engage with contribute to and participate in the work of the authority to encourage community cohesion and foster good relations between Barnet's diverse communities. The group meets three times a year and is co-chaired by the local authority and a community representative. It reports into, by exception, the Community Safety Board.</li> <li>There is process for Corporate complaints as well as Children's and Adults Statutory complaints. Complaints are monitored through the Customer Service work group and the Customer and Information Management Board and reported on quarterly at SCB Assurance. In all formal investigation by the Local Government Ombudsman, the Council was found to have acted fairly and followed procedure.</li> <li>There is also a process for publishing customer feedback online with Council responses to the comments.</li> </ul>	<ul style="list-style-type: none"> <li>Residents Perception Survey, October 2013</li> <li>Consultation Forward Plan and Annual Report (Draft)</li> <li>Draft Equalities Policy and 'Communities Together' Action Plan</li> <li>Annual Resident Perception survey</li> <li>Communities Together annual report will be produce in November 2014 and governance assurances considered in the 2014-15 AGS</li> <li>Adults and Communities Delivery Unit Annual Complaints Report 2013</li> </ul>



## 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 have been included within the governance issues noted for monitoring during 2014-15.
- 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 2014-15.

## Governance Issues – progress

The table below describes the governance issues identified during 2012-13 and the progress made against these during 2013-14:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2014-15
<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</p> <p>Leader of the Council</p>	<p>Arrangements for a new committee system of governance were developed at the Constitution Ethics and Probity Committee. Public Participation rules were an element of this. In addition, public consultation revealed significant public interest in a new system that was understandable and customer friendly.</p> <p>The new system of governance was agreed by Full Council in January 2014 and takes effect from 2 June 2014.</p>	<p>No - new area – embedding the committee system</p>
<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 legal challenge, there remains a significant risk to the Council if plans remain delayed.</p>	<p>Head of Information Management</p> <p>Cabinet Member for Performance and Resources</p>	<p>Business Continuity audit received limited assurance. A business continuity project is underway to ensure recommendations raised are addressed.</p> <p>The plans to rectify the business continuity arrangements were delayed due to the legal challenge and as such the project did not begin until December, Interim disaster recovery arrangements with Capita are now in place. Full resilience will be in place with the move to the new data centre due to be completed in September 2014</p>	<p>Yes</p>

## Governance Issues – progress, continued:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2014-15
<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>Barnet's 'Commissioning Council' model and supporting architecture went 'live' on 1 April 2013. Going into the new structure and way of working, the council developed a revised set of strategic objectives and priority outcomes – published in the council's Corporate Plan (April 2013). A number of changes have been made to strengthen the council's 'business architecture'. The council has also strengthened its consultation and engagement with residents to ensure that commissioning is informed by an understanding of the priorities of residents.</p> <p>For 2014-15 there will need to be a focus on the effectiveness of the organisation in commissioning against outcomes, with progress updates against those outcomes monitored through the business planning process. Revised Management Agreements will include stretching commissioning priorities for the year ahead with clear expectations around milestones and reporting. Commissioners will also identify the milestones and expectations for relevant themes Commissioning Committees on the Councils Forward Plan.</p>	<p>Yes under roles and responsibilities of a commissioning council</p>



## Governance Issues – progress, continued:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2014-15
<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 and Cabinet for Customer Access</p>	<p>The Information Management and Governance cross cutting audit was Satisfactory. However, specific audits on IT Access controls, a case management and records management system received no assurance' and a records management audit received limited assurance.  Progress has been made during the year with a new Information Management Strategy agreed by the Strategic Commissioning Board in September 2013. The Information Management Strategy has a three year implementation plan and will deliver continuous improvement in information management practice across the organisation.  There has been much work in embedding practices across the council however the embedding process is likely to be over the duration of the Information Management Strategy three year period.</p>	<p>Yes</p>

## Governance Issues for 2014-15

The table below describes the governance issues identified during this review period 2013-14 to carry forward for monitoring within 2014-15.

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p><b>Business Continuity and Resilience:</b> Although the Council now has a Business Continuity Project underway the overarching Council Business Continuity Strategy is not yet in place. The CSG (formerly NSCSO) contract has been in place since September 2013 and the contract was designed to improve business continuity arrangements, however the planned changes to information systems will be gradual and therefore Business Continuity remains a significant risk for the Council.</p>	Head of Information Management	Chief Operating Officer Audit Committee	Key recommendations from Audit – July Fully operational in October
<p><b>Embedding New Committee System:</b> The new committee system went live June 2 and work will continue to ensure forward planning mechanisms are effective so that Committees consider issues in a timely fashion. Effective working relationships are required between the Chairman, committee members and Officers supporting the Committee. The Committee system was designed so that Members are able to become involved in the decision making to their satisfaction. The Terms of reference of each committee and the revised Constitution will take some time to bed in and become operationally effective and efficient and work is underway to review the implementation process.</p>	Head of Governance	Assurance Director Constitution Ethics and Probity Committee	March 31, 2015

## Governance Issues for 2014-15, continued

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p><b><u>Information Management:</u></b> Based on the review of information management practices throughout 2013-14 it is clear that improvement is required. During 2014-15 the following areas will be of focus:</p> <ul style="list-style-type: none"> <li>• Fit for purpose systems ensuring the integrity, and security of data;</li> <li>• Access to systems are appropriately restricted to ensure sensitive data is adequately protected; and</li> <li>• Systems support effective records managements and improve retention and disposal practice.</li> </ul>	Head of Information Management	Chief Operating Officer	Key recommendations from audit – June 2014  As part of the Information Strategy implementation on key records management deliverables in 2014-15 and 2015-16
<p><b><u>Roles and Responsibilities for the Commissioning Council</u></b> For 2014-15 there will need to be a continued focus on the effectiveness of the organisation in commissioning against outcomes. To achieve this, clarity of roles across commissioning and delivery is vital. In respect of governance, roles and responsibilities across commissioning and delivery will be reviewed to ensure the effectiveness of the commissioning process in both terms of how it supports the setting of outcomes and how this translates into successful delivery. As a consequence of this the structure that supports the Commissioning Model will be considered.</p>	Assistant Director of Strategy	Chief Executive  General Functions Committee	March 31, 2015

## Governance Issues for 2014-15, continued

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p><b>Contract Management Framework</b> – Across the Council a framework to manage contracts does not exist and instead each delivery unit develops their own approach, as a result there is an inconsistent way of measuring benefits achieved. Contracts can be tactical, operational, and strategic and depending on that classification it should result in a different approach to the management of the contract and the level of information required. Over the course of the year a contract management framework will be designed to be implemented across delivery units and within the Commissioning Group.</p>	<p>Commercial and Customer Services Director</p>	<p>Chief Operating Officer Performance and Contract Management Committee</p>	<p>March 31, 2015</p>
<p><b>Change Management:</b> The staff survey indicated that perceptions of change management were the least positive. There is an opportunity to improve staff engagement and satisfaction by building on the employee voice and engaging more with employees so they can contribute their views and managing and communicating change with employees so they are aware of what's happening in the Council.</p>	<p>Strategic Commissioning Board</p>	<p>Chief Executive</p>	<p>March 31, 2015</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: \_\_\_\_\_

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

# Appendix A: Published sources of Assurance

- Code of Corporate Governance
- Corporate Plan 2013-16
- Quarterly Performance Reports 2013-14
- Internal Audit, Risk Management and CAFT Annual Plan 2013-14
- Internal Audit Annual Report 2013-14
- Pay Policy 2013-14
- CAFT Annual Report 2013-14
- External Audit Annual Audit Letter 2012-13
- Task and Finish Group reports
- Audit Committee Annual Report 2013-14
- Audit Committee Terms of Reference and workplan 2013-14
- Citizen Panel Report – Finance and Business Planning Consultation 2013
- Local Account of Adult Social Care in Barnet 2013
- Statement of Accounts and Medium Term Financial Strategy
- Residents Perception Survey 2013
- Committee minutes, agendas and reports 2013-14
- CSG and Re Commercial Contracts
- Safeguarding Adults Peer Review, Overview and Scrutiny Summary Paper June 2013
- Overview and Scrutiny Annual Report 2013-14 (Draft)
- Barnet Safeguarding Children Board Annual Report (Draft)
- Barnet Safeguarding Adults Board Annual Report (Draft)
- Equalities Annual Report (Draft)
- Consultation Forward Plan and Annual Report (Draft)

AGENDA ITEM 7	
	<h2>Audit Committee</h2> <h3>22 July 2014</h3>
<b>Title</b>	<b>External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2013/14</b>
<b>Report of</b>	Chief Operating Officer and Director of Finance
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A – Draft Pension Fund Accounts 2013/14 Appendix B – ISA 260 report for the Statement of Accounts 2013/14 Appendix C– ISA 260 report for The Pension Fund 2013/14
<b>Officer Contact Details</b>	Paul Thorogood – Assistant Director of Finance, CSG Finance Service <a href="mailto:Paul.Thorogood@capita.co.uk">Paul.Thorogood@capita.co.uk</a> 07725 652910

<h2>Summary</h2>
<p>The audit is substantively complete and is being reported to Audit Committee two months earlier than required. Grant Thornton anticipate providing an unqualified opinion on the Council’s financial statements.</p> <p>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.</p> <p>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 2014.</p> <p>Grant Thornton were presented with the draft financial statements on 31 May 2014 and accompanying working papers on 9 June 2014 and recognised that the Capita Customer Support Group finance team worked with their audit team effectively throughout the course of</p>

the audit to progress testing and respond to audit queries. They also recognised that the good working papers were provided.

Grant Thornton have not identified any adjustments affecting the Council's financial position. They have identified a number of minor disclosure changes, none of which changed the financial results previously reported in the draft financial statements (published on 31st May 2014) or the outturn reported to the Performance and Contracts Committee on 11th June 2014.

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

Grant Thornton are presenting their Audit Findings Report to the Council's Pension Fund Committee on 29th July. Grant Thornton expect to give an unqualified opinion on the pension fund accounts.

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.

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 along with the final audited Statement of Accounts 2013/14. To assist Members in reviewing the external auditor's comments the draft Statement of Accounts 2013/14 can be found at:

[http://www.barnet.gov.uk/download/downloads/id/3545/draft\\_statement\\_of\\_accounts\\_201314](http://www.barnet.gov.uk/download/downloads/id/3545/draft_statement_of_accounts_201314) and the Pension Fund accounts can be found in Appendix A.



## **Recommendations**

- 1. That the Committee approve the audited Statement of Accounts and Pension Fund for 2013/14 and they be signed by the Chairman and the Chief Operating Officer/Director of Finance on behalf of the Council and the associated Letter of Representations.**
- 2. That the matters raised by the external auditor relating to detailed aspects of the 2013/14 accounts audit, including the pension fund accounts, be noted.**
- 3. That the officer response to matters raised by the external auditor be noted.**
- 4. That the Committee consider whether there are any areas on which they require additional information or action.**
- 5. That the Committee, following approval of the recommendations above and the Annual Governance Statement (considered elsewhere on the agenda) approve the Chief Operating Officer/Director of Finance to amalgamate the three documents and to publish these as one consolidated 'Statement of Accounts 2013/14'.**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 Under Section 151 Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs. Additionally in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts. The final report of the auditors will be provided at the meeting

### **2. REASONS FOR RECOMMENDATIONS**

- 2.1 So that the Council can meet its legal obligation to produce Audited statement of accounts including its Pension Fund.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None

### **4. POST DECISION IMPLEMENTATION**

- 4.1 None

### **5. IMPLICATIONS OF DECISION**

#### **5.1 Corporate Priorities and Performance**

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".

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

5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2014 and its Pension Fund to the same date.

### **5.3 Legal and Constitutional References**

5.3.1 Section 151 Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs

5.3.2 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.

5.3.3 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".

### **5.4 Risk Management**

5.4.1 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.

### **5.5 Equalities and Diversity**

5.5.1 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

### **5.6 Consultation and Engagement**

5.6.1 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".

## **6. BACKGROUND PAPERS**

6.1 None.

## Pension Fund Account

	Note	2013/14		2012/13	
		£000's	£000's	£000's	£000's
<b>Contributions and Benefits</b>					
Contributions Receivable	3	52,207		53,999	
Transfer in	4	2,591		2,670	
Other income		24			
		<u>54,822</u>	<u>54,822</u>	<u>56,669</u>	<u>56,669</u>
Benefits Payable Account	5	44,874		43,648	
Payments to and on behalf of Leavers	6	3,818		2,636	
Administrative Expenses	7	1,088		1,023	
		<u>49,780</u>	<u>49,780</u>	<u>47,307</u>	<u>47,307</u>
<b>Net additions from dealings with members</b>					
			5,042		9,362
<b>Return on investments</b>					
Investment income	8	58		68	
Change in market value of investments	9	27,963		78,273	
Investment management expenses	11	(1,620)		(1,851)	
<b>Net returns on investments</b>		<u>26,402</u>	<u>26,402</u>	<u>76,490</u>	<u>76,490</u>
<b>Net increase in the fund during the year</b>					
			<u>31,444</u>		<u>85,852</u>

<b>Net Assets of the Scheme</b>		2013/14 £000's	2012/13 £000's
At 1 April		798,337	712,485
At 31 March		<u>829,782</u>	<u>798,337</u>

<b>Net Assets Statement</b>	Note	2013/14 £000's	2012/13 £000's
Investment assets	9	819,561	791,598
Current assets	12	12,990	13,788
Current liabilities	13	(2,769)	(7,049)
		<u>829,782</u>	<u>798,337</u>

## Notes to the Pension Fund Accounts for the year ended 31 March 2014

### 1. Introduction

The London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by the London Borough of Barnet (LBB) and the Council is the reporting entity for the Fund.

The day to day administration of the fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer and Director of Finance of the Council.

Further details of the management, operation and investment objectives of the fund are provided in the Fund's Annual Report for 2013/14, the Actuary's report (contained in Appendix 2 to these accounts), the Superannuation Act 1972 and the LGPS regulations which provide the underlying statutory powers underpinning the scheme.

#### General

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of LBB and those bodies admitted to the Fund referred to as "members". The benefits include not only retirement pensions, but also widows pensions, death grants and lump sum payments.

The Fund is financed by contributions from members, employees and the interest and dividends from the Fund's investments. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities allowing for future increases in pay and pensions.

The Fund's accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council.

#### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements (except teachers, who have a separate scheme). Organisations participating in the Fund are set out below and are classed as admitted and scheduled bodies:

#### **Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation; these include organisations undertaking a local authority function following the outsourcing of that service:**

BEAT (The Music Service)	Mears Group
Birkin Services	NSL Ltd
Birkin - St. James	
Blue 9 Security	Personnel and Care Bank
Fremantle Trust (2)	Viridian Housing
Friends Moat Mount	
Capita CSG (Customer & Support Group)	
Capita RE (Regional Enterprise)	
Go Plant Hire	
Housing 21 (2)	
London Care	

(employers with deferred members and pensioners but no active members)

Barnet Voluntary Service Council  
Enterprise Cleaning

Barnet MENCAP  
KGB Cleaning Services Ltd.

**Scheduled Bodies –local authorities and similar bodies whose staff are automatically entitled to be members of the Fund:**

Alma Primary	London Academy
Archer Academy	Mapledown School
Ashmole	Martin Primary School
LB Barnet	Mathilda Marks
Barnet College	Menorah Foundation
Barnet Homes	Middlesex University
Barnfield School	Mill Hill County School
Bishop Douglass	Monkfrith School
Broadfields Primary	Osidge School
Christ Church	Parkfield Primary School
Christ College	Queen Elizabeth Boys
Compton School (Academy)	Queen Elizabeth Girls
Copthall School (Academy)	Rimon Jewish Primary
Danegrove School	Rosh Pinah
Deansbrook Junior	St. Andrew the Apostle School
Dollis Junior	St James' Catholic High School
East Barnet School	St John's & St Mary's Primary
Etz Chaim Jewish Primary	St Michael's Grammar
Fairway School	The Hyde
Finchley Catholic	Totteridge Academy
Friern Barnet School	Underhill Infant
Gravesnor Avenue Primary (Academy)	Whitefield School
Hasmonean High	Woodhouse College
Hendon School	Wren Academy
Henrietta Barnett	Your Choice Barnet Ltd
Independent Jewish Day School	

Contributions made by employees are tiered, related to salary and they range from 5.5% to 7.5%. These rates are applicable to all employees including manual workers.

The number of employees contributing to the fund increased during the year from 6,660 to 7,802 at 31 March 2014\*. During the same period the number of pensioners decreased from 6,772 to 6,727 and the number of deferred pensioners increased from 7,977 to 8,427.

\*The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2014; including the comparative figures. An analysis of membership movement in the year is provided in note 19 of these accounts.

A government scheme supplies teachers' pensions and as such they are not provided for under these arrangements.

## **2. Accounting Policies**

### **Accounting Standards**

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and follow the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes supported by International Financial Reporting Standards (IFRS).

## **Basis of Preparation**

### **Accruals Concept**

The financial statements are prepared on an accruals basis except in the case of transfer values, which are debited or credited in the year of payment or receipt in accordance with recommended practice. Investment income is taken into account where dividends are declared but not paid at the financial year end.

The financial statements summarise the transactions of the scheme and the net assets of the fund. The financial statements do not take account of liabilities to pay pension and other benefits after the financial year end. The actuarial position of the scheme, which does take account of such obligations, is dealt with in note 16 and these financial statements should be read in conjunction with them.

Investments are shown in the Net Asset Statement at Fair Value. Fair Value has been determined as:

- a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2013.
- b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2013.
- c) Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction and in the financial statements at the rates prevailing on 31 March 2013.
- d) Withholding tax reclaims received for accumulation funds and all changes in value, including reinvested income and growth in the value of the underlying securities are aggregated and shown as changes in market value of the investments in the Fund Account.

### **Sale and Purchase of Investments**

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading (the costs of acquiring investments are included in the value of the assets). The main fund managers are: Schroder Investment Management, Newton with the remaining funds held with Legal and General.

Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund managers analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. The fund does not participate in stock lending arrangements.

### **Administration Expenses**

Administration expenses are calculated as a percentage of the London Borough of Barnet's expenses plus the direct costs of the Pensions section within the Human Resources Department.

### **Benefits Payable**

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme. Benefits are accounted for in the period in which they fall due. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

### Contribution Income

Normal contributions both from the members and from the employer are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classified as a current financial asset.

### Investment Income

- i. **Interest Income:** Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination. Income includes the amount of any amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis
- ii. **Dividend Income:** Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- iii. **Distribution from pooled funds:** Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- iv. **Movement in the net market value of investments:** Changes in the net market value of investments are recognised as income and comprise all realised profits/losses during the year.

### Cash and cash equivalents accounting policy

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### Related party disclosure

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the London Borough of Barnet Pension Fund.

### Taxation

The Fund is an exempt approved fund and therefore not liable for UK income tax or capital gains tax. As the London Borough of Barnet is the administering authority of the fund, VAT input tax is recoverable on all fund activities.

Taxation agreements exist between Britain and a number of countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable varies from country to country. Non-recoverable deductions are classified as withholding tax.

## Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included in investment management expenses.

## Assumptions made about the future and other major sources of uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However as balances cannot be determined with certainty, actual result could be materially different as follows:

## Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are protected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied

### 3. Contributions Receivable

	2013/14 £000's	2012/13 £000's
<b>Employers</b>		
Council	22,759	22,654
Scheduled bodies	16,493	16,968
Admitted bodies	2,930	4,729
	<b>42,182</b>	<b>44,351</b>
<b>Members</b>		
Council	5,110	5,581
Scheduled bodies	3,988	3,713
Admitted bodies	927	354
	<b>10,025</b>	<b>9,648</b>
<b>Total Contributions</b>	<b>52,207</b>	<b>53,999</b>

### 4. Transfers In

	2013/14 £000's	2012/13 £000's
Individual transfers in from other schemes	2,591	2,670

### 5. Benefits Payable

	2013/14 £000's	2012/13 £000's
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Pensions	<b>38,106</b>	36,364
Commutations and lump sum payments	<b>5,783</b>	6,361
Lump sum death benefits	<b>985</b>	923
	<b>44,874</b>	43,648

## 6. Payments to and on Account of Leavers

	2013/14 £000's	2012/13 £000's
Refunds to members leaving service	<b>8</b>	13
Group transfers to other schemes	-	-
Individual transfers to other schemes	<b>3,810</b>	2,623
	<b>3,818</b>	2,636

## 7. Administrative Expenses

	2013/14 £000's	2012/13 £000's
Administration and processing	<b>957</b>	923
Actuarial fees	<b>100</b>	66
Audit fees	<b>31</b>	20
	<b>1,088</b>	1,009

All other costs of administration are borne by the London Borough of Barnet.

## 8. Investment Income

	2013/14 £000's	2012/13 £000's
Income from property unit trusts	-	-
Interest on cash deposits	<b>25</b>	26
Other income	<b>33</b>	42
	<b>58</b>	68
Irrecoverable withholding tax	-	-
Total investment income	<b>58</b>	68

## 9. Investments

2013/14	Value at 1/4/2013	Purchases at Cost	Sales Proceeds	Unrealis -ed gain	Change in Market Value	Value at 31/3/2014
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	£000's	£000's	£000's	£000's	£000's	£000's
Pooled investment vehicles	<b>790,106</b>	<b>6,887</b>	<b>(6,300)</b>	<b>68</b>	<b>27,963</b>	<b>818,587</b>
	<b>790,106</b>	<b>6,887</b>	<b>(6,300)</b>	<b>68</b>	<b>27,963</b>	<b>818,587</b>
Cash Deposits	<b>1,492</b>					<b>974</b>
	<b>791,598</b>					<b>819,561</b>

2012/13	Value at 1/4/2012	Purchases at Cost	Sales Proceeds	Unrealised losses	Change in Market Value	Value at 31/3/2013
	£000's	£000's	£000's	£000's	£000's	£000's
Pooled investment vehicles	702,409	23,033	(13,136)	(473)	78,273	790,106
	702,409	23,033	(13,136)	(473)	78,273	790,106
Cash Deposits	1,221					1,492
	<b>703,630</b>					<b>791,598</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year as any income attributed to the unitised funds are reinvested and accounted for as a change in market value as opposed to income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. There are also transaction costs incurred on behalf of the unitised funds, but these are reflected in the unit cost. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

All the financial instruments of the fund are classified as level 1, where their fair values are derived from unadjusted quoted prices for identical assets or liabilities. The carrying value of investments is not materially different to their fair value. The carrying amount of investments held under management by the Fund's investment managers at year end including cash deposits totalled £819.561 million. This was split as follows:

Investment Portfolio	2013/14	
	£000's	%
Schroder Investment Management	<b>375,269</b>	<b>45.8</b>
Newton Investment Management	<b>383,452</b>	<b>46.8</b>
Legal & General	<b>60,840</b>	<b>7.4</b>
	<b>819,561</b>	<b>100.0</b>

## Major Investments

The fund investments are all held in pooled funds. The following investments represent more than 5% of the net assets of the scheme:

Value £000's	2012/13 as % of investment assets	
<b>252,864</b>	<b>31.94</b>	Newton Real Return Fund
<b>118,908</b>	<b>15.02</b>	Newton Long Corporate Bond Fund
<b>243,716</b>	<b>30.79</b>	Schroder Life Diversified Growth Fund
<b>113,904</b>	<b>14.39</b>	Schroder All Maturities Corporate Bond Fund
<b>40,214</b>	<b>5.08</b>	Legal and General Index Linked Tracker Fund
<b>769,606</b>		

Value £000's	2013/14 as % of investment assets
<b>257,787</b>	<b>31.45</b>
<b>120,499</b>	<b>14.7</b>
<b>256,539</b>	<b>31.3</b>
<b>118,081</b>	<b>14.41</b>
<b>43,305</b>	<b>5.28</b>
<b>796,211</b>	<b>97.14</b>

#### Pooled investment Vehicles

UK Managed funds  
UK Unit Trusts

#### Cash Deposits

Sterling

2013/14 £000's	2012/13 £000's
<b>757,747</b>	732,734
<b>60,840</b>	57,372
<b>818,587</b>	790,106
<b>974</b>	1,492
<b>819,561</b>	791,598

#### Pooled Investment Vehicles

Both Schroders and Newton run their portfolios on a unitised or pooled basis, the underlying economic exposure to asset classes for each manager are detailed below:

<b>Newton as at 31 March 2014</b>	<b>Long Corporate Bond</b>	<b>Long Gilt</b>	<b>Index- Linked Gilt</b>	<b>Global Dynamic Bond</b>	<b>Real Return</b>
<b>EQUITIES</b>					
UK	-	-	-	-	14.7
North America	-	-	-	0.01	17.32
Europe ex UK	-	-	-	-	21.94
Japan	-	-	-	-	1.67
Asia ex Japan	-	-	-	0.11	2.59
Other	-	-	-	0.09	2.03
<b>Total Equities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.21</b>	<b>60.25</b>
<b>FIXED INTEREST</b>					
UK Gilts		91.66	93.21	3.89	0.95
UK Index Linked Gilts	-	-	-	4.05	1.23
UK Corporate Bonds	59.32	2.3	3.99	18.16	1.98
Overseas Government Bonds		1.87		26.6	14.79
Overseas Corporate Bonds	37.49	2.27	1.13	40.65	9.54
Overseas Index Linked Corporate Bonds		1.9	1.13		0.44
<b>Total Fixed Interest</b>	<b>96.81</b>	<b>100</b>	<b>99.46</b>	<b>93.35</b>	<b>28.93</b>
<b>OTHER ASSETS</b>					
Commodities	-	-	-	-	2.82
Derivatives	-	-	-	-9.49	0.05
Other assets	-	-	-	-	-
Cash	3.19	-	0.54	15.93	7.95
<b>Total Other Assets</b>	<b>3.19</b>	<b>0</b>	<b>0.54</b>	<b>6.44</b>	<b>10.82</b>
<b>Total Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

	<b>Schroder Diversified Growth Fund</b>	<b>Schroder All Maturities Corporate Bond</b>
<b>Equities</b>		
Schroder QEP Global Dynamic Blend Portfolio	17.6	-
Quality Yield Equity Basket	3.2	-
Shareholder Focus Basket	2	-
Schroder European Alpha Plus Fund	3	-
Schroder ISF Asian Equity Yield	2.3	-
Passive Equities	23.2	-
	<b>51.3</b>	<b>-</b>
<b>Commodities</b>		
ETF Gold	1.9	-

Schroder ISF Global Energy	1.4	-
	<u>3.3</u>	-
High Yield Debt		
Schroder ISF Global High Yield	4.4	-
Schroder High Yield Portfolio	2.6	-
	7	-
Emerging Market Bonds		
Stone Harbor Emerging Debt Fund	1	-
Stone Harbor Emerging Local Debt Fund	0.8	-
	<u>1.8</u>	-
Property		-
Schroder UK Property Fund	<u>3</u>	-
Absolute Return		
Schroder ISF Emerging Market Debt	5	-
Schroder GAIA Sirios US Equity	2	-
Bespoke Hedge Fund Portfolio	1.9	-
Diversified Trend Strategy	1.8	-
Gam Star Global Rates	1	-
Henderson UK Absolute Return Fund	1	-
Brevan Howard Macro	0.7	-
	<u>13.4</u>	-
Infrastructure		
John Laing Infrastructure Limited International Public Partnerships Ltd	1.5	-
HICL Infrastructure Company Limited	1.2	-
Bilfinger Berger Global infrastructure	0.7	-
	<u>0.5</u>	-
	<u>3.9</u>	-
Other Assets		
Private Equity	0.9	-
Asset Backed Securities Portfolio	3.9	-
RWC Global Convertibles Fund	1.9	-
M & G European Loan Fund	0.4	-
Invesco US Senior Loan Fund	0.5	-
Insurance-Linked Securities	3	-
Cash	5.7	-
Securitized	-	14.77
Government Related	-	8.64

Corporate	-	57.38
Cash	-	19.21
		<hr/>
	100.00	100.00
<b>Total</b>		<hr/>

## 10. AVC Investments

The Authority holds assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVC).

Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year.

2013/14 AVC Investments	2012/13 £000's	Contributions £000's	Income £000's	Expenditure £000's	2013/14 £000's
<b>Aviva /Norwich Union</b>	<b>681</b>	<b>15</b>	<b>21</b>	<b>-</b>	<b>717</b>
<b>Prudential</b>					
With Profits	532	79	25	(77)	559
Deposit	325	82	2	(19)	390
Unit Linked	665	120	26	(48)	763
<b>Total Prudential AVCs</b>	<b>1,522</b>	<b>281</b>	<b>53</b>	<b>(144)</b>	<b>1,712</b>
<b>Total AVC's</b>	<b>2,203</b>	<b>296</b>	<b>74</b>	<b>(144)</b>	<b>2,429</b>

2012/13 AVC Investments	2011/12 £000's	Contributions £000's	Income £000's	Expenditure £000's	2012/13 £000's
<b>Aviva /Norwich Union</b>	<b>648</b>	<b>20</b>	<b>13</b>	<b>-</b>	<b>681</b>
<b>Prudential</b>					
With Profits	507	84	26	(85)	532
Deposit	289	63	2	(29)	325
Unit Linked	448	99	131	(13)	665
<b>Total Prudential AVCs</b>	<b>1,244</b>	<b>246</b>	<b>159</b>	<b>(127)</b>	<b>1,522</b>
<b>Total AVC's</b>	<b>1,892</b>	<b>266</b>	<b>172</b>	<b>(127)</b>	<b>2,203</b>

The Aviva Additional Voluntary contributions in respect of 2013/14 are partly estimates pending the provision of final valuations by the provider based on 2012/13 actual.

## 11. Investment Management Expenses

2013/14

2012/13

	£000's	£000's
Administration, management and custody	1,547	1,796
Performance Measurement Services	8	11
Other advisory fees	65	44
	<b>1,620</b>	<b>1,851</b>

## 12. Current Assets

	2013/14 £000's	2012/13 £000's
Contributions due from employers in respect of		
Employer contributions	1,292	1,121
Member contributions	354	225
Sundry Debtors	2,180	2,348
Cash Balances	9,164	10,095
	<b>12,990</b>	<b>13,789</b>

## 13. Current Liabilities

	2013/14 £000's	2012/13 £000's
Unpaid Benefits	369	794
Unsettled Purchases	-	27
Accrued Expenses	2,400	6,214
	<b>2,769</b>	<b>7,035</b>

## 14. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2010 and reviewed at least annually, sets out the Fund's policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at:

[https://www.barnet.gov.uk/downloads/download/144/statement\\_of\\_investment\\_principles\\_oct\\_2010](https://www.barnet.gov.uk/downloads/download/144/statement_of_investment_principles_oct_2010)

## 15. Related Party Transactions

Fund administration expenses payable to the administrating authority, the London Borough of Barnet are outlined below

	2013/14 £000's	2012/13 £000's
Human Resources	580	451
Accountancy Administration	352	401
	<b>932</b>	<b>852</b>

The costs of payroll support are included in the Human Resources Recharge. Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key

management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the London Borough of Barnet Pension Fund.

## 16. Actuarial Valuation

Barnett Waddingham LLP undertook a formal actuarial valuation of the fund as at 31 March 2013, in accordance with the Local Government Superannuation Regulations 1986. The actuarial valuation calculates the contribution rate payable by Authority, as an employer, to meet the Administering Authority's funding objectives. The actuarial method used by the Actuary is known as the "projected unit credit method".

The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

<b>Assumption</b>	<b>Rate</b>
Future pension increases	2.8%
Future salary increases	4.6%
Price inflation	3.5%
Risk adjusted discount rate	6.1%

The 2013 valuation actuarially assessed the value of the Fund's assets as, being sufficient to meet 79% of the Fund's liabilities. This corresponded to a deficit of £211 million. The latest valuation as at 31<sup>st</sup> March 2014 as per the requirements of IAS26 is attached. The figures below relate to the FRS17 valuation as at 31<sup>st</sup> March 2013, and are given for comparison;

<b>Assumption</b>	<b>Rate</b>
Assumed retail price inflation (RPI)	3.5%
Assumed customer price inflation (CPI)	2.7%
Salary increases	4.5%
Pension increases	2.7%
Discount rate	4.4%

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 18 March 2014.



## 17. Classification of Financial Assets

The following table analyses the carrying amounts of financial assets and liabilities, (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

<b>31 March 2014</b>	<b>Designated as fair value through profit and loss £'000</b>	<b>Loans and receivables £'000</b>	<b>Financial liabilities at amortised cost £'000</b>
<b>Financial Assets</b>			
Pooled Investments	818,517	-	-
Pooled Property	-	-	-
Cash Deposits	-	10,138	-
Investment income due	-	-	-
Debtors	-	2,180	-
<b>Financial Liabilities</b>			
Creditors	-	-	(2,349)
	<b>818,517</b>	<b>12,318</b>	<b>(2,349)</b>
<b>31 March 2013</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial Assets</b>			
Pooled Investments	790,106	-	-
Pooled Property	-	-	-
Cash Deposits	-	11,589	-
Investment income due	-	-	-
Debtors	-	2,348	-
<b>Financial Liabilities</b>			
Creditors	-	-	(7,049)
	<b>790,106</b>	<b>13,937</b>	<b>(7,049)</b>

## 18. Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments and fixed interest securities. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

### Overall procedures for managing risk

The principal powers to invest are contained in the Local Government Pension scheme (Management and Investment of Funds) regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money.

The Administering Authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

The Pension Funds has prepared a Statement of Investment Principles which sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of

Pension Fund investments managed by external Investment Managers is compared to benchmark returns.

### Credit and counterparty risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund. The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by review of the Managers annual internal control reports to ensure that Managers exercise reasonable care and due diligence in its activities for the Pension Fund.

The Pension Fund investment assets are held in pooled funds by Custodians who have acceptable credit ratings determined by three Credit rating agencies. As at 31 March 2014 working capital was held in the Pension Fund Bank account with the Co-operative Bank and, in a call account with the Bank of Scotland, in accordance with the Council's Treasury management strategy credit rating criteria.

	Long Term Credit Rating	Source	Holding 31/3/2014 £'000	Holding 31/3/2013 £'000
Schroder Group JP Morgan (Schroder Custodian)	AA3 AA-	Moody's Standard and Poors	<b>375,269</b>	<b>358,204</b>
Newton –Bank of New York Mellon (Parent)	A+	Standard and Poors	<b>383,452</b>	<b>376,022</b>
Bank of Scotland	A1	Moody's	<b>8,779</b>	-
Co-operative Bank	BBB+	Fitch	<b>155</b>	<b>10,097</b>

### Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension fund has a comprehensive cash flow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument can fluctuate because of changes in market prices.

The Pension fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with local Government Pension Scheme (Management and Investment of Funds) regulations 2009.

Details of these can be found in the Pension fund's Statement of Investment Principles.

As the Pension Fund's Multi Asset Strategy does not provide a breakdown by asset class, following analysis of historical data and in consultation with the fund adviser, sensitivity analysis is based on an assumed a 10% volatility for pooled assets and 1% for cash.

#### 2013/14

Asset Type	Market Value 31.3.2014 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
<b>Pooled Investments</b>	<b>818,587</b>	<b>10.0</b>	<b>900,445</b>	<b>736,728</b>
<b>Cash Deposits</b>	<b>9,164</b>	<b>1.0</b>	<b>10,239</b>	<b>10,037</b>

#### 2012/13

Asset Type	Market Value 31.3.2013 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	<b>791,598</b>	<b>10.0</b>	<b>870,758</b>	<b>712,438</b>
Cash Deposits	<b>10,095</b>	<b>1.0</b>	<b>10,196</b>	<b>9,994</b>

#### Exchange rate risk

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies. This risk is managed by holding the fund assets in Sterling.

#### Refinancing risk

The key risk is that the Pension Fund will be required to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Pension Fund does not have any financial instruments that carry a refinancing risk.

## 19. Membership of the Pension Fund

	2013/14
<b>Employees</b>	
Number of Employees at 31/03/2013	6,660
Employees joining during the year	1,916
	8,576
Members leaving during the year:	
Normal retirements	113
Ill-health retirements	8
Deaths in service	8
Refunds of Contributions	47
Deferred pensions	598
	-774
<b>Number of Employees at end of year</b>	<b>7,802</b>
<b>Pensioners</b>	
Number of Pensioners at start of year	3,772
New pensioners during the year:	
Normal retirements	154
Ill-health retirements	0
Dependants' pensions	64
Deferred pensions becoming payable	101
	319
Deaths/dependants ceasing to be eligible	-364
	<b>6,727</b>
<b>Deferred Pensioners</b>	
Number of Deferred Pensioners at start of year	7,977
New deferred pensioners during the year:	637
	8,614
Deferred Pensioners leaving the fund during the year:	
Normal retirements	95
Ill-health retirements	0
Transferred	78
Back to active status	0
Deaths	14
	-187
<b>Number of Deferred Pensioners at end of year</b>	<b>8,427</b>
<b>Total Membership at 31 March 2014</b>	<b>22,956</b>

## 20. Events after the Balance Sheet date

Since the Balance Sheet date of 31 March 2014, there have been no post balance sheet events to report. The only non-adjusting event that is reported is the latest market value of the total externally managed investments of the Fund which increased slightly from £819.561 million to £822.262 million (as valued at 31 May 2014). This represents an increase of £2.7 million.

Barnett Waddingham  
Public Sector Consulting

29 May 2014



# Contents

1.	<a href="#">Introduction</a>	.....
2.	<a href="#">Valuation Data</a>	.....
	<a href="#">Data Sources</a>	.....
	<a href="#">Fund Membership Statistics</a>	.....
	<a href="#">Assets</a>	.....
	<a href="#">Unfunded Benefits</a>	.....
3.	<a href="#">Actuarial Methods and Assumptions</a>	.....
	<a href="#">Valuation Approach</a>	.....
	<a href="#">Demographic/Statistical Assumptions</a>	.....
	<a href="#">Financial Assumptions</a>	.....
	<a href="#">Expected Return on Assets</a>	.....
4.	<a href="#">Results and Disclosures</a>	.....
	<a href="#">Appendix 1</a> <a href="#">Balance Sheet Disclosure as at 31 March 2014</a>	.....
	<a href="#">Appendix 2</a> <a href="#">Asset and Benefit Obligation Reconciliation for the year to 31 March 2014</a>	.....

## Introduction

We have been instructed by the London Borough of Barnet, the Administering Authority to the London Borough of Barnet Pension Fund (“the Fund”), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (“the LGPS”) to members of the Fund as at 31 March 2014.

This report is addressed to the Administering Authority and its advisers; in particular, this report is likely to be of relevance to the Fund’s auditor.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

## Valuation Data

### Data Sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from the London Borough of Barnet.

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2014.

Estimated Fund returns based on assets used for the purpose of the funding valuation as at 31 March 2013 and a Fund asset statement as at 31 March 2014.

- Details of any new early retirements for the period to 31 March 2014 that have been paid out on an unreduced basis, which are not anticipated in the normal Employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data.

### Fund Membership Statistics

The table below summarises the membership data, as at 31 March 2013.

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	6,702	141,943	47
Deferred Pensioners	8,992	14,264	46
Pensioners	6,738	33,831	71



## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 4%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for London Borough of Barnet Pension Fund as at 31 March 2014 is as follows:

Employer Asset Share - Bid Value	31 March 2014		31 March 2013	
	£000's	%	£000's	%
Equities	563,734	68%	545,151	68%
Gilts	0	0%	0	0%
Other Bonds	256,996	31%	248,525	31%
Cash	8,290	1%	8,017	1%
<b>Total</b>	<b>829,020</b>	<b>100%</b>	<b>801,693</b>	<b>100%</b>

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2014 is likely to be different from that shown due to estimation techniques.

From the information we have received from the administering authority, we understand that of the total Fund at 31 March 2014;

- Of the Equities allocation above, 46% is invested in the BNY MFM Ltd Newton Real Return 'X' Acc Fund, 46% in the Schroder Pension Management Ltd SIM Life Diversified Growth Fund, and 8% in the Legal & General Index Linked Tracker Fund - (World (Ex UK) Equity Index).
- The Other Bonds allocation consists of 47% in the BNY MFM Ltd Newton Long Corp Bond 'X' (Acc) GR Fund, 1% in the BNY MFM Ltd Newton Global Dynamic Bond 'X' (Acc), 45% in the Schroder All Maturities Corp Bond Fund, and 7% in the Legal & General Active Corporate Bond - All Stock – Fund.
- A small amount of the Fund, less than 0.5% is invested in BNY MFM Ltd Newton Long Gilt Fund 'X' (Acc) GR (43%) and BNY MFM Ltd Newton Index Linked Gilt 'X' (Acc) GR Fund (57%).

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the Administering Authority is contacted in the first instance.

## Unfunded Benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Pension Fund.

## Actuarial Methods and Assumptions

### Valuation Approach

To assess the value of the Fund's liabilities at 31 March 2014, we have rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Scheme or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2014 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2014 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

### Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are;

Life Expectancy from age 65 (years)	31 March 2014	31 March 2013
Retiring today		
Males	22.0	20.1
Females	24.3	24.1
Retiring in 20 years		
Males	24.1	22.1
Females	26.7	26.0

We have also made the following assumptions:

Members will exchange half of their commutable pension for cash at retirement;

Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;

10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

## Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows:

Assumptions as at	31 March 2014		31 March 2013		31 March 2012	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.5%	-	3.4%	-	3.3%	-
CPI increases	2.7%	-0.8%	2.6%	-0.8%	2.5%	-0.8%
Salary Increases	4.5%	1.0%	4.8%	1.4%	4.7%	1.4%
Pension Increases	2.7%	-0.8%	2.6%	-0.8%	2.5%	-0.8%
Discount Rate	4.4%	0.9%	4.6%	1.2%	4.6%	1.3%

These assumptions are set with reference to market conditions at 31 March 2014.

Our estimate of the duration of the Fund's liabilities is 17 years.

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 17 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so, in the past, we have made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so we have made no such deduction at 31 March 2014. The RPI assumption is therefore 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.7%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

### **Expected Return on Assets**

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

## Results and Disclosures

The results of our calculations for the year ended 31 March 2014 are set out in Appendix 1. We estimate that the net liability as at 31 March 2014 is a liability of £515,554,000.

In addition, Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures presented in this report are prepared only for the purposes of IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.



**Anna Short FFA  
Associate**

## Appendix 1 Balance Sheet Disclosure as at 31 March 2014

Net Pension Asset as at	31 Mar 2014	31 Mar 2013	31 Mar 2012
	£000's	£000's	£000's
Present Value of Funded Obligation	1,344,574	1,305,450	1,212,469
Fair Value of Scheme Assets (bid value)	829,020	801,693	716,032
<b>Net Liability</b>	<b>515,554</b>	<b>503,757</b>	<b>496,437</b>

\*Present Value of Funded Obligation consists of £1,214,083,000 in respect of Vested Obligation and £130,491,000 in respect of Non-Vested Obligation.

## Appendix 2 Asset and Benefit Obligation Reconciliation for the year to 31 March 2014

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to	Year to
	31 Mar 2014	31 Mar 2013	31 Mar 2013
	£000's	£000's	£000's
		(had the revised IAS19 standard applied)	disclosed
<b>Opening Defined Benefit Obligation</b>	<b>1,305,450</b>	<b>1,212,469</b>	<b>1,212,469</b>
Current Service cost	40,544	37,366	37,366
Interest cost	59,331	55,136	55,136
Change in financial assumptions	49,856	28,011	combined below
Change in demographic assumptions	(21,008)	-	combined below
Experience loss/(gain) on defined benefit obligation	(56,965)	-	combined below
Total Actuarial losses (gains)	separated above	separated above	28,011
Losses (gains) on curtailments	combined below	combined below	1,565
Liabilities assumed / (extinguished) on settlements	-	-	-
Estimated benefits paid net of transfers in	(44,332)	(38,759)	(38,759)
Past service cost	combined below	combined below	-
Past service costs, including curtailments	1,671	1,565	separated above
Contributions by Scheme participants	10,027	9,662	9,662
Unfunded pension payments	-	-	-
<b>Closing Defined Benefit Obligation</b>	<b>1,344,574</b>	<b>1,305,450</b>	<b>1,305,450</b>

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to	Year to	Year to
	31 Mar 2014	31 Mar 2013	31 Mar 2013
	£000's	£000's	£000's
		(had the revised IAS19 standard applied)	disclosed
<b>Opening fair value of Scheme assets</b>	<b>801,693</b>	<b>716,032</b>	<b>716,032</b>
Expected return on scheme assets	n/a	n/a	38,566
Interest on assets	36,959	33,098	n/a
Return on assets less interest	(8,831)	46,824	n/a
Other actuarial gains/(losses)	(3,475)	-	n/a
Total Actuarial gains/(losses)	n/a	n/a	40,020
Administration expenses	(914)	(1,336)	n/a
Contributions by employer including unfunded	37,893	36,172	36,172
Contributions by Scheme participants	10,027	9,662	9,662
Estimated benefits paid plus unfunded net of transfers in	(44,332)	(38,759)	(38,759)
Settlement prices received / (paid)	-	-	-
<b>Closing Fair value of Scheme assets</b>	<b>829,020</b>	<b>801,693</b>	<b>801,693</b>





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# The Audit Findings for the London Borough of Barnet

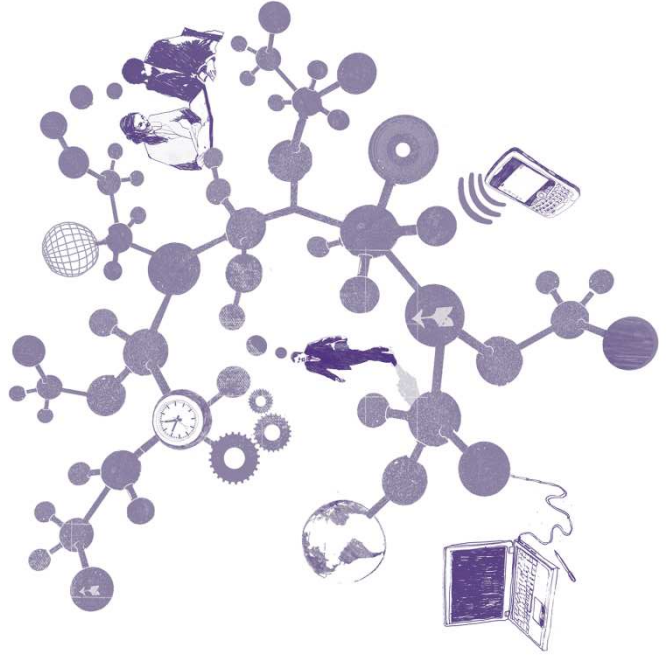
**Year ended 31 March 2014**

11 July 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

## Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	5
2. Audit findings	9
3. Value for Money	21
4. Fees, non audit services and independence	32
5. Communication of audit matters	34
<b>Appendices</b>	
A Action plan	
B Draft audit opinion	
C Draft letter of representation	

## Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

## Executive summary

### Purpose of this report

This report highlights the key matters arising from our audit of London Borough of Barnet's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting ('the Code'). We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

### Introduction

In the conduct of our audit we have not had to change our planned audit approach, which we communicated to you in our Audit Plan dated 29 April 2014. We received draft financial statements and accompanying working papers at the start of our audit on 9 June 2014, in accordance with the agreed timetable. The Council's finance team has worked effectively with our audit team throughout the course of the audit to progress testing and has responded promptly to all audit queries promptly.

Our audit is substantially complete although we are finalising our work in the following areas:

- HRA rental revenue, Council Tax, NNDR and Operating expenses audit procedures

- initial DWP certification testing
- our internal review process
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- certification of the Council's Whole of Government Accounts return.

The CSG contract started in the middle of the year and resulted in the outsourcing of the finance function to Capita. With this change in arrangements it has been important for the audit team to work closely with the Capita finance team to enable the timetable for an early accounts sign off to be met. This represented a significant risk to the Council and we are pleased to report that the changes in arrangements have not impacted on the delivery of the audit with a timetable for completion 2 months in advance of the national deadline.

### Key issues arising from our audit

#### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements by the end of July, in line with the timetable for early audit completion agreed with the Council.

At the time of writing, we have not identified any adjustments affecting the Council's reported financial position. The draft financial statements recorded net income of £50,576k and currently this remains unchanged. We have identified a number of minor amendments to improve the presentation of the financial statements (details are recorded in section 2 of this report).

The key messages arising from our audit of the Council's financial statements are:

- We have tested in detail the accounting treatment of the CSG contract with Capita to ensure that it is correctly recognised within the accounts. No issues have been noted from the review completed.
- As part of our review of asset valuations, we identified that the Council has a different interpretation of the new Code requirements regarding the regularity of revaluations. Our view of the guidance is that whole classes of assets should be revalued within a single year to avoid reporting a mixture of values at different dates. The Council interprets that a rolling programme of revaluations is sufficient on the basis of the Code requirement allowing for rolling revaluations over a 'short period' of three to five years. Whilst we have highlighted this difference in interpretation we are satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material
- We have completed initial Department of Work and Pensions certification testing of 60 individual benefits cases across all award types and have identified one error, with the review of 3 cases still being finalised. Whilst we are still trying to quantify the full extent of these errors, they are not considered to be material in relation to the financial statements. We will, however, be required to complete additional 40+ testing as part of our grant certification process.
- We have reported in detail on the pension fund audit within the separate Audit Findings Report to Audit Committee.

Further details are set out in section 2 of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.



## Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any significant control weaknesses, but we draw your attention to some control issues in relation to the IT control environment (please see section 2 of this report) that, while unlikely to lead to a material misstatement in the financial statements, we nevertheless consider important and are therefore reporting them to you.

We note that the Council's overall control environment, as measured by Internal Audit's programme of work, has remained good and the Head of Internal Audit has again given 'satisfactory' assurance on the effectiveness of the Council's overall control framework.

This performance is positive and has been achieved by Council officers in a year involving significant structural change with the outsourcing of back office functions, including finance, to Capita. Management must continue to focus on maintaining the controls in place as a number of systems undergo further changes.

## The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed and agreed with the Council's Chief Operating Officer and the finance team.

## Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team, the housing benefits team and other Council staff during our audit.

**Grant Thornton UK LLP**  
July 2014

## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

## Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 29 April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

### **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 29 April 2014.

### **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion wording is set out in Appendix B.

## Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	<b>Risks identified in our audit plan</b>	<b>Work completed</b>	<b>Assurance gained and issues arising</b>
1.	<p><b>Improper revenue recognition</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Throughout the course of the audit we have performed the following:</p> <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual and significant transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition. The Council has adopted appropriate accounting policies regarding revenue recognition and our testing supports compliance with the policies.</p>
2.	<p><b>Management override of controls</b> Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<p>Throughout the course of the audit we have performed the following:</p> <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual and significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have undertaken testing on a sample of expenditure invoices throughout the year to gain assurance that expenditure has occurred and has been correctly classified</li> <li>We have undertaken cut off testing</li> <li>We have reviewed large and unusual creditor balances and tested a sample of items</li> </ul>	<p>We are still completing the final areas of audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Employee remuneration</b></p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have undertaken testing on a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment</li> <li>We have completed monthly trend analysis of payments recognised</li> <li>We have undertaken cut off testing</li> <li>We have reviewed senior management remuneration and disclosures</li> <li>We have agreed the pensions liability to third party confirmation</li> </ul>	<p>We are still completing the final areas of audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have completed initial Department of Work and Pensions certification testing of Housing Benefits, including analytical review and verification of benefits awarded on a sample basis</li> <li>We have completed testing of a sample of Council Tax support payments</li> </ul>	<p>Our audit work has included testing 60 cases across all award types. At the time of writing we had identified one error (in relation to HRA rent rebates) and three cases were still to be finalised. The Council's benefit team is carrying out further work around these outstanding cases.</p> <p>The impact of these errors is not considered to be material in relation to the financial statements, but we will be required to complete 40+ testing as part of our grant certification work.</p>
<p><b>Housing Rent Revenue Account</b></p>	<p>Revenue transactions not recorded</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have performed detailed analytical review procedures to gain assurance over the completeness of rental income</li> <li>We has completed testing of a sample of properties listed to verify the completeness of rental income</li> </ul>	<p>We are still completing several areas of audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Property, plant &amp; equipment</b></p>	<p>PPE activity not valid</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have reviewed and tested a sample of additions and disposals</li> <li>We have performed existence testing on a sample of assets</li> <li>We have reviewed the work completed by the Valuations Team, including ensuring that any valuations have been undertaken in accordance within the requirements of the appropriate accounting and professional standards</li> </ul>	<p>As part of our review of asset valuations, we identified that the Council has a different interpretation of the new Code requirements regarding the regularity of revaluations. Our view of the guidance is that revaluations of a whole class of assets should be considered within a single year to avoid reporting a mixture of values at different dates. The Council interprets that a rolling programme of revaluations is sufficient on the basis of the Code requirement allowing for rolling revaluations over a 'short period' (3 to 5 years).</p> <p>We are satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material.</p> <p>We are still completing the final areas of audit testing but, at the time of writing, our audit work has not identified any further significant issues in relation to the risk identified.</p>

## Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>We have reviewed the accounting policies in place with regard to revenue recognition</li> <li>The accounting policy ensures that income for services provided is recognised when, and to the extent that, performance occurs. Grant income is recognised when there is assurance that the Council will comply with any conditions attached to the payments</li> </ul>	<ul style="list-style-type: none"> <li>The revenue recognition policy is in line with the requirements of the Code and accounting standards</li> <li>Testing performed on revenue balances has confirmed that, for the sample selected, the Council has accounted for income in line with the policy</li> </ul>	●
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Judgements and estimates have been considered in the following areas:                             <ul style="list-style-type: none"> <li>Asset valuations</li> <li>Useful economic lives of PPE assets</li> <li>PFI disclosures</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed the work completed by the Valuations Team. This testing has not identified any issues with the individual valuations performed, all of which were found to be in line with appropriate professional standards. However, as part of our review, we identified that the Council has a different interpretation of the new Code requirements regarding the regularity of revaluations. Our view of the guidance is that revaluations of a whole class of assets should be considered within a single year to avoid reporting a mixture of values at different dates. The Council interprets that a rolling programme of revaluations is sufficient on the basis of the Code requirement allowing for rolling revaluations over a 'short period'. We are satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material</li> <li>We completed a review of the useful economic lives of PPE assets and no issues were noted from the testing performed.</li> <li>We reviewed the PFI disclosures and ensured that information presented in the financial statements was in line with the operating model. No issues were noted from the work performed.</li> </ul>	●
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	●

### Assessment

● Inappropriate accounting policy

● Accounting policy subject to interpretation

● Accounting policy appropriate and disclosures sufficient



## Adjusted misstatements

At the time of writing, no significant adjustments to the draft financial statements have been identified during the audit process.

## Misclassifications & disclosure changes

As at the time of writing, the table below provides details of misclassification and disclosure changes identified during the audit which have been made within the financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	-	Note 35 – Audit Costs	<ul style="list-style-type: none"> <li>In line with auditor expectations, following changes to the scale fee made by the Audit Commission, the Council has amended the 2013/14 audit fee disclosed within the financial statements.</li> </ul>
2 Disclosure	-	Note 38 – Related Parties	<ul style="list-style-type: none"> <li>The related parties disclosure has been amended to show the amounts of transactions and any outstanding balances with subsidiaries and joint ventures</li> </ul>
3 Disclosure	-	Note 39 – Capital Expenditure and Capital Financing	<ul style="list-style-type: none"> <li>The note has been restated by the Council to amend the original version submitted within the draft financial statements which was based on incorrect information.</li> </ul>
4 Disclosure	-	Note 46 – Contingent Liabilities	<ul style="list-style-type: none"> <li>In line with auditor expectations, the contingent liabilities note has been updated through the audit process to disclose additional liabilities identified by the legal team.</li> </ul>
5 Disclosure	-	Financial Statements	<ul style="list-style-type: none"> <li>There were a number of minor presentational issues that were identified during the course of our audit. These have been amended in the financial statements.</li> </ul>


## Unadjusted misstatements

At the time of writing, our audit work has not identified any adjustments which we requested be processed, but which have not been made within the financial statements.

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

Assessment	Issue and risk	Recommendations
<b>IT findings:</b>		
<p>1. </p>	<p><b>IT controls</b> As part of our review of IT controls, we identified a number of minor points in relation to the SAP system. These related to access controls in place, which aligns with the results of Internal Audit work. As this system is currently being replaced with a new Integra system, we have reported these points in generic terms to the Council to ensure that they are resolved in the new system. The Council has provided comments against each of these points and as part of our 2014/15 audit work we will be monitoring and reviewing implementation of the new system, which will include consideration of the points raised.</p>	<ul style="list-style-type: none"> <li>The Council should ensure that all points raised following the review of the SAP system are considered as part of the new Integra system.</li> </ul>

**Assessment**

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

Issue	Commentary
<p><b>1. Matters in relation to fraud</b></p>	<ul style="list-style-type: none"> <li>We have discussed the risk of fraud with the Council's management including the Operational Assurance Assistant Director who oversees the delivery of the Council's counter-fraud work programme. We note the fraud investigations the Council has undertaken during the year, details of which it has reported to the Audit Committee and to the Audit Commission as part of its annual fraud and corruption survey of local councils. We do not consider that the frauds identified in 2013/14 or currently under investigation have a material impact on the Council's accounts. We have not been made aware of any other incidents in the period from discussions with other officer, including the Chief Operating Officer and no other issues have been identified during the course of our audit procedures</li> </ul>
<p><b>2. Matters in relation to laws and regulations</b></p>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
<p><b>3. Written representations</b></p>	<ul style="list-style-type: none"> <li>We have requested a standard letter of representation from management, a draft of which is included at Appendix C to this report for information. We have requested, representations from management in respect of the adequacy of the judgments and significant estimated made by management in preparing the financial statements, the completeness of information provided to audit by management, and the completeness of the financial statements themselves and management's awareness of fraud, control weaknesses or other irregularities that could materially affect the position reported in the Council's financial statements.</li> <li>We request these representations for all our local government audits and have not identified any specific risks from our audit testing requiring additional representations specific to this Council.</li> </ul>
<p><b>4. Disclosures</b></p>	<ul style="list-style-type: none"> <li>We have reviewed all narrative disclosures included within the financial statements and have agreed improvements to these disclosures with finance officers where we have identified these.</li> </ul>
<p><b>5. Matters in relation to related parties</b></p>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed in the financial statements.</li> </ul>
<p><b>6. Going concern</b></p>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis. The Council has set a balanced budget for 2014/15 and has detailed plans in place to achieve savings targets.</li> </ul>
<p><b>7. Annual Governance Statement</b></p>	<ul style="list-style-type: none"> <li>We are in the process of reviewing the Council's Annual Governance Statement to confirm it complies with the requirements of 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. Initial review has confirmed that the disclosures made are consistent with our knowledge of the Council and its key strategic risks.</li> </ul>

## Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

## Value for Money

### Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience.**

The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.





### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

### Key findings – securing financial resilience

In common with local authorities nationally, the financial challenges facing the Council are significant. The Council is, however, meeting these challenges well and has good arrangements in place to ensure it remains resilient to deal with the new financial risks as they emerge.

We have undertaken a review which considered the Council's arrangements against the expected characteristics of proper arrangements as defined by the Audit Commission and have summarised our overall assessment of each area in the table below :

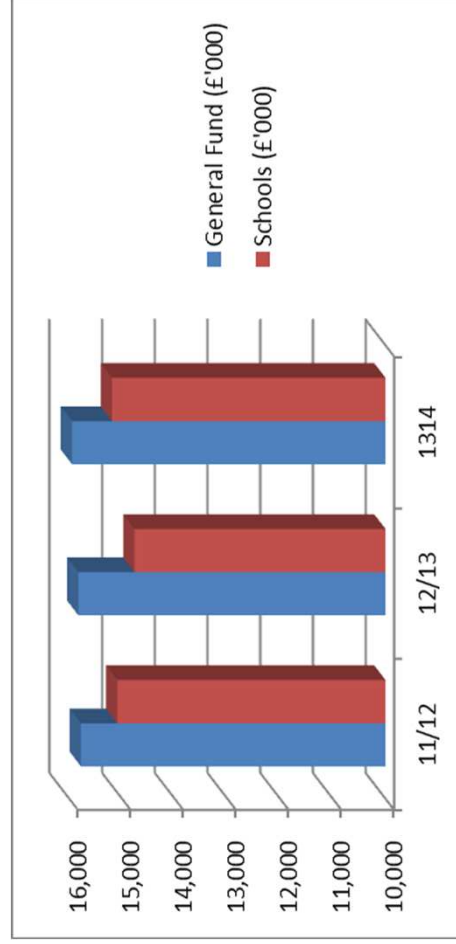
Characteristic	2013/14 Assessment
Key indicators of financial performance	 <b>Green</b>
Financial planning	 <b>Green</b>
Financial governance	 <b>Green</b>
Financial control	 <b>Green</b>

## Value for Money (continued)

### Key indicators of financial performance:

The Council continues to perform well in this area and has been able to manage its financial position effectively in the year with the 2013/14 budget including a freeze on Council Tax.

The Council has reported a service underspend of £120k for the year. This has been taken to the General Fund, from which there has been a net transfer of £16,111k to earmarked reserves. The £15m minimum level for the General Fund balance remains in place (equivalent to just over 5% of the Council's expenditure budget) and the Council remains ahead of this, with the closing balance at 31 March 2014 being just under £16m. Schools balances also remain healthy, with a £428k increase to a balance of £15,189k at the year end. The graph below shows the year on year balances across the General Fund and Schools, highlighting the consistent nature of the balances.



The liquidity position of the Council remains strong, with the financial statements showing a healthy cash position at the year end. The cash balance at 31 March was £24,890k, set against an overdraft of £22,423k. In addition, the Council was holding £135,287k in short term deposits.

Workforce indicators show an improvement in performance against the sickness indicator, with the average number of sickness days improving from 7.7 days to 7.2 days. Whilst this remains above the Council's 6 day target, this is the right direction of travel and is below the benchmarking level of 9 days.

Review of performance reports shows that the Council has managed emerging cost pressures during the year to ensure that the budget has been met. As part of this process, the contract with Capita has now been signed with CSG now providing the back office services. Going forward, the Council must closely monitor performance to ensure that the contracts are delivering in line with expectations and not impacting adversely on front line service delivery.

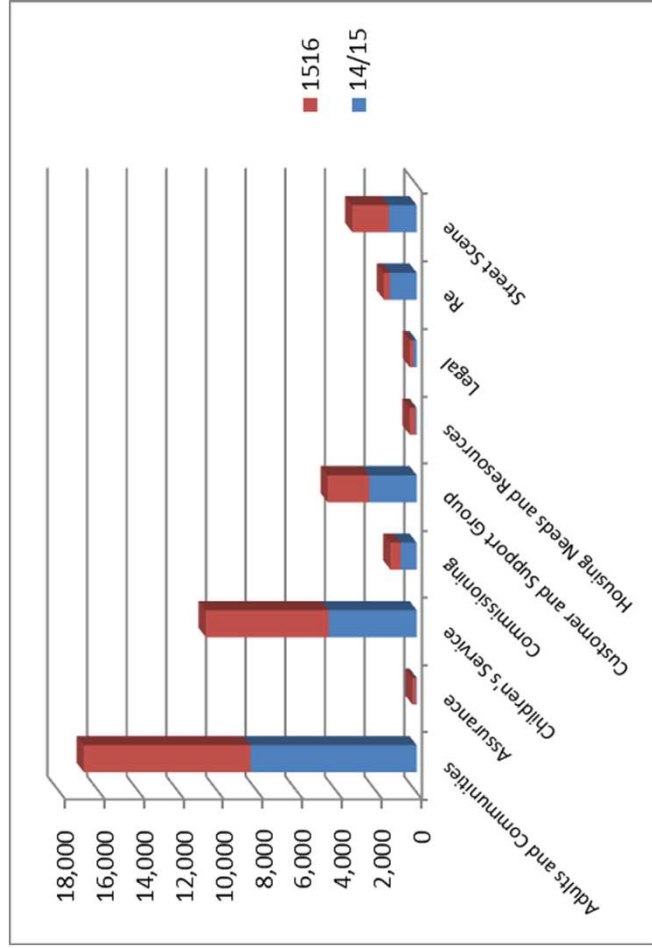
### Financial planning:

The Council continues to have a clear process in place to manage its financial planning. The Business Planning report was presented to the Cabinet in February 2014, including the medium term financial strategy (MTFS) for 2014/15 and 2015/16. This plan has been prepared on the basis of a 1% reduction in Council Tax for 2014/15 and a freeze in 2015/16.



## Value for Money (continued)

The budget identifies that the total budget gap over the 2 year period is £36.7m. With additional pressures of £2.4m, the Council has been required to identify savings of £39.1m to enable a balanced budget to be set. These savings have been subject to detailed review to ensure that they are both deliverable and in line with Council policy. They are split across individual delivery units as shown below:



Clearly there are many challenges faced by the Council, but it is a positive to have set a balanced budget for both 14/15 and 15/16. Built into this process is consideration of the reserve levels and the budget confirms that both the General Fund Reserve and the Housing Revenue Account will be above the minimum levels as set by the Reserves Policy.

What is clear from the work performed around financial planning is that the Council has not just focussed on the short term. This is particularly evidenced through the Priorities and Spending Review 2014. This report is the result of a very detailed piece of work performed by the Council to both gather evidence and generate ideas to enable important services to be provided going forward.

The Report forecasts a gap of £72m in the Council's finances between 2016 and 2020. Effectively this means that the Council's spending power in 2020 will be roughly half of what it was in 2010.

This Plan sets out a number of options totalling potential savings of around £51m. It is made up of a range of different focuses:

- preventative action and investment to unlock future savings
- changing behaviour to reduce demand on services
- provide more efficient and better integrated services with other parts of the public sector
- prioritise resources, potentially resulting in the need to stop providing services others may be able to do better.



The Council has clearly taken a long term view and has tried to get ahead of the likely challenges. The Plan recognises that whilst the scale of this challenge is massive, the Council will still have a significant budget that it will need to use effectively. It also recognises that there will be a number of opportunities which the Council must be in a position to utilise.

## Value for Money (continued)

### Financial governance:

Our prior year Audit Findings Report confirmed that the Council was performing well in this area. We have updated this review to cover 2013/14 and no issues have come to light that have indicated any significant changes to this position.

The Council has a good track record of delivering its financial plan and ensuring that reserves are maintained in excess of the target levels. Clear reporting arrangements remain in place and members continue to receive detailed quarterly reports to help them oversee the performance of the Council.

The Council has consulted extensively on the budget and medium term financial strategy and has been able to identify savings sufficient to enable budgeting for a balanced budget in both 2014/15 and 2015/16. In addition to this, the Council has developed the Priorities and Spending Review to ensure that the focus is not solely on the short term.

Management has scrutinised both the financial and operational performance of the Council effectively throughout the year, including through the Delivery and Strategic Commissioning Boards. These meetings have proven effective at ensuring that the focus of senior management is on the key high risk areas, enabling mitigating actions to be discussed and agreed at the earliest possible opportunity.

In the year, the outsourcing of the back office functions to Capita has taken place, representing a significant change for the Council. We have considered separately how this contract is monitored on an on-going basis, but it is vital that the Council remains confident in the governance arrangements it has in place around the performance of these back office functions.

### Financial control:

Our prior year Audit Findings Report confirmed that the financial control at the Council was assessed as green and no significant issues had been identified. We have updated our review for 2013/14 and no issues have come to light that have indicated any changes to this position.

A review of the Head of Internal Audit opinion has noted that the Council has continued to make good progress around its internal control environment.

Internal Audit provided the following opinions:

- satisfactory assurance on the Council's overall internal control environment
- satisfactory assurance on the key controls in operation within key financial systems.

The Council continues to produce reliable financial information and audit work has not highlighted significant adjustments to the draft financial statements.

Following the outsourcing of the finance function to Capita, the finance system has been upgraded for the 2014/15 financial year. This should provide some efficiencies to the Council, but it is key that the quality of the financial information available remains high.

A key point raised in the 2012/13 Audit Findings Report was the management of the capital programme and this remains a key area for improvement. In 2013/14, the Council delivered an actual spend of £103m against a revised budget of £136m. Against the original budget for the full financial year there has been slippage of £99m. This slippage represents 49% of the programme, compared to 65% in 2012/13.



## Value for Money (continued)

Whilst it is positive to see the slippage reducing as a proportion of the total plan, this is still a significant variance from plan and the Council must continue to monitor their performance in this area closely. The major slippage in the year relates to the Children's Education and Skills programme and the work on the school expansion programme. This slippage is across all schemes and is not limited to individual projects.

### Key findings – challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

We have undertaken a review which considered the Council's arrangements against the expected characteristics of proper arrangements as defined by the Audit Commission and have summarised our overall assessment of each area in the table below:

Characteristic	2013/14 Assessment
Prioritising resources	 <b>Green</b>
Improving efficiency and productivity	 <b>Green</b>

In line with the Audit Plan, we have considered a number of areas as part of this review.

### Performance monitoring of the CSG contract and the Re (Regional Enterprise) joint venture:

During 2013/14, the Council has entered into a major contract and a joint venture with Capita:

- Customer and Support Group (CSG)
- Re (Regional Enterprise) Limited.

Given the importance of these contracts to the Council, as part of the VFM work for the year it was agreed that we would consider the performance monitoring in place to understand the arrangements that exist to measure the achievement of value for money from the contracts.

#### Customer and Support Group:

Capita was awarded the contract to run the Council's back office services starting from September 2013. The contract was established with the aim of both reducing back office costs and improving customer service to residents. Essentially, these can be split into financial and non financial benefits.

#### Re (Regional Enterprise) Limited:

Re is the joint venture between LBB and Capita to provide development and regulatory services to residents both in Barnet and more widely across the South East. Whilst the agreement has guaranteed the Council a cost saving of £39m, there will also be significant investment in new technology, improving facilities and training staff. As with the CSG contract, there should be both financial and non-financial benefits, with an improved service being provided for residents.

The monitoring processes in place for both of these contracts is based on a standard structure. This has been considered in detail over the page.

## Value for Money (continued)

Within both the CSG and the Re delivery units there is a detailed programme of monthly monitoring in place. This ensures that each month there is a detailed report produced reflecting on performance against the indicators contained within the contracts.

These indicators were established prior to the contract being signed and are based on clear service objectives and priorities that were set by the Council as part of the contract agreement process. Review of the contract has shown that each individual indicator is clearly defined within the agreement, where there is a detailed data sheet in place. This covers a wide range of information about the indicator but, most importantly, sets out in detail how the outcome is to be calculated.

The monthly performance reports are provided to the Senior Responsible Officer (SRO) for the service within 10 days of the month end. The SRO is then required to review these reports and to challenge the information presented. Using the data sheet requirements, the SRO is able to drill down against any of the reported indicators to ensure that information is being reported accurately. In addition to this, a programme of data quality testing is performed by the Commercial Team. Through a risk based approach, it is possible to ensure that key indicators are subject to regular review and re-performance.

This information is then discussed at the monthly Contractual Board chaired by the Chief Operating Officer. Separate Boards exist for CSG and Re and they act as a forum through which to monitor and govern contract performance. These meetings also help to highlight what issues need to be subject to escalation into the quarterly reports. Furthermore, they provide an opportunity to assess whether the indicators are providing information as intended. Where this is not considered to be the case, the Council then has the right to amend the indicator as part of an annual review.

Above the monthly monitoring, delivery units all produce an individual performance report each quarter. All of these reports are made available on the Council's website.

Review of this report has shown that it contains a significant amount of supporting narrative. Both CSG and Re report against all of their contract PIs, with the quarterly report highlighting and explaining the major points. Whilst not presented formally to the Delivery Board or the Performance and Contract Monitoring Committee, these reports can be called in for detailed discussion at any time. This is made clear by the Terms of Reference for the Committee.

The focus of the report is based on the escalation model with three distinct tiers:

- 1) there is an issue but it is containable within the Delivery Unit
- 2) a more significant issue exists which requires an improvement plan, but the delivery unit is able to handle it
- 3) major issue where a policy needs fixing, or where there is a long term failure of the delivery unit.

The level of escalation is decided following a review of data by the Performance Team and the Lead Commissioner. In all cases, where an issue continues to repeat it will be recommended to the Delivery Board that it should be escalated.

Performance against these contracts is monitored at a committee level through the quarterly budget and performance monitoring report as presented to the Performance and Contract Management Committee. All of these reports are made available on the Council's website.

## Value for Money (continued)

This Report is discussed in detail at Delivery Board, Strategic Commissioning Board and Performance and Contract Monitoring Committee.

This Report contains high level summary information in relation to all delivery units, including both CSG and Re. Primarily, it reports performance against both revenue and capital budgets and it also highlights the number of performance indicator targets being met by the contract. A link to the more detailed information made available is also included.

It is clear from the review above that both the CSG and the Re contracts are monitored in substantial detail. Reporting is completed against a wide range of performance indicators and these all reconcile back to the requirements of the contract. Data is provided in a timely manner and reviewed on a monthly basis by key officers within the Council. Key issues are then subject to the standard escalation process before being highlighted within the quarterly reporting to senior officers and the Performance and Contract Monitoring Committee.

Whilst detailed monitoring is taking place, it is vital that the Council ensures that the indicators remain subject to regular review and data quality checks. This will continue to provide assurance that the indicator information being provided is in line with the contract, can be traced back to source data and that accurate information on performance is being reported.

### Performance monitoring of the in-house waste contract

The Council started a new waste and recycling service in October 2013. This was intended to make recycling easier and also enable more to be recycled.

This new service was seen as very important by the Council and as part of the VFM work for the year it was agreed that we would consider the performance monitoring in place to understand the arrangements that exist to measure the achievement of value for money from the contract.

As part of the Street Scene delivery unit there is a detailed programme of monthly monitoring in place. This ensures that each month there is a detailed report produced reflecting on the performance of the waste service.

When each refuse vehicle tips its load it is provided with a weighbridge ticket. This details how much waste of each waste stream has been tipped. North London Waste perform detailed checks on the weighbridge information and provide final audited figures on a quarterly basis.

Unaudited information is provided by North London Waste to the Waste Performance Team at the Council. This is split into the following waste streams:

- refuse
- green waste
- dry recyclables
- food waste.

In addition to the data provided by North London Waste, the Council also collect data regarding the Household Waste and Recycling Centre along with green banks across the borough.

## Value for Money (continued)

The Performance Team then collate all of the information received to get a detailed view of the levels of waste each week. This is then discussed through a monthly 'business as usual' performance meeting which considers performance patterns across the different types of waste.

As the waste service is still new, there are not a wide range of indicators being monitored as the base data is yet to be in place. As more monthly information is obtained, the performance team will consider establishing a number of more detailed performance indicators across the different types of waste. This will provide improved monitoring information for the Council to use to manage and improve the service.

The new bins also contain chips which will enable the Council to monitor participation in recycling. As this information begins to be recorded, it will enable to Council to set their focus on areas of underperformance in the Borough.

Above the monthly monitoring, the performance of the waste contract is included within the Street Scene delivery unit performance report each quarter. All of these reports are made available on the Council's website.

Review of this Report has shown that it contains the key indicator in relation to the waste contract, which is to increase the percentage of household waste sent for refuse, recycling and composting to 40%. As with the CSG and Re reports already discussed, this Report is based on the escalation model and is not presented formally to the Delivery Board or the Performance and Contract Monitoring Committee, but it can be called in for detailed discussion at any time.

Street Scene performance, as with CSG and Re, is monitored at a committee level through the quarterly budget and performance monitoring report as presented to the Performance and Contract Management Committee. This report again includes the key indicator in relation to the waste contract.

It is clear from the review above that the performance of the waste contract is monitored closely and on a regular basis. Data is provided in a timely manner and reviewed on a monthly basis by key officers within the Council. Key issues are then subject to the standard escalation process and highlighted within the quarterly reporting to senior officers and the Performance and Contract Monitoring Committee.

In comparison to the Capita contracts which we have also considered, there are far fewer performance indicators regularly monitored. The Council recognises that this is the case and as suitable base data becomes available, the intention is to record and report on a far greater range of targeted indicators going forward. By reviewing the information in greater detail, the Council will be able to better focus on achieving its target of 50% recycling by 2020.

## Value for Money (continued)

### 2012/13 follow up – NSL parking contract:

The key point for follow up was in relation to the failure to collect income due for the year as a result of weaknesses in the management of the parking enforcement contractor NSL Ltd.

The monitoring of the contract has been discussed in detail with the Council. It was agreed that there was a period up to 2012/13 where the level of debt recovery was poor. This led to a build up of old outstanding debt, requiring a significant write off.

As part of the outsourcing of the parking contract to NSL, there was a requirement for NSL to appoint bailiffs. However, when they took over the contract in May 2012, due to the shortened lead in time, they did not have these contracts in place. This was not resolved as quickly as hoped and it was six months before they were finalised. We reported this issue last year.

The current position is that NSL have contracts with two bailiff companies. The Council has insisted that there is an even split between the work of these two companies and that their individual performance is closely monitored. Using this information, the Council intends to route cases to the best performing company and also to recycle cases between the two if progress is not being made.

Through discussions with NSL, the Council is also attempting to focus on those debts with the best chance of recovery. For example, there is now a requirement for the bailiff companies to complete a pre debt check before they register the debt and start recovery work. A system has also been put in place to ensure that when debt reaches a certain age it is automatically put through a pre debt check and, if suitable, is then issued directly to the bailiff.

The Council has been able to request detail around the contracts between NSL and the bailiffs and they are able to drill down to review individual cases, to understand what activity has taken place and to ensure that the bailiffs are not 'cherry picking' cases.

NSL provide the Council with monthly reports detailing the level of recovery and the Council are able to see all remittances on a monthly basis. They also have access to the NSL system to be able to confirm the data that is being reported to them.

All of this information is monitored by the Council's Parking & Client Team and the data is used in compiling the monitoring reports as highlighted above. However, having reviewed these reports, there is no key performance indicator within the contract that reports back on the level of debt recoverability. Whilst it is clear that this information is made available and reported to the Council, it is not one of the indicators linked to the contract. This was discussed with the Council and it is agreed that this is an indicator that they would like to see added to the contract. By doing this they will increase the visibility around the recovery performance and it will also become linked to the payments made to NSL. This would clearly be beneficial.

It is clear that performance around the recoverability of debt is now monitored in more detail than previously. The Council has recognised that there was underperformance in this area and they now have far greater access to information around performance. However, this would be improved by including this as a performance indicator in relation to the contract as this would ensure that performance in this area is then directly linked to the payments made to NSL.

## Value for Money (continued)

### 2012/13 follow up – interim staffing:

As a response to the objection, the Council committed to undertake a review to ensure that:

- all interim staff are contracted and paid through Comensura, who take responsibility for ensuring contractors' PAYE or Limited Company status
- all suppliers are VAT registered or provide an income tax return to confirm their responsibility for tax
- where contractors are not VAT registered or provide an income tax return, then the payments will be processed via the payroll and paid net of appropriate deductions.

The follow up to this objection was discussed in detail with Council officers and we were able to confirm that the Council now has arrangements in place to ensure that all interim staff are paid through Comensura. Comensura are then required to ensure that staff have the required PAYE or Limited Company status in place.

To ensure that this remains the case a detailed monitoring process has been established by the Council. Each month, the Financial Planning Team provide two detailed reports around interim staff to HR. The first of these shows all expenditure that has been coded to the agency and consultancy account codes and the second shows the element of the spend that is non-Comensura. These reports are then reviewed by the Delivery Units to identify any staff that they think should be dealt with through Comensura and accordingly to ensure that the required arrangements are in place where appropriate.

It is clear that use of interim staff is now monitored in much more detail that it had been previously. The monthly reports are in place to clearly highlight payments made outside of the arrangement with Comensura and these are followed up on an individual basis.



## Section 4: Fees, non audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
<b>04. Fees, non audit services and independence</b>
05. Communication of audit matters

## Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Council audit	224,100	224,100
Grant certification (i)	38,400	TBC
<b>Total audit fees (ii)</b>	<b>262,500</b>	<b>[xx]</b>

### Fees for other services

Service	Fees £
None	Nil

- (i) Certification of grant claims and returns are not due until later in the year so this remains work in progress at the date of this report. The Audit Commission has also revised its scale fee to £31,597. Confirmation of the final fee will be included within the separate Certification Report later in the year
- (ii) Pension fund audit work is completed separately from the main Council audit (please see Pension Fund Audit Findings Report for further details)

### Independence and ethics

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

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

## Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters**

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

### Respective responsibilities

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

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

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

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

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

# Appendices

## Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
<b>IT findings:</b>				
1.	<ul style="list-style-type: none"> <li>The Council should ensure that all points raised following the review of the SAP system are considered as part of the new Integra system.</li> </ul>	Medium	The Council is conducting a review of the system access controls to Integra as it's new financial system, which will ensure officers have the correct level of access and addresses the points raised regarding the former SAP system	Paul Thorogood September 2014
<b>VFM findings:</b>				
2.	<ul style="list-style-type: none"> <li>The Council should ensure that, as the base data becomes available, additional performance indicators are put in place against which to monitor performance of the waste contract.</li> </ul>	Medium	As the data becomes available following the insourcing, this will be used to update the indicators used for performance management of the waste and recycling service	Lynn Bishop November 2014
3.	<ul style="list-style-type: none"> <li>The Council should consider adding the recovery levels of parking notice debt to the KPIs monitored as part of the parking contract with NSL.</li> </ul>	Medium	The Council will review the appropriateness of all KPIs within the NSL contract	Claire Symonds November 2014

## Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

The final wording for the audit opinion has yet to be made available by the Audit Commission. Once confirmed the draft wording will be circulated to members of the Audit Committee.

## Appendix C: Draft letter of representation

- We have included a draft of the letter of representation requested from the Council's management below. We request a letter of representation containing standard representations from all our local government clients.
- We have requested, representations from management in respect of the adequacy of the judgments and significant estimated made by management in preparing the financial statements, the completeness of information provided to audit by management, and the completeness of the financial statements themselves and management's awareness of fraud, control weaknesses or other irregularities that could materially affect the position reported in the Council's financial statements.

### **London Borough of Barnet and London Borough of Barnet Pension Fund**

#### **Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the financial statements of London Borough of Barnet for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.



## Appendix C: Draft letter of representation (continued)

- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Information Provided

- xii We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.

## Appendix C: Draft letter of representation (continued)

- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xx We have provided you with the most recent agreements between the Council and the Barnet Group, Barnet Homes and Your Choice Barnet setting out indemnities provided by the Council, on which the Council has based its accounting treatment for pension costs in the financial statements.

### Annual Governance Statement

xxi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

### Approval

The approval of this letter of representation by the management signatories below was minuted at the Council's Audit Committee meeting on 22 July 2014.

### Signed



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# The Audit Findings London Borough of Barnet Pension Fund

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

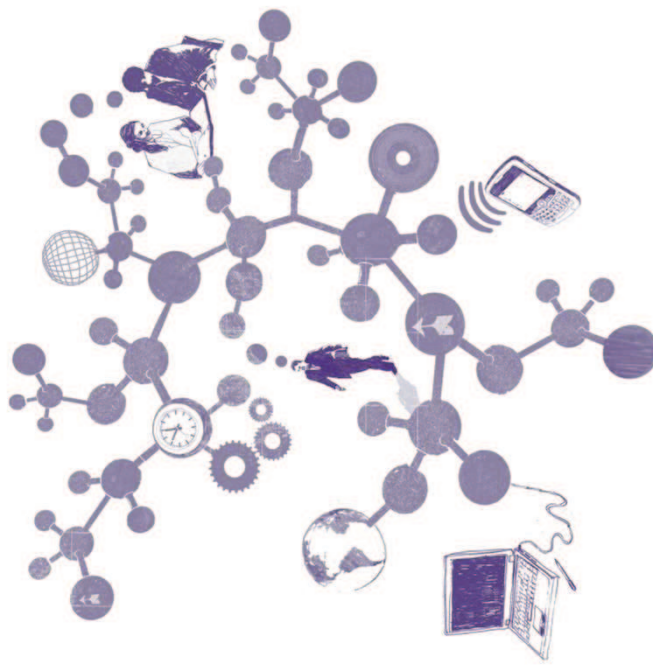
**Year ended 31 March 2014**

3 July 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	7
3. Fees, non audit services and independence	19
4. Communication of audit matters	21

**Appendices**

- A Action plan
- B Audit opinion

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## Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters



## Executive summary

### **Purpose of this report**

This report highlights the key matters arising from our audit of London Borough of Barnet Pension Fund's ('the Fund') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

### **Introduction**

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated April 2014.

During the year, Barnet Council awarded to Capita plc the contract for the running of the council's back office services including the administration of the Council's pension fund. The change had an impact on our audit arrangements which was not envisaged in the scale fee. Specifically, the Borough had used its existing pension fund member database Axis for the first 10 months of the year. The data was then transferred to a Capita owned system called Hartlink for the last 2 months of the year. This member database which is managed off site contributes to the information within the pension fund year end statements. In response, we documented our understanding of the nature and significance of the services provided by Capita and their effect on your internal controls, sufficient to identify and assess the risks of material misstatement. We designed and performed audit procedures as part of our testing of the financial statements and the results are set out in section 2 of this report.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- pension strain (early retirees contributions) included in Note 3
- receipt of direct bank account confirmations
- review of the final version of the financial statements
- review of the final version of the Pension Fund Annual Report
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and some of the accompanying working papers at the start of our audit. The pension fund annual report and journal listings was only made available a few days before our fieldwork was due to end. Evidence to support our sample of pension strain (early retirees contributions) included within Note 3 is outstanding as at the start of July 2014. We commented on a similar issue in last year's Audit Findings report.

Overall, the quality of the working papers has improved from last year, however delays in production, gaps in working papers such as the pension strain and testing of member data off site have contributed to the increased the cost of auditing the Fund statement.

### **Key issues arising from our audit Financial statements opinion**

Our audit is substantially complete although we are yet to complete our review of the pension strain balance (early retirees contributions) included in Note 3

Our review to date identified one non trivial error within the notes to the Pension Fund Accounts statements which management agreed to amend

- investment sales and purchases were overstated by an equal value within unrealised gains

We identified some disclosure and trivial classification errors within the notes to the Fund Accounts which officers have agreed to amend.

The draft financial statements recorded net assets carried forward of £829,782k which remains unchanged post audit.

Subject to the satisfactory conclusion of our work, we anticipate that we will provide the Fund with an unmodified opinion confirming the Pension Fund account give a true and fair view of the transactions of the fund for the year ended 31 March 2014.

We will update this report on conclusion of our work. The updated report will be presented to the Audit Committee on 24 July 2014 showing the outcome of remaining tests before the accounts are approved.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the Capita team and other staff during our audit.

**Grant Thornton UK LLP**  
**July 2014**

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## Section 2: *Audit findings*

01. Executive summary

**02. Audit findings**

03. Fees, non audit services and independence

04. Communication of audit matters

## Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 29 April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

### **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 29 April 2014.

### **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B. At this stage the wording of the opinion for local government pension schemes remains subject to agreement with the Audit Commission. We will update Appendix B to this report to include the opinion once this is agreed.

## Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	<b>Risks identified in our audit plan</b>	<b>Work completed</b>	<b>Assurance gained and issues arising</b>
1.	<p><b>Improper revenue recognition</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>We have rebutted this presumption as we do not consider this to be a significant risk for the London Borough of Barnet Pension Fund since:</p> <ul style="list-style-type: none"> <li>• the nature of the Pension Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions</li> <li>• the split of responsibilities between the Pension Fund, your fund managers and the custodian, provides a very strong separation of duties reducing the risk around investment income</li> <li>• revenue contributions are made by direct salary deductions and direct bank transfers from admitted/scheduled bodies, are supported by separately sent schedules and are directly attributable to gross pay, making any improper recognition unlikely</li> <li>• transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds.</li> </ul> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b> Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Investments</b></p>	<p>Investments not valid Investments activity not valid Fair value measurement not correct</p>	<p>We reviewed the reconciliation between information provided by the fund managers, the custodian and the Fund's own records, seeking explanations for any variances.</p> <p>We selected a sample of the individual investments held by the fund at the year end and tested the valuation of the sample by agreeing prices to third party sources (quoted investments) or by review of the valuation methodology used to ensure it represents fair value</p> <p>The existence of investments was confirmed directly to relevant documentation.</p> <p>We tested a sample of purchases and sales during the year back to information provided by the fund managers and/or custodians.</p>	<p>Our work is substantially complete.</p> <p>We identified non trivial error where Fund Manager Schroder's investment sales and purchases were overstated by an equal value within unrealised gains.</p> <p>You have agreed to amend disclosure Note 9 Investments.</p>
<p><b>Benefit Payments</b></p>	<p>Benefits improperly calculated/claims liability understated</p>	<p>We confirmed the existence of controls operated by the Fund to ensure that all benefits are correctly calculated and that the appropriate payments are generated and recorded. With a view to reducing the level of substantive testing required, we also tested key controls identified in these areas.</p> <p>We selected a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds and tested them by reference to member files.</p> <p>We reviewed pensions paid with reference to changes in pensioner numbers and increases applied in the year. We also compared pensions paid on a monthly basis to ensure that any unusual trends were satisfactorily explained.</p>	<p>Our work is complete, there are no significant issues to bring to your attention.</p> <p>We note within benefit payments the following:</p> <ul style="list-style-type: none"> <li>• accrued in 2012/13 had not been reversed out in 2013/14, and</li> <li>• accruals for 2013/14 is understated.</li> </ul> <p>The value of accruals individually or in aggregate was not material. We have made a recommendation to strengthen your controls around your accruals.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Contributions</b>	Recorded contributions not correct	<p>We confirmed the existence of controls operated by the Pension Fund to ensure that it identifies and receives all expected contributions from admitted and scheduled bodies. We also substantively tested a sample of contributions from admitted and scheduled bodies.</p> <p>We substantively tested contributions from the Administering Authority. We also reviewed contributions received with reference to changes in member body payrolls and numbers of contributing members to ensure that any unexpected trends were satisfactorily explained.</p>	<p>Our work is in progress.</p> <p>We are awaiting pension strain reconciliation (early retirees contributions) included in Note 3 to undertake our sample testing.</p>
<b>Membership Data</b>	Member data not correct	<p>We confirmed the existence of controls and reconciliations covering the determination of member eligibility, the input of evidence onto the Pensions Administration System and the maintenance of member records. With a view to reducing the level of substantive testing, we also tested the key controls identified in these areas.</p>	<p>Our work is substantially complete.</p> <p>We are awaiting your reconciliation of membership data as at 31 March 2014.</p>

## Other issues




In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description	Work completed	Assurance gained & issues arising
<b>Pension fund administration</b>	During the financial year, Capita was awarded the contract to manage the administration of pension fund. Some former LB Barnet pension fund staff transferred to Capita whilst others took redundancy.	<ul style="list-style-type: none"> <li>We have held planning meetings with Capita team responsible for managing the pension fund closedown.</li> </ul>	<ul style="list-style-type: none"> <li>We held meetings with Capita and provided them with our working paper requirements for the audit of the financial statements.</li> </ul>
<b>Member data transfer from Axis to Hartlink</b>	The Borough used its existing pension fund member database Axis for the first 10 months of the year. The data was then transferred to a Capita owned system called Hartlink for the last 2 months of the year. The database is managed off site. Member data contributes to the information within the pension fund year end statements.	<ul style="list-style-type: none"> <li>The testing of the completeness of pension fund data migration to the new systems as part of our IT review was undertaken in April 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Our specialist IT team undertook a review of the Member data transferred from Axis to Hartlink. There are no issues arising.</li> <li>We also tested individual pension contributions to member data as part of the financial statements testing.</li> </ul>



## Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>The Council's policy for major sources of revenues (contribution income and Investment income) are set out in detail within Note 2 Accounting Policies</li> </ul>	Your revenue recognition policy is consistent with our audit of the pension fund financial statements.	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements disclosed in the notes to the accounts [Notes 2 and 20] include:                             <ul style="list-style-type: none"> <li>- pension fund valuations and settlements</li> <li>- investment valuation.</li> </ul> </li> </ul>	We reviewed key estimates and judgements made by management within the notes to the accounts. For the disclosures listed, we concluded they were consistent with guidance set out in the Code of Practice of Local Authority Accounting.	 <b>Green</b>
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	Our review of accounting policies has not highlighted any issues. We note that your cash balance within Note 12 Current Assets are material. We recommend you include a policy on Cash and Cash equivalents in your accounting policy note (Note 2).	 <b>Amber</b>

### Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

## Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 None identified to date			
<b>Overall impact</b>	<b>£X,XXX</b>	<b>£X,XXX</b>	<b>£X,XXX</b>

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	n/a	Note 9 Investments	Investment sales and purchases were overstated by an equal value within unrealised gains. You agreed to amend the note.
2 Disclosure	n/a	Note 15 Related parties	The disclosure requirements of key management personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances in the main statements. Recommend adding a statement to this effect in the note.
3 Disclosure	n/a	Note 2 Accounting Policies	We note that your cash balance within Note 12 Current Assets are material. We recommend you include a policy on Cash and Cash equivalents in your accounting policy note.

## Unadjusted misstatements


The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 <b>None identified to date</b>			
<b>Overall impact</b>	<b>£X,XXX</b>	<b>£X,XXX</b>	

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendation
<p>1.  <b>Amber</b></p>	<p><b>IT controls</b> As part of our review of general IT controls, we identified a number of minor points in relation to the SAP system. As part of our 2014/15 audit work we will be monitoring and reviewing implementation of the new Integra system, which will include consideration of the minor points identified.</p>	<p>The agreed recommendation with managements comment is set out in full within the financial statements Audit Findings Report.</p>

### Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	<b>Issue</b>	<b>Commentary</b>
<b>1.</b>	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
<b>2.</b>	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
<b>3.</b>	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation for the Council and its pension fund audit will be requested from the Fund at the conclusion of our audit.</li> </ul>
<b>4.</b>	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
<b>5.</b>	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
<b>6.</b>	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.</li> </ul>

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## Section 3: Fees, non audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Fees, non audit services and independence**
- 04. Communication of audit matters

## Fees, non audit services and independence

We confirm below our final fees charged for the audit and there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Fund audit	21,000	*25,500
<b>Total audit fees</b>	<b>21,000</b>	<b>25,500</b>

The Audit Commission defines the scale audit fee as "the fee required by the 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 statements with supporting working papers within agreed timeframes."

\* Some of these assumptions underpinning the scale fee were not met in respect of the Fund account audit. We will discuss the impact of this on the fee with the Deputy Chief Operating Officer. We estimate that additional fees will be approximately £4k to £5k.

### Fees for other services

Service	Fees £
None	Nil

### Independence and ethics

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

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



---

## Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Fees, non audit services and independence
- 04. Communication of audit matters**

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

**Respective responsibilities**

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

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

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

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

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

# Appendices

## Appendix A: Action plan

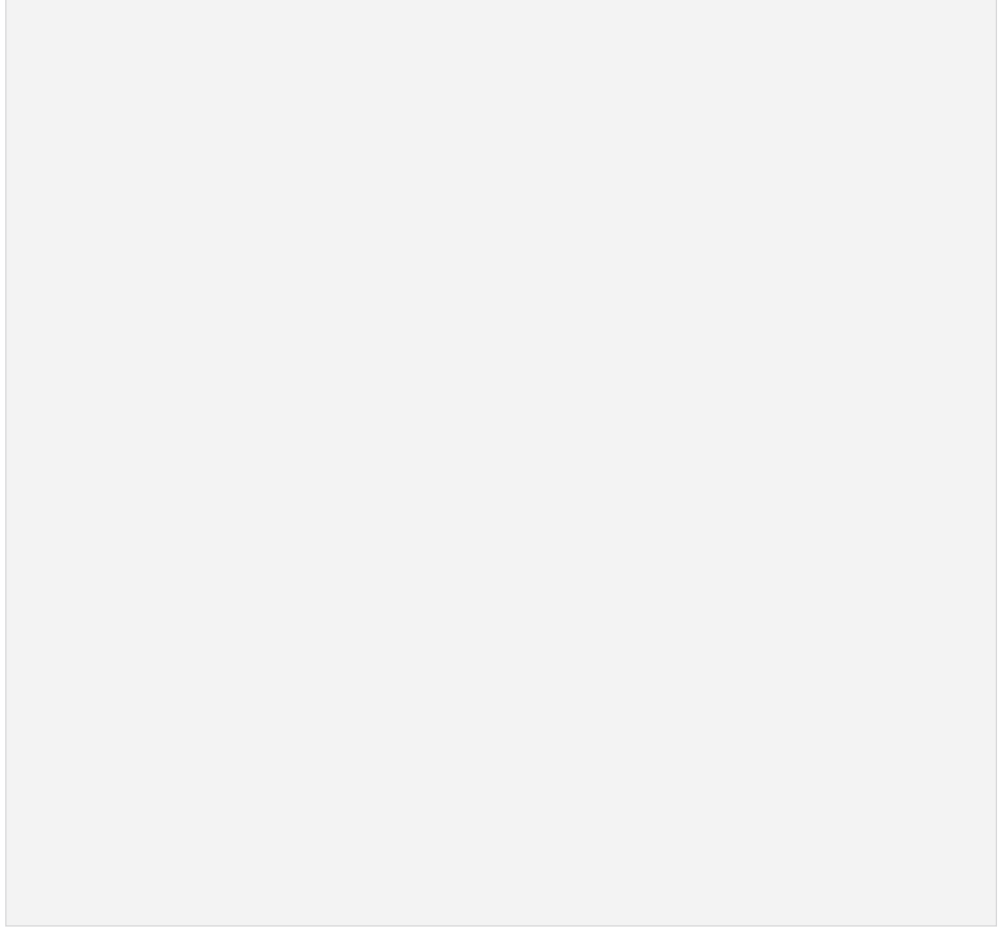
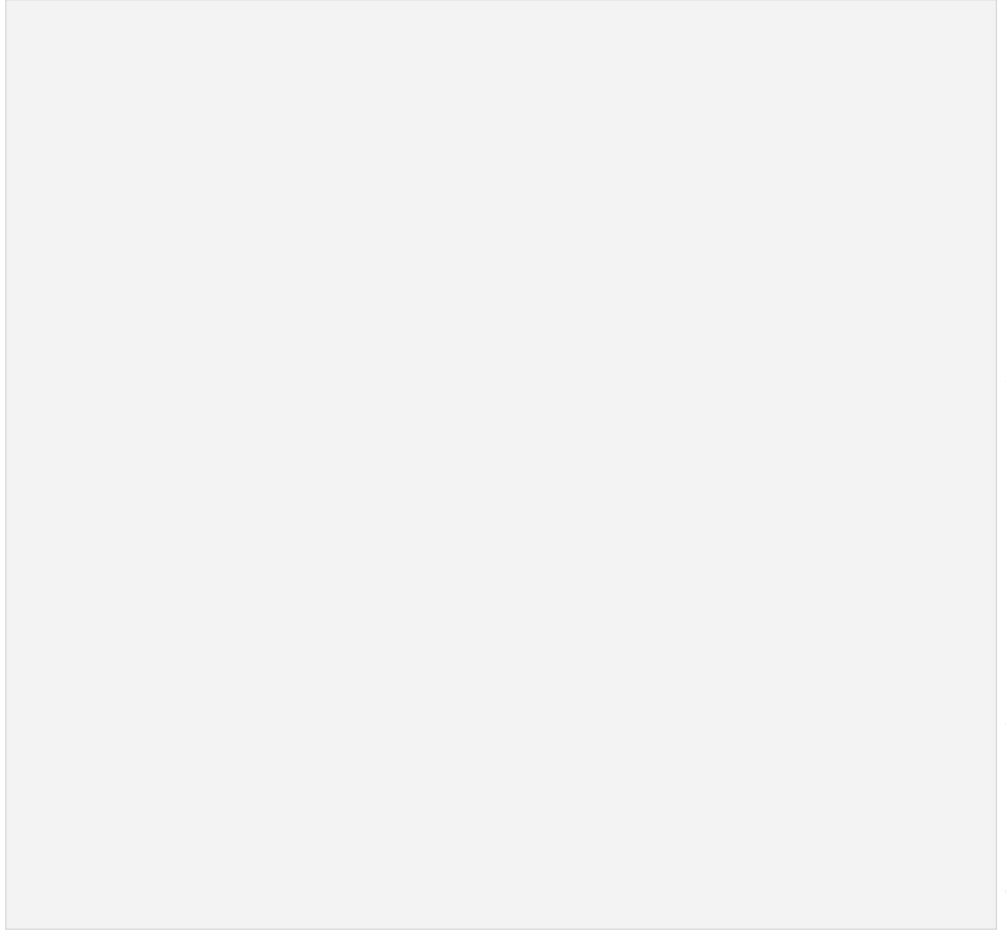
**Priority**  
**Significant deficiency** – risk of significant misstatement  
**Deficiency** - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p><b>Pension strain</b>                      Ensure pension strain Integra balances are reconciled to member data on Hartlink monthly</p>	High	<p>Agreed. Processes for accounting for pension strain/ added years on Integra to be reviewed to ensure employer invoices supporting documentation reconciles to member data on Hartlink.</p>	<p>30th September 2014                      Head of Treasury Capita CSG                      Service Delivery Manager                      Capita Employee Benefits</p>
2	<p><b>Membership of the Pension Fund</b>                      Retain a screen print from the Hartlink system as at 31 March 2015 as evidence supporting your disclosure of a) number of employees contributing to the fund; b) number of pensioners; and c) number of deferred pensioners. We made a similar recommendation in our Findings report last year.</p>	Medium	<p>Agreed. Head of Treasury, CSG and Service Delivery Manager, CEB to agree year-end reporting requirements and delivery timetable for 2014-15 accounts and annual report, to include fund membership and supporting documentation as at 31 March 2015.</p>	<p>30th September 2014                      Head of Treasury Capita CSG                      Service Delivery Manager                      Capita Employee Benefits</p>
3	<p><b>Benefit payments accruals</b>                      Ensure accruals are appropriately reversed in the next accounting period. Reverse prior years benefit payments accruals are reversed in the current financial year.</p>	Medium	<p>Agreed. Year-end accruals were reversed in the first accounting period of 13-14 with the exception of the prior year benefit payment accruals. This will be adjusted on Integra in 14-15.</p>	<p>30th July 2015                      Head of Treasury Capita CSG</p>

## Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

FULL TEXT OF THE PROPOSED OPINION WILL BE INSERTED HERE





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	AGENDA ITEM 8
	<h2>Audit Committee</h2> <h3>22 July 2014</h3>
<b>Title</b>	<b>Head of Internal Audit Annual Opinion 2013-14</b>
<b>Report of</b>	Caroline Glitre – Head of Internal Audit
<b>Wards</b>	Not applicable
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A: Internal Audit Annual Opinion 2013-14
<b>Officer Contact Details</b>	Caroline Glitre, Head of Internal Audit <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a> 020 8359 3721

<h2>Summary</h2>
<p>This report summarises the work that Internal Audit has undertaken during 2013-14 and the key internal control environment weaknesses and high priority recommendations identified during the year.</p> <p>The majority of Internal Audit reports received satisfactory assurance resulting in an overall satisfactory assurance opinion.</p> <p>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.</p> <p>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 2013-14 for improvement, which are:</p> <ul style="list-style-type: none"> <li>• Systems need to ensure the integrity and security of data</li> <li>• Business Continuity and Resilience</li> <li>• Roles, Responsibilities and Accountabilities</li> </ul>

- Contract Management Framework and Benefits Realisation

These issues have been considered and incorporated with the Annual Governance Statement for inclusion within the Statement of Accounts for 2013-14.

## **Recommendations**

### **1. That the Committee note the contents of the Annual Opinion / Report.**

#### **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee's role in receiving this report is to note the overall assurance given and to focus on the improvement areas noted as themes for 2013-14. This is as per the approved Workplan of the Audit Committee.

#### **2. REASONS FOR RECOMMENDATIONS**

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

#### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

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

- 5.1.2 The Internal Audit Annual Opinion forms part of the Annual Governance Statement that is also presented to this Committee.

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

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

##### **5.3 Legal and Constitutional References**

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

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

#### **5.4 Risk Management**

5.4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

5.4.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

#### **5.5 Equalities and Diversity**

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

#### **5.6 Consultation and Engagement**

5.6.1 Not applicable.

### **6. BACKGROUND PAPERS**

6.1 Audit Committee 29th April 2014 (Decision Item 9). – The Committee approved the Work Programme for 2014-15, which included the Internal Audit Annual Opinion for inclusion at this meeting.

<http://barnet.moderngov.co.uk/documents/s14503/Work%20Programme%202014-15%20Report.pdf>

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**London Borough of Barnet**  
**Internal Audit Annual Opinion 2013-14**

**Caroline Glitre, Head of Internal Audit**

## Table of Contents

1. Introduction and Overview .....	2
2. Overall Summary.....	4
3. Key themes .....	7
Appendix A: Statement of Responsibility .....	15
Appendix B: List of Assurances 2013-14 .....	16
Appendix C: List of Assurances 2013-14 by Delivery Unit.....	19

# 1. Introduction and Overview

## Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2013-14 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 2013-14.

## Overview of our approach

In line with the Public Sector Internal Audit Standards, the 2013-14 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'

I can confirm that during 2013-14 in all material respects the internal audit service has conformed to the requirements of the Public Sector Internal Audit Standards.

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 2012/13 audited statement of accounts):

- **Annual gross revenues of approximately £674m** - Internal Audit perform key fundamental audits of all major income systems each year (for example Council Tax, National Non-Domestic Rates, 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 £940m** – Each year we perform key financial system audits around the Council's accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend, for example payroll and corporate procurement.

- **Long term assets of approximately £1.127bn** - The majority of assets are property and so present a relatively low risk to the Council. We generally undertake one review in this area each year based on risks identified.
- **Other assets of approximately £284m** - We annually review treasury controls and the Council's administration of investments.

## Overview of our work

The Annual Internal Audit Plan for 2013-14 highlighted that a total of 44 systems based audits and 26 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 2013-14 was **48 systems based audits and 23 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
- **Key themes identified** during our work in 2013-14 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 have separately received summaries of the outcomes of the audit work through progress reports issued through-out the year, as a result the detailed 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’ and ‘Substantial’ assurance reports issued compared to ‘Limited’ and ‘No’ assurance. Overall there were more satisfactory audit reports issued (64%) compared to 60% of audit reports in the previous year.

However, there has been a converse increase in ‘No’ assurance ratings with 3 having been given compared to only 1 in 2012/13 and none in 2011/12. The ‘No’ assurance ratings were related to IT and Contract Management issues; the findings feed into the key themes in Section 3 of this opinion and will be areas of sustained attention in 2014/15.

For detail of which reviews received each level assurance please see Appendix B.

*Based on the internal audit work completed in 2013-14 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 key financial systems.*

### Report ratings

Assurance opinions	No of Audits / Projects					
	2013-14		2012-13		2011-12	
	No.	%	No.	%	No.	%
Substantial	1	2	-	-	-	-
Satisfactory	33	64	27	60	19	51
Limited	7	14	10	22	14	38
No	3	6	1	2	-	-
Assurance projects	7	14	7	16	4	11
Sub-total*	51		45		37	

Schools audits**	23		28		25	
<b>Total</b>	<b>74</b>	<b>100</b>	<b>73</b>	<b>100</b>	<b>62</b>	<b>100</b>

\* On two reviews the Assurance rating was split due to different accountable officers. Therefore to calculate the % of reports with each assurance rating the different elements of scope have been counted as separate reviews, see Appendix B for reconciliation to total number of reports issued as per 'Introduction and Overview' section:

\*\* For breakdown of Schools audit assurance ratings see 'Analysis of School audit assurances' below

## Key Financial Systems

The results below show improvement over the controls surrounding key financial systems with 100% obtaining satisfactory assurance.

Key financial systems	2013/14		2012/13		2011/12	
	No.	%	No.	%	No.	%
Substantial	-	-	-	-	-	-
Satisfactory	10	100	8	80	8	80
Limited	-	-	1 <sup>†</sup>	10	2	20
No	-	-	-	-	-	-
N/A			1 <sup>‡</sup>	10	-	
<b>Total Assurance ratings</b>	<b>10<sup>‡‡</sup></b>	<b>100</b>	<b>10</b>	<b>100</b>	<b>10</b>	<b>100</b>

<sup>†</sup> The one key financial system which was given Limited Assurance in 2012/13 was Housing Benefits.

<sup>‡</sup> The capital programme was reviewed in 2012/13 through a diagnostic review to consider individual projects and consider consistency. This diagnostic review did not give an assurance level as not all aspects of the diagnostic were run.

<sup>‡‡</sup> See Appendix B for list of the 10 Key Financial System audits which were undertaken in 2 Groups.

## 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 23 schools reviewed.

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 currently on a three year cycle with the auditing of primary schools and five years for secondary schools and we are not comparing the same schools year on year.

Assurance opinions	2013-14		2012-13		2011-12	
	No.	%	No.	%	No.	%
Substantial	0	-	1	4	2	8
Satisfactory	17	74	24	86	18	72
Limited	6	26	3	10	4	16
No	-	-	-	-	-	-
Special Audits	-	-	-	-	1	4
<b>Total</b>	<b>23</b>	<b>100</b>	<b>28</b>	<b>100</b>	<b>25</b>	<b>100</b>

*Based on the school audits carried out during 2013-14 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 audit reports 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

#### Progress against key themes notes in 2012-13 annual audit report

The following table notes progress against the themes identified in the 2012-13 annual audit report, and whether there is a residual governance issue to be taken forward within the Annual Governance Statement:

Issue	Progress 2013-14	Residual Issue
<p><b>Data protection</b> 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</p>	<p>A number of audits involving Data Protection took place during the year and provided Satisfactory Assurance:</p> <ul style="list-style-type: none"> <li>• Information Management and Governance</li> <li>• Customer and Information Management Board reviews</li> <li>• SAP Data Migration</li> </ul> <p>However, a number of reviews identified weaknesses in IT systems. In particular two IT audits were undertaken which provided No Assurance and the issues identified have data protection consequences:</p> <ul style="list-style-type: none"> <li>• <b>IT Access Controls</b></li> </ul> <p>Where IT access controls are not in place or are not operating effectively this makes it difficult to ensure the integrity and security of data.</p>	<p><b>Yes</b>, there is a significant governance issue considered in relation to system access controls ensuring the integrity and security of data.</p>

Issue	Progress 2013-14	Residual Issue
	<ul style="list-style-type: none"> <li>• <b>SWIFT &amp; Wisdom</b></li> </ul> <p>The SWIFT system in Adult Social Care was found to have significant functionality issues. Where this is the case staff may be forced to seek alternative methods to be able to undertake their urgent day-to-day work, for example keeping records outside of password-protected systems. This leads to an increased inherent risk of a data protection incident occurring.</p>	
<p><b>Records Management and Data sharing</b> – 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.</p>	<p>Linked to the issue identified above there continues to be weaknesses surrounding access to systems being appropriately restricted. In particular the SWIFT system not being fit for purpose in Adults meant that officers had to resort to keeping files and information locally where it was not protected. In addition, at the time of the audit evidence was not available to confirm that data was appropriately backed up.</p> <p>The follow-up work undertaken in 2013/14 on Records Management in the Children’s Service has shown an improvement and that interim controls have been introduced, but it is not possible for all recommendations to be fully implemented until the completion of the roll-out of an enhanced version of Tribal as a system for capturing information centrally. This is due for completion in June 2014 and will minimise duplication of information and the use of alternate local systems for recording information, facilitate the efficient retrieval of all relevant data and the efficient update of records.</p>	<p><b>Yes</b>, there is a significant governance issue considered in relation to system access controls ensuring the integrity and security of data.</p>

Issue	Progress 2013-14	Residual Issue
	Therefore the work assessing this will continue in 2014/15.	
<p><b>Data Quality</b> – given the focus on commissioning and the reliance on data in respect of third party providers the performance management framework requires development a focus on data quality. The focus should be on setting up an appropriate quality assurance framework to support decision making.</p>	<p>A number of audits involving data quality (DQ) reviews took place in the year:</p> <ul style="list-style-type: none"> <li>• Data Quality (cross-cutting review)</li> <li>• Performance Management (cross-cutting review)</li> <li>• Safeguarding Adults DQ</li> <li>• Safeguarding Children Section 11</li> <li>• Autism Self-Assessment</li> <li>• Planning Service performance management</li> <li>• DRS Baseline</li> </ul> <p>The majority of these audits were awarded satisfactory assurance. Whilst there were no significant issues noted with the accuracy of the data reported we did note the following across these reviews:</p> <ul style="list-style-type: none"> <li>• Baseline data in some cases was found to be missing;</li> <li>• Some data is not stored appropriately to preserve its integrity;</li> <li>• A lack of audit trails in some cases and therefore non-compliance with the Council’s data quality policy; and</li> <li>• Some data submitted was not subjected to quality assurance procedures.</li> </ul>	<p><b>No</b>, whilst there are examples of control weaknesses these are not considered a significant governance issue to carry forward. However, it will be an area that is featured within our audit plan for 2014-15 to ensure no slippage against the progress noted.</p>
<p><b>Business Continuity and Resilience</b> – overall the direction of travel for improvements to</p>	<p>An audit of Business Continuity was conducted during the year and a rating of Limited Assurance was given.</p>	<p><b>Yes</b>, business continuity and</p>

Issue	Progress 2013-14	Residual Issue
<p>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>Whilst there had been improvements noted in aspects of the control environment overall there had been no change in assurance rating since the previous year.</p> <p>Although the Council now has a Business Continuity Project underway, at the time of the audit the overarching Council Business Continuity Strategy was not yet in place. As the CSG (formerly NSCSO) contract was delayed until September 2013, the planned changes to business continuity and resilience will be gradual and therefore Business Continuity remains a control risk to carry forward to 2014-15</p>	<p>resilience remain a key improvement area for 2014-15.</p>

In summary the issues taken forward from previous years are:

- Systems need to ensure the integrity and security of data
- Business Continuity and Resilience

For 2013-14 the following control issues were noted and considered issues for the organisation to address in 2014-15:

### **1. Roles, Responsibilities and Accountabilities**

During the course of the year we repeatedly found a common theme in respect of responsibility and accountability issues.

Examples of these audits were:

- IT Access and Controls (No Assurance)
- SWIFT & Wisdom (No Assurance)
- Public Health
- Business Continuity
- Contract Management & Benefits Realisation Framework
- Risk Management Framework
- Customer Services & Information Management Board

There are improvements to be made to the clarity of roles and responsibilities between Commissioners, internal and external delivery unit Directors and the retained functions to ensure co-operation and collaboration in the delivery of outcomes. All parties need to take ownership of the control environment and taking forward the required improvements.

### **2. Contract Management Framework and Benefits Realisation**

During the course of the year we repeatedly found a common theme in respect of contract management and benefits realisation.

Examples of these audits were:

- Barnet Homes contract management (No Assurance)
- Parking contract (Limited Assurance)



- PFI Street lighting contract (Limited Assurance)
- Financial Management – HB Public Law recharges (Limited Assurance)
- Public Health (Limited Assurance)
- Contract Management & Benefits Realisation Framework
- Procurement Board
- Business Continuity
- Equalities
- Waste Transformation Project
- Transformation Q4

Our contract audits in 2013/14 confirmed that there is not a consistent Contract Management Framework in place across all the Council's contracts. Without such a framework in place we noted inconsistent practices on how contracts were managed across the organisation. In addition, our reviews consistently found weaknesses in Benefits Management and therefore Benefits Realisation for contracts and projects within the areas we audited. The baseline and measurement of intended benefits was not always clear. Monitoring of whether intended benefits were being achieved was inconsistent and in some cases non-existent.

### **Audit Recommendations**

The number of high priority recommendations reduced this year from 47 in 2012-13 (30 Council and 17 Schools) to 42 in 2013-14 (22 Council and 20 Schools). The direction of travel further improved for implementing audit recommendations on a timely basis with 100% of high priority recommendations confirmed as having been implemented in 2013-14.

### **Risk Management**

Arrangements for risk management were reviewed by PwC, our internal audit Strategic Partner, 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: policy statement and procedures was revised and reported to the Audit Committee.

The Risk Assurance Function has challenged the risks being reported quarterly as part of the performance management framework and has proactively been engaging with services and risk champions to facilitate improved risk identification, understanding and management. This process has included reviewing the joint risks between the Council and its contractual partners such as Capita.

We do note however from our internal audit work for the year that the risk identification process within services remains inconsistent, with risks not always documented appropriately within the risk management system JCAD and appropriate controls not always identified by the service to mitigate the risks. In addition, we noted that the new internal governance structures within the Commissioning Council model were initially not considering risk in a coherent or consistent manner. Recommendations were made accordingly and work is ongoing to implement these with support provided to the boards as required.

## **Performance of Internal Audit**

99% of the 2013-14 Audit Plan was delivered by the end of the financial year (March 2014). This is an improvement on the previous year.

During the year the service has made further improvements to its performance including:

- Continuing to embed the audit approach to ensure a focus on key risks
- Revising the approach within the Internal Audit annual plan to cover all aspects of the Commissioning Council model: Cross-Cutting & Risk-Based reviews, Frameworks, Internal Governance, and External Assurance.
- Agreeing a protocol with Capita to ensure appropriate audit coverage of key risks, whether the function is directly run by the Council or by its external partner
- Starting a joint procurement process with a group of other Local Authorities for a Framework contract to provide internal audit services

After each audit we request feedback from senior management and service managers to ensure we address any perceived or actual weaknesses. This year we received 21 performance questionnaires back following completion of audits. These questionnaires give a rating from 1 (Excellent) to 5 (Unacceptable), with our target for the Internal Audit Service being to achieve 90% rated over 3. This year the service achieved 100% (100% in 2012-13) rated satisfactory (3) or above.

We continually strive to improve the Internal Audit Service and in 2014/15 will be introducing new approaches to increase efficiency and to streamline the audit process for officers across the Council. In addition we will be ensuring regular input to the Audit Plan throughout the year from all stakeholders, including the Strategic Commissioning Board, Lead Commissioners, Delivery Units, Members and residents. The Audit Plan will be responsive to the pace of change at the Council and any emerging risks.

## **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 2013-14

Audit Opinions on Completed Audits during the period		
	Systems Audits	Assurance
1	Welfare Reform - Governance Arrangements	Substantial
2	Special Parking Account – PCN deletion / write-off	Satisfactory
3	Key Financial Systems – Group 1	Satisfactory
	Treasury Management	
	Pensions	
	Payroll	
	Accounts Payable	
	Income and Debt Management	
	Cashbook	
	Capital Programme	
4	Key Financial Systems – Group 2	Satisfactory
	Housing Benefit	
	Council Tax	
	National Non-Domestic Rates	
5	Adults' Safeguarding - Data Quality	Satisfactory
6	Children in Need	Satisfactory
7	Safeguarding Children – Section 11	Satisfactory
8	Procurement Board – Internal Governance Q2	Satisfactory
9	Procurement Board – Internal Governance Q4	Satisfactory
10	Workforce Board – Internal Governance Q2	Satisfactory
11	Workforce Board – Internal Governance Q4	Satisfactory
12	Assets & Capital Board – Internal Governance Q2	Satisfactory
13	Assets & Capital Board – Internal Governance Q4	Satisfactory
14	Customer and Information Management Board – Internal Governance Q2	Satisfactory
15	Customer and Information Management Board – Internal Governance Q4	Satisfactory
16	Barnet Autism Self-Assessment review	Satisfactory
17	Data Quality	Satisfactory
18	Equalities	Satisfactory
19	Legislative changes – Education and Skills	Satisfactory
20	NSCSO Mobilisation	Satisfactory
21	Children's Placements	Satisfactory
22	Transformation Q1	Satisfactory
23	Transformation Q4	Satisfactory
24	Early Intervention & Prevention	Satisfactory
25	Regulation of Investigatory Powers Act (RIPA) review	Satisfactory
26	Health & Social Care Integration	Satisfactory
27	Partnerships	Satisfactory
28	Information Management and Governance	Satisfactory
29	Risk Management Framework	Satisfactory

30	Performance Management Framework	Satisfactory
31	Waste – Project assurance	Satisfactory
	Financial Management*	
32	General (budgetary control, budget management, journals authorisation, roles & responsibilities)	Satisfactory
33	Charges for Legal Services	Limited
	Contract Management & Benefits Realisation Framework*	
34	Commissioning Group	Satisfactory
35	CSG	Satisfactory
36	Barnet Homes	No
37	Planning Service – Data Quality	Limited
38	PFI Street lighting – Contract Management	Limited
39	Business Continuity	Limited
40	People Management	Limited
41	Parking contract management	Limited
42	Public Health	Limited
43	IT Access Controls	No
44	Adults' SWIFT & Wisdom	No
45	DRS Baseline review	N/A
46	Regeneration follow-up	N/A
47	Children's Safeguarding assurance process map	N/A
48	Adults' Safeguarding assurance process map	N/A
49	Troubled Families – Payment by Results (Oct 2013 submission)	N/A
50	Troubled Families – Payment by Results (Feb 2014 submission)	N/A
51	SAP Data Migration	N/A

\* Assurance rating was split due to different accountable officers. Therefore to calculate the % of reports with each assurance rating the different elements of scope have been counted as separate reviews. Reconciliation to total number of reports issued as per 'Introduction and Overview' section:

Introduction and Overview total	48
Plus: Financial Management split – Charges for Legal Services	1
Plus: Contract Management & Benefits Realisation Framework split – CSG and Barnet Homes	2
<b>Total as per above</b>	<b>51</b>

	<b>School Audits</b>	<b>Assurance</b>
1	Woodcroft	Satisfactory
2	Bishop Douglass	Satisfactory
3	Friern Barnet	Satisfactory
4	Childs Hill	Satisfactory
5	Wessex Gardens	Satisfactory
6	Bell Lane	Satisfactory
7	St James Catholic High	Satisfactory
8	Jewish Community Secondary	Satisfactory
9	Queenswell Junior	Satisfactory
10	St Mary's & St John's	Satisfactory
11	Oak Lodge	Satisfactory
12	Coppetts Wood	Satisfactory
13	Claremont	Satisfactory
14	Sacred Heart	Satisfactory
15	St Paul's N11	Satisfactory
16	Holy Trinity	Satisfactory
17	Goldbeaters	Satisfactory
18	Osidge	Limited
19	Orion	Limited
20	Livingstone	Limited
21	Beis Yaakov	Limited
22	Rosh Pinah	Limited
23	Hollickwood	Limited


## Appendix C: List of Assurances 2013-14 by Delivery Unit

Audit Opinions on Completed Audits during the period		
	<b>Adults &amp; Communities</b>	<b>Assurance</b>
1	Adults' Safeguarding - Data Quality	Satisfactory
2	Barnet Autism Self-Assessment review	Satisfactory
3	Health & Social Care Integration	Satisfactory
4	Adults' SWIFT & Wisdom	No
5	Adults' Safeguarding assurance process map	N/A
	<b>Children's Service</b>	
6	Children in Need	Satisfactory
7	Safeguarding Children – Section 11	Satisfactory
8	Early Intervention & Prevention	Satisfactory
9	Children's Placements	Satisfactory
10	Legislative changes – Education and Skills	Satisfactory
11	Children's Safeguarding assurance process map	N/A
12	Troubled Families – Payment by Results (Oct 2013 submission)	N/A
13	Troubled Families – Payment by Results (Feb 2014 submission)	N/A
	<b>Street Scene</b>	
14	Waste – Project assurance	Satisfactory
15	Special Parking Account – PCN deletion / write-off	Satisfactory
16	PFI Street lighting – Contract Management	Limited
17	Parking contract management	Limited
	<b>Commissioning Group</b>	
18	Welfare Reform - Governance Arrangements	Substantial
19	Key Financial Systems – Group 1	
	Treasury Management	Satisfactory
	Pensions	Satisfactory
	Payroll	Satisfactory
	Accounts Payable	Satisfactory
	Income and Debt Management	Satisfactory
	Cashbook	Satisfactory
	Capital Programme	Satisfactory
20	Key Financial Systems – Group 2	
	Housing Benefit	Satisfactory
	Council Tax	Satisfactory
	National Non-Domestic Rates	Satisfactory
21	NSCSO Mobilisation	Satisfactory
22	Transformation Q1	Satisfactory
23	Transformation Q4	Satisfactory



Audit Opinions on Completed Audits during the period		
24	Partnerships	Satisfactory
25	Performance Management Framework	Satisfactory
	Contract Management & Benefits Realisation Framework	
26	Commissioning Group	Satisfactory
27	CSG	Satisfactory
28	Barnet Homes	No
29	Planning Service – Data Quality	Limited
30	Public Health	Limited
31	IT Access Controls	No
32	DRS Baseline review	N/A
33	Regeneration follow-up	N/A
34	SAP Data Migration	N/A
	<b>Assurance Group</b>	
35	Regulation of Investigatory Powers Act (RIPA) review	Satisfactory
36	Risk Management Framework	Satisfactory
	<b>Internal Governance</b>	
37	Procurement Board – Internal Governance Q2	Satisfactory
38	Procurement Board – Internal Governance Q4	Satisfactory
39	Workforce Board – Internal Governance Q2	Satisfactory
40	Workforce Board – Internal Governance Q4	Satisfactory
41	Assets & Capital Board – Internal Governance Q2	Satisfactory
42	Assets & Capital Board – Internal Governance Q4	Satisfactory
43	Customer and Information Management Board – Internal Governance Q2	Satisfactory
44	Customer and Information Management Board – Internal Governance Q4	Satisfactory
	<b>Cross Cutting</b>	
45	Data Quality	Satisfactory
46	Equalities	Satisfactory
47	Information Management and Governance	Satisfactory
	Financial Management	
48	General (budgetary control, budget management, journals authorisation, roles & responsibilities)	Satisfactory
49	Charges for Legal Services	Limited
50	People Management	Limited
51	Business Continuity	Limited

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	AGENDA ITEM 9
	<p><b>Audit Committee</b></p> <p><b>22 July 2014</b></p>
<b>Title</b>	<b>Corporate Anti-Fraud Team (CAFT) Progress Report April – June 2014</b>
<b>Report of</b>	Clair Green – Assurance Assistant Director
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	CAFT Progress Report April – June 2014
<b>Officer Contact Details</b>	Clair Green <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a> 0207 359 7791

### Summary

This report covers the period 1st April 2014 – 30th June 2014 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

### Recommendations

1. That the Committee note the CAFT Progress Report covering the period 1st April – 30th June 2014.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee included in the work programme for 2014/5 that quarterly progress reports on the work of the Corporate Anti- Fraud Team is produced to this meeting.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Not applicable.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 None.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team 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.

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

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

### **5.3 Legal and Constitutional References**

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

- 5.3.2 The Council's Constitution under Responsibility for Functions - The Audit Committee's terms of reference, details the functions of the Audit Committee including, "To monitor the effective development and operation of the

Council's Corporate Anti-Fraud Team and to consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes".

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

#### **5.4 Risk Management**

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

#### **5.5 Equalities and Diversity**

5.5.1 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; promoting good relations between those with a protected characteristic and those without. The, relevant, 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination

5.5.2 Effective systems of anti-fraud provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

#### **5.6 Consultation and Engagement**

5.6.1 None.

### **6. BACKGROUND PAPERS**

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

6.2 Audit Committee 29th April 2014 (Decision item 10 ) – the Audit Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2014-2015.

6.3 Audit Committee 29th 2014 - (Decision item 13 ) – the Audit Committee included in the work programme for 2014/5 that quarterly progress reports on the work of the Corporate Anti- Fraud Team be produced to this meeting.

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# Corporate Anti-Fraud Team (CAFT) Progress Report: April – June 2014

**1<sup>st</sup> July 2014**

**Clair Green**

**Assurance Assistant Director**

This report covers the period 1<sup>st</sup> April 2014 – 30<sup>th</sup> June 2014 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Finance Officer in fulfilling his statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

Work processes in the team are designed for maximum efficiency and as such all functions are 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 including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others do not, but in all cases appropriate actions, such as disciplinary are taken. It is this element of the work of CAFT that is hard to quantify statistically.

Since last reporting there has been an update relating to the Single Fraud Investigation Service (SFIS) in that Barnet now has a confirmed transfer date of 1st July 2015. SFIS is the creation of a national single integrated fraud investigation service within the Department of Work and Pensions (DWP). It will have statutory powers to conduct single investigations and sanctions covering the totality of welfare benefit fraud (all DWP benefits, Local Authority benefits and HMRC credits). It will not have responsibility for other Local Authority Fraud such as Internal Fraud, Tenancy Fraud, Council Tax Replacement or discounts Fraud this will remain with the council.

On the 1<sup>st</sup> July 2015 Barnet will transfer both the benefit fraud investigation work and the CAFT employees principally undertaking the work to the DWP. Following the transfer staff will be employed by the DWP and will relocate to DWP offices. Full details of the staff transfer and impact of this new investigation service to the council are not known at this stage as the DWP will engage with each local authority individually to discuss details 4-6 months prior to the their transfer date. At the time of DWP engaging with Barnet a further update will be provided for discussion and information.

Housing Benefit Fraud investigation has been established within CAFT for many years and operates in accordance with the Counter Fraud Framework and DWP's Fraud and Error Strategy, investigation and sanction regime. This is now a year of transition for the DWP to SFIS and as such there are a number of procedural and legislative changes that are coming into effect as well as preparations for the implementation and transfer. CAFT are responding and complying accordingly with these changes as they happen, whilst ensuring to provide a continuous, effective and value for money anti-fraud service.



# Contents

- 1. Joint Internal Audit and CAFT reviews..... 4
- 2. Performance Indicators ..... 5
- 3. Noteworthy investigations summaries:-..... 7

## 1. Joint Internal Audit and CAFT reviews

Table 1 provides an update as at the end of Quarter 1 against joint reviews planned for Quarter 1 as detailed within the Joint plan with Internal Audit 2014-15.

Area of review	Risk being addressed	Outcome
<p><b>Your Choice Barnet – contract review</b> <i>(Joint review with Internal Audit)</i></p> <p>Review to analyse a sample of employees within Care Homes to verify that they have legitimate identity documents and the right to work in the UK</p>	<p>There is a risk that care workers may be working without the appropriate clearances for eligibility or right to work.</p>	<p>As part of the 2014/15 CAFT annual plan agreed by the Audit Committee in April 2014, we have undertaken a joint review with internal audit of the ‘Your Choice Barnet’ (YCB) contract management arrangements.</p> <p>CAFT reviewed records of 123 YCB employees and found that 89 were valid and eligible to work in the UK. The remaining 34 are subject to further enquiries at the time of reporting and are being dealt with on a case by case basis directly with ‘Your Choice Barnet’.</p> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 1 Progress Report.</p>
<p><b>Disabled Blue Badges</b> <i>(Joint review with Internal Audit)</i></p> <p>A review of a sample of current blue badges to confirm legitimacy.</p>	<p>Valid parking income is not maximised and collected as a result of non valid and/or fraudulent blue badges remaining in circulation and being misused.</p>	<p>As part of the 2014/15 CAFT annual plan agreed by the Audit Committee in April 2014, we have undertaken a joint review with internal audit of Disabled Blue Badges (BBs).</p> <p>CAFT reviewed 92 of 500 badges that were recorded as applications made but had not attended a face to face identity appointment. CAFT carried out visits to the applicants. The results showed:</p> <ul style="list-style-type: none"> <li>• 36 of the applicants stated that they had not received correspondence from the council informing them of the current state of their application;</li> <li>• 9 applicants were deceased at the time of the visit;</li> <li>• 5 applicants had received their badge in the post contrary to what the council system indicated;</li> <li>• 3 applicants stated they did not want or need the badge since application; and</li> <li>• 19 are currently going through a</li> </ul>

		<p>process of further investigation as there are indications of application fraud.</p> <ul style="list-style-type: none"> <li>• 20 were not able to be contacted</li> </ul> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 1 Progress Report.</p>
<p><b>Transport contracts (Joint review with Internal Audit)</b> Review to analyse a sample of invoices for verification purposes.</p>	<p>If validation of invoices does not take place then there is a risk of duplicate or fraudulent invoicing resulting in loss to the public purse.</p>	<p>As part of the 2014/15 CAFT annual plan agreed by the Audit Committee in April 2014, we have undertaken a joint review with internal audit of Transport Contracts.</p> <p>Fieldwork is currently underway; results will be reported in Quarter 2.</p>

## 2. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2014/15 fraud plan.

No targets are set against each of these indicators, as they are the results of CAFT re-active and continuous investigation work.

As this is the first year CAFT have reported quarterly, comparative data is only available for quarters 2 and 4 and will be reported during these quarters.

Performance Indicator	Quarter 1 April – June Progress	Comments
<p><b>Benefit Compliance Team</b> identify and correct fraud and error in our benefits and council tax systems through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS) and the 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.</p>		
Total amount of Fraud overpayments identified in Benefits system	£112,033.12	
Total amount of Error overpayments identified in Benefits system	£262,015.44	
Combined amount Fraud and Error identified within the Benefits System	£374,048.56	
Amount of council tax – single person discount fraud identified	£22,383.52	<p>This figure relates to the continuous anti-fraud work in relation to Council Tax Single Person Discounts that CAFT identified through investigations that residents were claiming and not entitled to.</p>

**Benefit Fraud Investigation Team** prevents, identifies, investigates, deters, sanctions or prosecutes persons that commit benefit fraud in Barnet. They operate in accordance within the DWP's Fraud and Error Strategy and the Council's Counter Fraud Framework as well as relevant governing legislation.

Number of carried forward Benefit Fraud investigations from 13/14	222	At the time of reporting we have a significant amount of on-going benefit fraud investigations within CAFT. So far this quarter there has been a steady level of referrals into CAFT and these predominately originate from the DWP Housing Benefit Data Matching Service (HBDMS).
Number of new Benefit Fraud investigations	70	
Total Number of closed Benefit Fraud investigations	48	
Total number of on-going Benefit Fraud investigations	244	
Number of cautions issued	4	These figures relate to the differing sanctions that are available under the DWP's Fraud and Error Strategy in relation to benefit fraud investigations where fraud is proven.
Number of administration penalties issued	6	
Number of prosecutions	5	
Total number of Sanctions	15	
Number of sanctions issued per investigations officer	4	

**Corporate Fraud Team** deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. They also conduct Financial Investigation under the Proceeds of Crime Act 2000 to ensure that any persons subject to a criminal investigation by Barnet do not profit from their criminal action. They work in partnership with UKBA, Police and HM Revenue and Customs to ensure that the public purse is adequately protected

Number of carried forward Fraud investigations from 13/14	10	
Number of new fraud investigations	33	
Total Number of closed fraud investigations	10	
Total number of on-going fraud investigations	33	Of these 33 investigations, 19 relate to Blue Badge Fraud which was identified as part of the proactive exercise and 14 are from other areas across the council. Details of cases are reported on closure if fraud is proven or another sanction given.
Number of carried forward Financial investigations from 13/14	13	
Number of new Financial investigations	3	
Number of closed Financial investigations	0	
Total Number of on-going Financial investigations	16	Of these 16 financial investigations, 9 cases relate to Benefit Fraud and the recovery of funds back to the council and 7 relate to other cases

		from around the council.
Number of prosecutions	0	
Number of dismissals as a result of a CAFT investigation.	1	Please refer to noteworthy investigations (section 3) of the report for further details.
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	0	This is reported for information purposes in accordance with our statistical return to the Office of Surveillance Commissioners
Number of referrals received under the council's whistleblowing policy.	0	This is reported for information purposes only in accordance with our policy.
<b>Tenancy Fraud Team</b> prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.		
Number of carried forward Tenancy Fraud investigations from 13/14	79	
Number of new Tenancy Fraud investigations	47	
Total Number of closed Tenancy Fraud investigations	35	
Total number of on-going Tenancy Fraud Investigations.	91	
Number of properties recovered	17	We have agreed an annual figure to relating to recovering 70 properties over the year with Barnet Home and are currently on target to achieve this.
Number of 'Right to Buy' applications denied as a result of CAFT intervention	5	This is the first year that we have proactively worked with the 'Right to Buy' service.
Number of Homeless Applications denied as a result of CAFT intervention	0	This year we have begun to proactively work with the 'Housing Needs Service' within Barnet Homes in relation to fraud awareness in relation to application fraud and are planning to agree a new process that will enable them to identify fraudulent applications as early as possible.

### 3. Noteworthy investigations summaries:-

#### **Benefit Fraud Investigations**

**Ngesa** - Relates to an investigation into a benefit claimant that had failed to declare his wife's earnings. When Mr Ngesa had applied for benefit in 2007 he claimed that his wife was not working, when in fact

investigations revealed that she had been working continuously since 2003, other than a 2 month period of sick leave in 2007. Mr Ngesa was also employed, but he had declared his own employment. CAFT investigated this case and when interviewed under caution he answered all the questions, and admitted making mistakes but claimed that they were not intentional. The claim was cancelled and this resulted in an overpayment of £52,608 for the period 2007 – 2012. The matter was passed for prosecution. Mr Ngesa has pleaded guilty to the offences and is currently awaiting sentencing in July this year.

**Lawton** –Relates to a benefit claimant that had failed to declare a private pension. CAFT investigated the case and when interviewed Miss Lawton claimed that she had not declared the pension as she felt that the council owed her money from previous years. The overpayment was £3,868 Miss Lawton was originally offered an administrative penalty but she declined to accept this and so in accordance with our policy the matter was passed for prosecution. Miss Lawton pleaded guilty and was fined £80, £60 contribution to costs and £120 victim surcharge as well as being ordered to repay the overpayment.

**Xava De Pina** –Relates to an investigation into a benefit claimant that had failed to inform the council that he was a student. Subsequent investigations also revealed that the child he was claiming for did not live with him. The overpayment was £3,799 and the matter was passed for prosecution. Mr Xava De Pina pleaded guilty to all charges and was sentenced to community order of 80 hours unpaid work, £60 victim surcharge and £500 contribution to costs as well as being ordered to repay the overpayment.

### **Tenancy Fraud cases**

**Mrs A** had a 3 bedroom house in the HA8 area. There were suspicions that she was living abroad and sub-letting the property to family members. Investigations began into her residency and on her return to the country she was contacted by CAFT and attended an interview under caution. She stated that she and her children were back for good and always had the intention to return and that family members had just looked after the property for her. An agreement was made with Mrs A to return the keys to the property and surrendered the tenancy.

**Mr O** had a one bedroom flat in the EN5 area. The housing officer had suspicions for some time that Mr O was not actually resident and referred the matter to CAFT. Investigation began into the residency of Mr O which revealed that he was not sub-letting the property, but that he was merely visiting it on the odd occasion to collect post and it is our belief that he was residing with his parents. Mr O refused to allow officers into the property when a visit was arranged and he was requested to attend a interview under caution. Shortly after receiving the letter he contacted CAFT and he returned the keys to the property and surrendered the tenancy.

**Mrs R** made an application to succeed her Mother to a flat in NW2. A credit check suggested that she actually resided nearby with her son in a private flat. A visit was made to the flat with the housing officer; another relative was present at the time decorating the property and said that Mrs R was out of the county attending a funeral. She made contact with CAFT upon her return and a letter was sent to her to attend an interview under caution. During the interview she was adamant that she had resided with her Mother for over 2 years and her son rented the other flat. However when challenged on this she asked for the interview to be suspended for a short while. When the interview under caution recommenced Mrs R's solicitor confirmed that her client would be handing the keys back and withdrawing her application to succeed the tenancy.

### **Corporate Fraud**

An internal investigation commenced into a Catering Services school based staff member after information was received which led us to believe that the staff member stole food from the school kitchen on a regular basis.

CAFT officers attended the school to speak with the staff member and witnessed them leave the kitchen area with 2 large bags filled with food supplies. She was stopped and asked to empty her bags on to the table. The bag contained large quantities of food supplies from the school kitchen. Further investigations were made and the case was passed to the service to conduct a disciplinary hearing. A disciplinary hearing was held on 26th June and the staff member was dismissed from the council for gross misconduct.

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	AGENDA ITEM 10  <h2 style="text-align: center;">Audit Committee</h2> <h3 style="text-align: center;">22 July 2014</h3>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Internal Audit Exception Recommendations Report and Progress Report up to 30th June 2014</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>Not applicable</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix A: Internal Audit progress report (up to 30<sup>th</sup> June 2014)                  Appendix B: Work completed in Q1 to 30th June 2014                  Appendix C: Work in progress at 30th June 2014                  Appendix D: Internal Audit Effectiveness Indicators                  Appendix E: Internal Audit Recommendations quarter 1 (end of June)</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Caroline Glitre, Head of Internal Audit  <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a>                  020 8359 3721</p>

<h2>Summary</h2>
<p>Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2014-15 &amp; high priority recommendations.</p> <p>The Internal Audit Service commenced delivery of work in accordance with its plan reported to the Audit Committee in April 2014. Over the current period since the Committee last met in April 2014 the service has issued 8 reports. For those reports with an assurance rating, 2 reports were given 'Limited' and 2 reports given 'Satisfactory'. Information has been presented in Appendix A on those reports issued as 'Limited' assurance and full copies of those reports are available on the Barnet website here:</p> <p><a href="http://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&amp;cat=13619&amp;path=0">http://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&amp;cat=13619&amp;path=0</a></p> <p>91% of the recommendations that were due to have been implemented at the end of June</p>

have been implemented. A summary of those recommendations which were due in Quarter 1 has been included for the Audit Committee to review (appendix E).

## **Recommendations**

**That the Committee note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2014-15 & high priority recommendations.**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2014-15 internal audit plan and the high priority recommendations made. In addition, the Audit Committee can inquire with Directors and Assistants Directors as to their progress against recommendations.

### **2. REASONS FOR RECOMMENDATIONS**

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

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not relevant.

### **4. POST DECISION IMPLEMENTATION**

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

### **5. IMPLICATIONS OF DECISION**

#### **5.1 Corporate Priorities and Performance**

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

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

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

5.2.2 The work plan agreed by the Audit Committee is being achieved from Internal Audit's current budget.

### **5.3 Legal and Constitutional References**

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

5.3.2 The Council's Constitution 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.

### **5.4 Risk Management**

5.4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

5.4.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

### **5.5 Equalities and Diversity**

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

### **5.6 Consultation and Engagement**

5.6.1 Not applicable.

## **6. BACKGROUND PAPERS**

6.1 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.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%201.pdf>

6.2 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.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%201.pdf>

- 6.3 Audit Committee 17 February 2011 (Decision Item 7) – the Committee (i) agreed that a report would be prepared quarterly regarding those internal audit recommendations not implemented (ii) requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201102171900/Agenda/Document%201.pdf>

## **Appendix A**

### **London Borough of Barnet**

#### **Internal Audit**

#### **Progress Report 2014-15 – Quarter 1**

**Caroline Glitre, Head of Internal Audit**

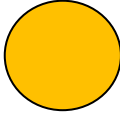
## **1. Introduction**

The Internal Audit Plan was accepted by the Audit Committee on the 29th April 2014. This report follows the principles previously requested by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

## **2. Final Reports Issued**

This report covers the period from 1<sup>st</sup> April 2014 to 30<sup>th</sup> June 2014 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 8 reports in accordance with the 2014-15 Internal Audit Plan. The full list of completed audits during this period is included within Appendix B. For those reports with an assurance rating, 2 reports were given 'Limited' and 2 reports given 'Satisfactory'. The summary detail of those reports issued as Limited assurance is included within section 3.

### 3. Key Findings from Internal Audit Work with Limited assurance

Title	Public Health			
	No	Limited	Satisfactory	Substantial
Assurances				
Audit Opinion				
Date of report:	April 2014			
Previous reviews (context)	2012/13 – Public Health – Satisfactory Assurance			
Background	<p>The Public Health team joined Harrow Council on 1st April 2013 from the NHS. In agreement with Barnet Council a joint team was developed to support both councils. The team is employed by Harrow Council with the Director of Public Health being appointed to both Barnet and Harrow councils. The team delivers a range of statutory and discretionary services to both communities and supports the various bodies within the NHS. The public health team continues to work with NHS England and Public Health England at both national and London levels to clarify roles and responsibilities particularly in relation to health protection: immunisations, infection control and emergency planning.</p> <p>The Public Health (PH) Inter-Authority agreement between Barnet and Harrow was signed 28 March 2013 in which the Joint Public Health Service was established between Harrow and Barnet. The terms by which Harrow discharges Barnet's relevant functions for public health services were set out in this inter authority agreement.</p>			

## Summary of Findings

We noted the following areas of good practice:

- Governance arrangements are outlined within the Inter-Authority Agreement (IAA), including a terms of reference for the joint Public Health governance board.
- The Public Health quarterly performance reports are reviewed and scrutinised by the Council's Delivery Board and Strategic Commissioning Board (SCB).
- A contract register is retained which outlines the status of all Public Health contracts.

We raised two priority 1 and three priority 2 recommendations. Our key findings are as follows:

- **Governance and organisational structures** (Priority 1) – We noted a lack of clarity over the expected relationship between the shared Public Health team and Barnet Council's commercial contract management team. There were no representatives of Barnet's commercial team on the Public Health Governance Board to monitor and challenge the performance of the contract.
- **Third party contract management** (Priority 1) - Throughout the course of the audit, we experienced significant delays in receiving third party contractual information, as this is currently held by London Borough of Harrow and Barnet does not have this information readily available. Given the delays experienced, we were unable to assess three of the contract management risks that had been identified within the terms of reference, hence we could not provide any assurance over those areas.
- **Key Performance Indicators of contractual arrangements with service providers** (Priority 2) - We tested five Public Health contracts and noted that for one contract with a value of £743k, there were no KPIs specified and agreed with the provider.
- **Attendance at the joint Public Health governance board meetings** (Priority 2) – We confirmed through review of two sets of governance board meeting minutes that Barnet's Section 151 officer and a Barnet Clinical Commissioning Group (CCG) representative were not in attendance as



required by the Inter-Authority Agreement.

- **Performance monitoring of the Public Health Lead Commissioner management agreement (Priority 2)** – The Key Performance Indicators (KPIs) outlined within the Lead Commissioner management agreement are not reported to the Public Health governance board. We reviewed two performance dashboard reports and noted that one was incomplete - a quarterly KPI had not been reported.

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

**Recommendation 1 - Public Health governance and organisational structure**

- a) A governance structure chart should be developed that clearly shows the expected interaction between the shared Public Health team and Barnet's commercial contract management team.
- b) In practice the focus of the Public Health Governance Board should be on (a) whether the Inter-Authority Agreement requirements are being met and (b) whether the Public Health shared service management agreement priorities are progressing adequately.
- c) The Public Health organisational structure document should be formally reviewed on a periodic basis and include a version control, detailing the document approver and the corresponding dates.
- d) Both the governance and organisational structure documents should be made easily accessible by Barnet Council staff on the intranet so that roles and responsibilities are clearly communicated.

**Management Comment 1**

**Governance Structure**

The Inter Authority Agreement (IAA) and the Terms of Reference of the Public Health Governance Board are to be reviewed and amended in order to make the PH Governance Board a more robust mechanism for performance and contract monitoring as detailed below. In preparation for this a governance chart has been drafted and once this is confirmed it will be made available to Council staff on the intranet.

It is important to recognise the scope of the indicators which are directly managed by officers within the Public Health. The Public Health Outcomes Framework contains approx. 66 indicators, which whilst monitored by the Public Health team, are not necessarily within the direct responsibility of delivery by the Public Health team.

Clarity of responsibility for different aspects associated with the Joint Public Health Strategy (JPHS) will be jointly developed and will address:-

- Where the responsibility for overseeing the JPHS in respect of ensuring the shared service is working effectively is held
- Revising the Terms of Reference of the Governance Board It to take account of this new contracting model between Barnet and Harrow.
- Agreeing the role and contribution of Barnet's Commercial Team to provide sufficient oversight of the contract management and delivery of the IAA.

The responsibility for ensuring that the JPHS is held to account by Members in respect of how the Strategy is delivering will be the remit of the Performance and Contract Management Committee. This Committee has responsibility for:

- Overseeing how the actual Public Health KPI's and CPI's are being delivered
- Ensuring that the LBB Public Health priorities, as outlined within the Corporate Plan are considered within the Management Agreement priorities.
- Ensuring that the Management Agreement priorities and any associated KPI's are being delivered by the JPHS

In preparation the Commercial Team and PH are reviewing the current IAA and will be making recommendations on how this might need to be revised to take account of this.

### **Organisational Structure**

Organisational structure is attached and can be found online at;

[http://www.barnet.gov.uk/info/940457/public\\_health](http://www.barnet.gov.uk/info/940457/public_health)

**(Dr Andrew Howe, Lead Commissioner / Claire Symonds, Commercial & Customer Services Director, 1 September 2014)**

**Recommendation 2 - Public Health governance and organisational structure**


The Council's commissioning group should maintain greater oversight and involvement with the contractual arrangements of the joint Public Health service. It should consider where this responsibility fits best within the Council structure.

**Management Comment 2**

As a joint service, the Public Health team negotiate and manage the related contracts on behalf of Barnet Council. However, it is recognised that this information may, at times, be limited to the service with limited oversight of the wider corporate organisation.

The revised Governance structure outlined within section 2.1 will provide adequate oversight of the performance of the JPHS by the Commercial Services team.

**(Dr Andrew Howe, Lead Commissioner / Claire Symonds, Commercial & Customer Services Director, 1 September 2014)**

<b>Title</b>	<b>Disabled Blue Badges (Joint Internal Audit &amp; CAFT review)</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion</b>				
<b>Date of report</b>	June 2014			
<b>Previous reviews (context)</b>	N/A			
<b>Background</b>	<p>The aim of the Blue Badge scheme is to help disabled people with mobility problems to access goods and services by allowing them to park close to their destination. Since the introduction of face to face identification in January 2012, 10,871 BBs have been issued in Barnet. In 2010 the Department of Transport valued a blue badge at £5,644 per year in London based on frequent use<sup>1</sup>. For the BBs issued in Barnet since January 2012, this equates to an estimated value to badge holders of £61m per year, or £183m for a three year period, the average time between issue and expiry of a blue badge.</p> <p>The Assisted Travel (AT) team transferred to the Customer Support Group (CSG) on 1st September 2013, this team was then moved to Coventry as part of the Contact Centre moves on 12 May 2014. It is responsible for the administration, application, renewal, cancellation and re-issue of Blue Badges. They also have a part enforcement role to prevent the misuse of blue badges. The national Blue Badge Information System (BBIS) is used for related processing.</p> <p>In response to customer complaints, from 16 June 2014 a revision to the BB application process is being piloted, whereby the requirement for 'face-to-face' confirmation of applicant details is being removed.</p>			
	<small><sup>1</sup> 'Blue Badge Reform Strategy: Enforcement Evidence Base', DfT, March 2010</small>			

## Summary of Findings

### Key Findings (informing Audit opinion)

There two priority 1 and four priority 2 recommendations.

We noted the following areas of good practice:

- Access to Transport for London guidance for referral by officers responsible for Blue Badge delivery
- Evidence of arrangements for the training and development of responsible officers.

We identified the following significant issues as part of the audit:

- A formal Operating Level Agreement (OLA) did not exist detailing responsibilities, agreed performance levels and operational performance indicator targets that Capita should meet in the provision of the Assisted Travel Blue Badge service. OLAs are prepared for monitoring specific services referred to in the related overarching Service Level Agreement (SLA) between Capita and the Council. The SLA states that an OLA will be prepared for each SLA service. Furthermore, responsibility for specific monitoring of the OLA client side was not clear and allocated, although aspects of BB delivery were covered in the strategic monitoring of the customer services SLA. (Priority 1)
- Comprehensive pro-active arrangements for identifying Blue Badge misuse and robust communication channels between Parking (NSL) and Assisted Travel to ensure a “joined up” approach to Blue Badge enforcement did not exist for preventing the fraudulent use and misuse of Blue Badges. (Priority 1)

We noted the following other issues:

- The Council followed aspects of the Transport for London (TfL) guidance however there were no formally approved documented procedures governing Council Policy and processes for Blue Badge operation for referral by responsible officers. (Priority 2)
- Management indicated that a quality assurance framework did not exist to ensure that Blue Badge application/renewal and cancellation processes were compliant with the Council’s

approach. Further, we found that documentation and audit trails supporting application decisions and confirming timely processing were not always retained for review and referral to facilitate effective monitoring and ensure consistent and appropriate delivery. (Priority 2)

- Council arrangements were unclear for ensuring awareness of and access to the Blue Badge Service amongst residents without internet access. (Priority 2)
- We reviewed the new process being piloted from 16 June 2014 and we identified two areas for the Council's consideration:
  - The specific risks of application fraud in the absence of the face-to-face confirmation of applicant details. Findings from the anti-fraud review of applications were mapped against the risks identified.
  - The cost of returning documentation and issuing BBs securely to ensure a record of receipt.

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

**Recommendation 1 – Client-side BB Operational Monitoring Agreement oversight**

An Operational Monitoring Agreement (OLA) supporting the overarching Customer Services Service Level Agreement (SLA) should be drafted against which agreed service delivery should be monitored. Responsibility for the client-side oversight of the BB OLA should be allocated.

In addition to the SLA measures of telephony, e-mail response times and customer satisfaction, we would suggest that the OLA include measures which provide evidence of delivery of key processes and the analysis of trends. For example, by month, the number of BB applications, number of BBs issued, number of referrals to CAFT and to and from Parking and the number and percentage of BB applications resolved outside target timeframes.

**Management Comment 1**

The Blue Badge service is monitored as part of customer services and is subject to monthly and quarterly monitoring by the Commercial team and as part of the quarterly performance management cycle. There has also been a great deal of work undertaken in response to customer complaints re the application process. Therefore the risk of sub-optimal service delivery and satisfaction levels is not considered to be high.

Although the Assisted Travel (AT) team transferred to the Customer Support Group (CSG) on 1st September 2013, this service was then moved to Coventry as part of the Contact Centre moves, with the new team being effective from the 12 May. A draft OLA has already been produced and this will be updated and finalised to include measures which provide evidence of delivery of key processes and the analysis of trends.

The Client lead will be within the Commercial Team through the Commercial and Customer Services Director

**(Claire Symonds, Commercial & Customer Services Director / Sharon Dawson, Head of Service Delivery & CSG Operations Barnet, 4<sup>th</sup> July 2014)**

**Recommendation 2 – Cancellation, Misuse and Enforcement**

Pro-active arrangements for identifying at the earliest possible stage Blue Badges of holders who are deceased should be developed and implemented by Assisted Travel.

Arrangements should be implemented:

- for Assisted Travel (AT) to record whether cancelled Blue Badges have been returned for on-going follow-up and



recording on BBIS, as a minimum, as a reminder to stop future renewal

- to improve communication between Assisted Travel and Parking (Enforcement) by:

- AT notifying Parking of Blue Badges which have been cancelled and not returned, for example, for deceased badge holders or through the badge being reported to AT as lost or stolen, for example for reporting at CEO briefing sessions prior to street enforcement operations each day and
- Parking notifying the AT team of misuse identified by Parking CEOs for invoking AT misuse processes.

At least once a year the Corporate Anti-fraud (CAFT) team should co-ordinate an enforcement operation between CAFT, Parking and Assisted Travel to enforce the proper use of Blue Badges on the street.

### **Management Comment 2**

In recognising that this is a new team in Coventry, a protocol and new process will be written to set out the respective roles and responsibilities of the Assisted Travel Team, Parking Client team, NSL and CAFT to minimise blue badge fraud and misuse.

CAFT confirms it is happy to co-ordinate an annual enforcement operation.

**(Claire Symonds, Commercial & Customer Services Director / Sharon Dawson, Head of Service Delivery & CSG Operations Barnet / Clair Green, Assurance Assistant Director / Paul Bragg, Infrastructure and Parking Manager - Street Scene, August 2014)**

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

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

- 1) 15% of the annual plan has been delivered, which is below the target for quarter 1 of 24%. This is due to a combination of factors, including some audits taking longer than anticipated, and the number of follow-up audits being higher than usual in quarter 1. There are several reviews at the fieldwork stage and we are confident that we can get performance back on schedule within quarter 2.

Implementation of internal audit recommendations – the progress of quarter 1 recommendations is included in Appendix D where 91% recommendations are implemented. In the last quarter of 2013/14 100% of recommendations had been implemented within the required timeframe. As such there has been a reduction in the completion of audit recommendations in the timescales originally agreed. It should be noted however that the number of recommendations due for implementation in Q1 was comparatively higher.

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

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

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

As part of the Internal Governance reviews, Internal Audit officers work closely with Governance colleagues to ensure efficient and effective audits.

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

## 6. Changes to our plan

Since the Internal Audit Plan was approved there have been some changes within the quarter made to the original audit plan agreed in April 2014 in respect of timing and additional audits requested by Delivery Units.

Type	Audit Title	Reasons
Additional	IT Access Controls / SWIFT & Wisdom follow-up	These were added to the follow-up schedule as a result of 'No Assurance' ratings in quarter 4 of 2013-14.
Brought Forward	Commissioning for Outcomes	Brought forward at request of Chief Executive
Deferred	Health & Safety	Deferred to Q2 to accommodate additional audits.

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

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

In Q1 2014/15 there were no significant issues noted in the following reviews:

- **Troubled Families – Payment By Results**
- **Adoption Reform Grant**

Both submissions / claims were signed off with no exceptions noted.

## Appendix B: 2014-15 work completed during quarter 1 including assurance levels

### Audit Opinions on Completed Audits during the period

<b>Systems Audits</b>		<b>Assurance</b>
1	Public Health	Limited
2	Capital Programme	Satisfactory
3	Barnet Homes Contract Management Follow-Up	N/A
4	IT Access Controls / SWIFT & Wisdom Follow-Up	N/A
<b>Joint Internal Audit &amp; CAFT Reviews</b>		
5	Disabled Blue Badges	Limited
<b>Assurance Projects</b>		
6	Troubled Families payment by results	N/A
7	Adoption Reform Grant	N/A

<b>School Audits</b>		<b>Assurance</b>
1	Oakleigh School	Satisfactory

## Appendix C: Work in progress

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

### Work in progress

	<b>Systems Audits</b>	<b>Status</b>
1	Children's Centres	Fieldwork
2	Permanency Routes	Fieldwork
3	Transformation Q1	Fieldwork
4	Commissioning for Outcomes	Fieldwork
5	Complaints	Planning
6	Data Quality Q1	Planning
	<b>Joint Internal Audit &amp; CAFT Reviews</b>	
7	Your Choice Barnet contract review	Draft Report
8	Transport Contracts	Planning
	<b>School Audits</b>	<b>Status</b>
1	St. Agnes	Fieldwork
2	Brookland Junior	Fieldwork

## Appendix D: Internal Audit Effectiveness Indicators

Performance Indicator	Annual Target	End of Quarter 1
% of recommendations accepted	98%	100%
% of recommendations implemented	90%	91%
External Audit evaluation of Internal Audit (previous year)	Reliance On IA	Quarter 4 assessment
Average client satisfaction score (above 3)	90%	93%
% of Plan delivered	24%*	15%
% of draft reports completed within 10 days of finishing fieldwork	90%	100%
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%	100%
Staff development days	5 days	Quarter 4 assessment

\* 95% of quarter 1 activity

## Appendix E: Quarter 1, 2014-15: Priority 1 Recommendations due

### Code to ratings:

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

### 1. Barnet Homes Contract Management

Audit Title and Recommendation	Responsible Area	Response from Management (May 2014)	Audit Assessment (June 2014)
<p><b>Contract Management and Benefits Realisation Framework – Documentation and Change Control</b></p> <p>The below recommendations should be instigated immediately to enable a much earlier completion date than the current proposed date of April 2015.</p> <p>a) Management should refresh the management agreement to include the points raised within this report by 31<sup>st</sup> March 2014;</p>	<p>Barnet Homes Contract Management</p>	<p>The original signed 2004 contract is available.</p> <p>The signed copy of the new 2014/15 Delivery Plan from April 2014 is also available.</p> <p>The next phase of the project to develop the longer term Management Agreement which could involve a full options appraisal.</p>	<p><b>Implemented</b></p> <p><b>One Year Delivery Plan (management agreement)</b></p> <p>In April 2014 management formally agreed a one year delivery plan for 2014/15, with Barnet Homes. The plan now includes:</p> <ul style="list-style-type: none"> <li>• The services to be provided by Barnet Homes;</li> <li>• The financial arrangements and processes for payments to Barnet Homes;</li> <li>• The decision making arrangements and monitoring and reporting regimes;</li> <li>• The performance measurement arrangements,</li> </ul>



Audit Title and Recommendation	Responsible Area	Response from Management (May 2014)	Audit Assessment (June 2014)
<p>b) The refreshed management agreement should be agreed and signed by both parties; and</p> <p>c) Management should ensure that performance is monitored against the refreshed agreement.</p>			<p>including service level agreements;</p> <ul style="list-style-type: none"> <li>• The change control process and templates;</li> <li>• The Risk and Issue management processes; and</li> <li>• Details of how compliance with the Council's authority's policies will be managed or monitored</li> </ul> <p><b>Performance Monitoring</b></p> <p>The 2014/15 Delivery Plan is supported by the following monitoring groups:</p> <ul style="list-style-type: none"> <li>• The Barnet Group Partnership Group (to meet six monthly);</li> <li>• Barnet Homes Strategic Review Group (to meet quarterly); and</li> <li>• Barnet Homes Performance Review Group (to meet monthly).</li> </ul> <p>The Delivery Plan includes terms of references for all monitoring groups, which clearly set out their roles, remit and decision making authority.</p> <p>We reviewed the minutes of the 28<sup>th</sup> May 2014 Barnet Homes Performance Review Group and found that the meeting discussed performance, projects, risks, issues; change requests, finance, customer experience and equalities.</p> <p><b>Long Term Management Agreement</b></p> <p>The Lead Commissioner is initiating a discussion on the options for the long term agreement with Barnet</p>

Audit Title and Recommendation	Responsible Area	Response from Management (May 2014)	Audit Assessment (June 2014)
			Homes for services from April 2015. This discussion will need to be informed by the views of SCB and members in order that a way forward can be developed. This could be a “refresh” of the current management agreement or a full options appraisal.

Audit Title and Recommendation	Responsible Area	Response from Management (May 2014)	Audit Assessment (June 2014)
<p><b>Contract Management and Benefits Realisation Framework – Benefits Management</b></p> <p>a) The planned benefits of the Barnet Homes contract should be clarified and agreed;</p> <p>b) A benefits management process should be introduced to ensure that the realisation of planned benefits is monitored regularly and threats to the achievement of planned benefits escalated appropriately; and</p> <p>c) Management should agree baseline figures, targets and methods of measurement for planned benefits.</p>	<p>Barnet Homes Contract Management</p>	<p>The next phase of the project is to develop the longer term Management Agreement which could include a full Options Appraisal.</p>	<p><b>Partly Implemented</b></p> <p>Performance indicators for the Barnet Homes contract are included in the 2014/15 Delivery Plan, and include performance targets and agreed methods of measurement.</p> <p>Following any decision to be made as to how to proceed with a long term management agreement, the Commercial team will ensure that any new long term management agreement includes processes to ensure that planned benefits are realised. We recommend that this should include:</p> <ul style="list-style-type: none"> <li>• A benefits management process, to ensure that the realisation of planned benefits is monitored regularly and that threats to the achievement of planned benefits are escalated appropriately;</li> <li>• Targets for planned benefits;</li> <li>• Baselines for existing levels of the above targets to demonstrate benefits;</li> <li>• Agreed assessment criteria for benefits;</li> <li>• Agreed methods of measurements for benefits; and</li> <li>• Agreed owners responsible for the delivery of planned benefits.</li> </ul> <p>Management intend to seek external challenge to any options appraisal process and outline business case produced.</p>

Audit Title and Recommendation	Responsible Area	Response from Management (May 2014)	Audit Assessment (June 2014)
			<p><b>Revised implementation date:</b> From April 2015</p>
<p><b>Contract Management and Benefits Realisation Framework – Financial Management</b></p> <p>The financial management arrangements for the Barnet Homes contract should be clarified, documented and agreed as part of the refreshed management agreement. In particular this should include documenting the process for agreeing variations to the cost of the contract.</p>	<p>Barnet Homes Contract Management</p>	<p>Financial Management and change control arrangements are contained within the 2014/15 Delivery Plan.</p>	<p><b>Implemented</b></p> <p>The one year delivery plan for 2014/15 includes:</p> <ul style="list-style-type: none"> <li>• Detailed budgets and sources of funding;</li> <li>• Financial arrangements and processes for payments to Barnet Homes; and</li> <li>• Change control processes and templates.</li> </ul> <p>This information will be monitored on a monthly basis via the Barnet Homes Performance Review Group and escalated as required.</p> <p>We were satisfied that meetings of Barnet Homes Performance Review Group discussed change requests and finances.</p>
<p><b>Contract Management and Benefits Realisation Framework – Issue Management</b></p> <p>a) An issue management strategy should be introduced to ensure that issues which occur are consistently and effectively recorded, monitored, escalated and resolved in a timely manner;</p> <p>b) Management should create a formal issues log for the Barnet Homes</p>	<p>Barnet Homes Contract Management</p>	<p>The issue management process is contained within the 2014/15 Delivery Plan.</p> <p>A copy of the issues log is attached together with the change control sheets.</p> <p>Notes of the April performance review meeting are attached.</p>	<p><b>Implemented</b></p> <p>The one year delivery plan for 2014/15 includes a process to follow for Issue management. Issues will be monitored on a monthly basis via the Barnet Homes Performance Review Group and escalated as required.</p> <p>Management have introduced an Issues log, which includes fields to capture the following information:</p> <ul style="list-style-type: none"> <li>• Description of the issue;</li> <li>• Agreed actions;</li> </ul>

Audit Title and Recommendation	Responsible Area	Response from Management (May 2014)	Audit Assessment (June 2014)
<p>contract. As a minimum this should include:</p> <ul style="list-style-type: none"> <li>• Description of the issue;</li> <li>• Agreed actions;</li> <li>• Owners of agreed actions; and</li> <li>• Target dates for resolution.</li> </ul> <p>c) This information should then be regularly monitored and updated.</p>			<ul style="list-style-type: none"> <li>• Owners of agreed actions; and</li> <li>• Target dates for resolution.</li> </ul> <p>A review of the issues log found that it contained all required information. Minutes of Barnet Homes Performance Review Group noted discussion of issues.</p>

## 2. IT Access Controls

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>1a. IT Access Controls - Policies &amp; Procedures</b></p> <p>Council wide policies for user management should be developed, agreed and communicated.</p>	<p>ICT Director (CSG) and Head of Information Management (LBB)</p>	<p>Develop and agree an IT User Access Policy for the council through working with the Security Forum and the Information Management and Technology Working Group. Get the approval of the Customer and Information Management Board for this policy, and implement through the normal communication and training channels.</p>	<p><b>Approval 30/6/14</b></p> <p><b>Implementation 31/8/14 (i.e. not yet due)</b></p>	<p><b>Implemented</b></p> <p>The 'IT User Access Policy' was approved by the Customer and Information Management Board (CIMB) on 26/6/14. It will shortly be communicated across the Council. This implementation will be verified in quarter 2.</p>

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>1b. IT Access Controls - Policies &amp; Procedures</b> Clear documentation for gaining access to specific systems should be developed and reviewed regularly</p>	IT Transformation Team Leader (CSG)	Create a single Application Register for the council, which includes (amongst other information) a System Owner for each application, who will be the person responsible for developing, owning and reviewing the system access documentation and procedures for that application. Note that the System Owner may be within Capita or the council depending upon the application.	<b>First Draft by 30/6/14</b>	<b>Implemented</b> A live version of the application register is now in use. This identifies the responsible individuals for every application across the Council, including who can authorise access. This is a live document that is updated on a constant basis.
<p><b>2a. IT Access Controls - Ownership &amp; Accountabilities</b> A formal agreement should be developed between Barnet and Capita detailing the responsibility for user management across the Council.</p>	ICT Director (CSG) and Head of Information Management (LBB)	The IT User Access Policy (described in Comment 1 above) will include a definition of the split of responsibilities between the council, Capita and any other third parties for managing user access.	<b>Approval 30/6/14</b>  <b>Implementation 31/8/14 (i.e. not yet)</b>	<b>Implemented</b> The 'IT User Access Policy', approved by CIMB on 26/6/14, includes a division of responsibilities between the Council, Capita and third parties.

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date due)	Audit Assessment (June 2014)
<p><b>2b+c. IT Access Controls - Ownership &amp; Accountabilities</b>  For every application within Barnet, there should be a named individual who is responsible for user management. This listing should be maintained centrally and updated when appropriate.</p>	ICT Director (CSG)	The Application Register will document the detailed responsibilities for each application.	<b>First Draft by 30/6/14</b>	<b>Implemented</b>
<p><b>3a. IT Access Controls - Access to Council Systems and Data</b>  A Council wide formal process to remove all users from all systems should be developed and agreed between the Council and Capita. Barnet should seek assurance that Capita remove staff access in a timely basis.</p>	ICT Director (CSG)	A new 'Starter – Mover – Leaver' process is currently being developed and implemented by the HR Service, which includes notification to the IS Service at each stage. Note that this does not include contractors.	<b>30/6/14</b>	<b>Implemented</b> CSG has introduced a new Starter-Mover-Leaver process that went live on 4 July 2014. All changes will be processed by HR keeping Core up to date and the information will then be passed on to inform IS, Facilities Management and Finance of any changes needed.
	ICT Director (CSG) and Head of Information Management (LBB)	Capita and Barnet will work together to determine the most effective way of controlling contractor access to systems, which will then be implemented alongside the employee controls.	<b>Agree by 30/6/14</b>  <b>Implement by 30/9/14 (i.e. not yet due)</b>	<b>Implemented</b> HR has introduced a new Starter-Mover-Leaver process that went live on 4 July 2014 which includes controlling the access of contractors.

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>3b. IT Access Controls - Access to Council Systems and Data</b> Regular user reviews should be undertaken across all systems with follow up actions where relevant to remove users, evidence of these reviews should be retained.</p>	ICT Director (CSG)	<p>The IS Service is implementing internal procedures in line with ISO20000-1 best practice, which include a review and continuous service improvement element to each process. This will be used to validate the success of the new procedures.</p> <p>The outcome of these reviews will be reported to the IM&amp;T Working Group after 6 months and annually thereafter.</p>	<b>30/9/14 (i.e. not yet due)</b>	<p><b>Not yet due</b></p> <p><b>Partly Implemented</b> Evidence was available demonstrating the drive to improve Council systems over the next few years, including complete user reviews, however complete user reviews for all systems have not been completed.</p>
<p><b>3c. IT Access Controls - Access to Council Systems and Data</b> An exercise to review all users with access granted prior to 2010 should be undertaken and the appropriateness of their access confirmed.</p>			<b>30/9/14 (i.e. not yet due)</b>	<p><b>Not yet due</b></p> <p><b>Partly Implemented</b> A full review of users added prior to 2010 has not been completed; however, this has been planned.</p>
<p><b>3d. IT Access Controls - Access to Council Systems and Data</b> Management should obtain ongoing assurance that polices and processes introduced are being followed in practice, including the retention of authorisation provided for IT access.</p>			<b>30/9/14</b>	<p><b>Implemented</b> The CSG Monthly Report from Capita to IS on services performed for LBB for May was obtained. This states that issues arising with the policies and processes introduced are being continually monitored, demonstrating a commitment to continual assurance over business unit adherence to policies and procedures.</p>



### 3. SWIFT & Wisdom

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>1a. Swift and Wisdom - Governance and Oversight</b> Documentation surrounding application administration, including detailed roles and responsibilities for staff members, should be developed and agreed across the business.</p>	<p>Programme Manager, Adults &amp; Communities</p>	<p>Agreed, existing documentation to be updated to address recommendation.</p>	<p>30/6/14</p>	<p><b>Implemented</b> The document titled 'A&amp;C SWIFT Support and Administration v1' has been updated and now includes the roles of both CSG and A&amp;C in the administration of the system.</p>
<p><b>1b. Swift and Wisdom - Governance and Oversight</b> The escalation process for issues with Swift and Wisdom should be clearly documented. Additionally, a reporting framework between the helpdesk and the business unit managers should be devised to enable management to identify recurring issues.</p>	<p>ICT Director (CSG) and Head of Information Management (LBB)</p>	<p>The escalation process is informal at present; the process will therefore be clearly documented, and the reporting framework developed and confirmed.</p>	<p>30/6/14</p>	<p><b>Implemented</b> For SWIFT specific issues, this has been included in the 'A&amp;C SWIFT Support and Administration v1' document which was viewed and appears reasonable. Additionally, the escalation process document is available to all Council employees on the intranet.</p>
<p><b>1c. Swift and Wisdom - Governance and Oversight</b> The process for systems procurement, including upgrades to existing systems, should be formalised and communicated to all relevant stakeholders.</p>	<p>Head of Information Management and Programme Manager, Adults &amp; Communities</p>	<p>The process will be formalised and communicated.</p>	<p>30/6/14</p>	<p><b>Implemented</b> The terms and conditions clarifying the responsibility for updating systems have been communicated to Adults and Community Services. As listed in the contract, Capita are in charge of maintaining and servicing systems, however, it is the responsibility of individual delivery units to pay for upgrades to systems.</p>

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>1d. Swift and Wisdom - Governance and Oversight</b> Barnet/Capita should review where application ownership lies under the outsourced IT arrangement and ensure they reach agreement on responsibilities.</p>	<p>ICT Director (CSG) and Head of Information Management (LBB)</p>	<p>These discussions are already in progress, and will be confirmed and communicated</p>	<p><b>30/6/14</b></p>	<p><b>Implemented</b> The Application Register, which is currently in live operation. This details the responsible parties for every application in use across the Council.</p>
<p><b>2a. Swift and Wisdom - Back-ups</b> Management should ensure that back-up providers are performing back-ups to cover the entire data set supported by SWIFT and should get assurance of the success of these on an on-going basis.</p>	<p>Programme Manager, Adults &amp; Communities and ICT Director (CSG)</p>	<p>Upgrade of SWIFT to new infrastructure and latest software level approved and due by end of June 2014.</p>	<p><b>30/6/14</b></p>	<p><b>Implemented</b> The Council have received confirmation from the third party providing back-up services that the complete data set from Swift is covered by backups and this will happen on an ongoing basis.</p>
<p><b>2b. Swift and Wisdom - Back-ups</b> Backups for Wisdom should be tested.</p>	<p>ICT Director (CSG)</p>	<p>Agree. A project to refresh the WISDOM infrastructure and move to a new data centre will include testing on restore and implement a periodic test. This is due to go live by October 2014</p>	<p><b>1/11/2014 (i.e. not yet due)</b></p>	<p><b>Not yet due</b> <b>Partly Implemented</b> A plan has been agreed to include the ability to test back-ups as part of the upgrade WISDOM infrastructure. A project plan was reviewed that confirmed this plan.</p>
<p><b>2c. Swift and Wisdom - Back-ups</b> Roles and responsibilities for data restoration should be defined and documented. This should be communicated to all stakeholders.</p>	<p>ICT Director (CSG)</p>	<p>As part of the Data Centre Move, responsibilities for restoring WISDOM to an agreed Disaster Recovery plan will be implemented formally.</p>	<p><b>1/11/2014 (i.e. not yet due)</b></p>	<p><b>Not yet due</b> <b>Partly Implemented</b> As stated in response to 2b, a plan has been agreed but this has yet to be documented and communicated.</p>

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>3a. Swift and Wisdom - User Administration</b> Logical access controls should be consistent between policy and application settings.</p>	ICT Director (CSG)	Northgate have confirmed that the existing Password policy is in place and we have tested against it. We were unable to recreate the issue identified by Internal Audit. It will be included as a regular test in the IT controls policy.	<b>Resolved</b>	<p><b>Implemented</b> This was tested at both the user level and the admin access to server level and it was found that the logical access controls were appropriately set.</p>
<p><b>3b. Swift and Wisdom - User Administration</b> Swift should be updated to enable audit trails of file access and changes to data.</p>	Programme Manager, Adults & Communities and ICT Director (CSG)	We will discuss the standardisation of approach to Swift and Wisdom system/user administration as part of the implementation of the new A&C Adults Social Care system. In the meantime, we will agree and implement system audits for the current system.	<b>30/6/14</b>	<p><b>Implemented</b> This is documented as part of the 'Adults and Communities SWIFT Access Policy' document. This is to be further documented as part of the Swift Upgrade documentation (see Recommendation 4c). Systems Audits for all users are administered by Adults &amp; Communities.</p>
<p><b>3c. Swift and Wisdom - User Administration</b> Access levels and groups for Swift and Wisdom should be formally defined and documented dependant on job role, so that at the point of requesting access staff are easily able to articulate and request the levels required in line with job roles.</p>	ICT Director (CSG)	As part of the roll out of the SWIFT upgrade, available roles will be documented and communicated as part of the Project.	<b>30/6/14</b>	<p><b>Implemented</b> As in 3b, this is documented as part of the 'Adults and Communities SWIFT Access Policy' document. The policy has been made available on the intranet. This is to be further documented as part of the Swift Upgrade documentation (see Recommendation 4c).</p>

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
<p><b>3d. Swift and Wisdom - User Administration</b> System audits should cover all users of the systems and be fully documented with agreement for ownership between Barnet and Capita.</p>	<p>Programme Manager, Adults &amp; Communities and ICT Director (CSG)</p>	<p>We will discuss the standardisation of approach to Swift and Wisdom system/user administration as part of the implementation of the new A&amp;C Adults Social Care system. In the meantime, we will agree and implement system audits for the current system.</p>	<p><b>30/6/14</b></p>	<p><b>Implemented</b> System audits are carried out for both Swift and Wisdom by the Adults and Communities team on a quarterly basis. These are referenced in the administration documents for both systems received from Adults and Community services. The most recent audit was carried out in June 2014 and included a full user review.</p>
<p><b>4a. Swift and Wisdom - Information Governance</b> Data classification definitions (such as normal, restricted, elevated) should be developed and agreed across the Council. Staff should be trained accordingly.</p>	<p>Head of Information Management</p>	<p>Under the Information Management Strategy, the Council will implement a workstream to implement the Government's Security Classifications Policy (formerly the Protective Marking Scheme). This policy has been substantially changed, and came into force in April 2014. An initial assessment of the requirements of the new Government classification scheme will be undertaken by end of June 2014 with the full programme to conclude by January 2016.</p>	<p><b>31/1/16 (i.e. not yet due)</b></p>	<p><b>Not yet due</b> <b>Not Implemented</b> An assessment entitled '2014 06 20 Assessment of New Government protective marking scheme' was carried out by the Information Security Officer. This document details that the Council will look to transition to the government classification system in the future. The implementation of any overarching data classification policy for the Council has not been planned for any earlier than 2016.</p>
<p><b>4b. Swift and Wisdom - Information Governance</b> Access to case information on Wisdom should be restricted according to business need.</p>	<p>Head of Information Management</p>	<p>As part of the Information Management Strategy, we are implementing a project to look at underlying problems with Wisdom and to evaluate its business purpose. We will look at the access controls in Wisdom at this point.</p>	<p><b>31/7/14 (i.e. not yet due)</b></p>	<p><b>Not yet due</b> <b>Not Implemented</b> The Wisdom 'Get Well' SPIR (Special Project Initiation Request) was reviewed. This project will assess the business needs in relation to Wisdom and will act as a first step towards customising it to restrict information</p>

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Original Target date	Audit Assessment (June 2014)
				appropriately.
<b>4c. Swift and Wisdom - Information Governance</b> Appropriate SWIFT system upgrades need to be implemented to ensure that staff do not need to resort to removing data from applications to work efficiently	Programme Manager, Adults & Communities and ICT Director (CSG)	A Swift upgrade project is currently in progress which will help to alleviate the system problems that have led to this issue.	<b>30/6/14</b>	<b>Partly Implemented</b> The Swift Project plan for the upgrade has been written and Adults have agreed with IS that it is sufficiently detailed to be baselined. The project is due for completion in November 2014.  <b>Revised implementation date</b>  November 2014

#### 4. Records Management – Children’s

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment (June 2014)
<b>Records Management</b>  <b>Recommendation 4</b>  <u>Access to Shared folders with personal information</u>  Management should undertake periodic reviews of officers who have access to their electronic folders to ensure compliance with Information Governance policies. There should be a review of spread sheets to ensure that those in use are necessary and compliment, rather than hinder, the current records management processes. A policy or procedure governing spread	Education and Skills Director Children’s Service	Agreed. Access could be reviewed against records of staff with access which could be provided. Initiatives to increase the use of Tribal as a system for capturing Information centrally are being considered. This should minimise duplication of information and the use of alternate local systems for recording information, facilitate the efficient retrieval of all relevant data and the efficient update of records. The Corporate Commissioning Council will need to be engaged in related decisions on initiatives.	<b>Implemented</b>  Arrangements to ensure the careful and considered use of spread sheets was implemented and reported to the Audit Committee in October 2013.  Management had completed the shared folder access reviews for the Special Education Team (SEN) and Education Psychology Team (EPT) for reporting to the January 2014 Audit Committee.  Progress on the full implementation of Tribal was due to be reported to this Audit Committee, July 2014 Audit Committee, in line with the 30 June 2014 implementation deadline.  The Education and Skills director took a decision as project sponsor of the Education and Skills Project

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment (June 2014)
<p>sheet security should be developed and communicated to all teams. The policy should refer to following a risk based approach for decisions on how and whether to secure spread sheets and should state the mechanisms for restricting access to or preventing the update of spread sheets in line with identified risks.</p>			<p>Board not to implement full access to Tribal as initially planned. The Education Psychology (EP) Team therefore only have read only access to Tribal as reported to January 2014 Audit Committee.</p> <p>A formal procedure was communicated to the EP team for notifying the SEN case holder of any inconsistent data in Tribal identified by the EP Team to ensure that all systems hold up to date consistent data.</p>
<p><b>Records Management</b></p> <p>Recommendation 8</p> <p>Duplicate data held across teams / inconsistent and inaccurate data for a child held across teams</p> <p>A record change control process should be implemented which should involve capturing change to records centrally for communication across systems and teams.</p>	<p>Education and Skills Director Children's Service</p>	<p>Agreed. Initiatives to increase the use of Tribal as a system for capturing information centrally are being considered. This should minimise duplication of information and the use of alternate local systems for recording information, facilitate the efficient retrieval of all relevant data and the efficient update of records. The Corporate Commissioning Council will need to be engaged in related decisions on initiatives.</p>	<p><b>Implemented</b></p> <p>For reporting to the January 2014 Audit Committee, the initiative to implement read only access in Tribal to key officers had started as agreed.</p> <p>Officers in the Education Psychology Team and Multi-Agency Safeguarding Hub (MASH) team had been given read only access to child details in Tribal to facilitate the update, where necessary, of related data such as address and contact details.</p> <p>Progress on the full implementation of Tribal was due to be reported to this Audit Committee, July 2014 Audit Committee in line with the 30 June 2014 implementation deadline.</p> <p>The Education and Skills director took a decision as project sponsor of the Education and Skills Project Board not to implement full access to Tribal as initially planned. The Education Psychology (EP) Team therefore only have read only access to Tribal as reported to January 2014 Audit Committee.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment (June 2014)
			A formal procedure was communicated to the EP team for notifying the SEN case holder of any inconsistent data in Tribal identified by the EP Team to ensure that all systems hold up to date consistent data.

## 5. Financial Management

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Audit Assessment (June 2014)
<p><b>Financial Management</b></p> <p><b>Harrow &amp; Barnet Public Law charges for legal services</b></p> <p>The Commercial Team HBPL contract manager should communicate the legal services charging basis to budget holders and formalise the process of recharging with Delivery Units. Uncertainty around income from Re and the Barnet Group should be resolved by reference to the contract and without further delay.</p>	<p>Commercial &amp; Customer Services Director</p>	<p>Agreed. The Commercial Team has written to all Delivery Unit leads and provided them with a breakdown of costs to date and projections for year-end for 2013/14. They were also advised of the arrangements for 2014/15 whereby all hours for the Delivery Units (outside of Re and Barnet Homes) are to be paid for centrally through the bulk purchased core hours. All costs of disbursements will be re-charged to the service areas. A face to face meeting was offered, and ongoing monthly reviews. All Delivery Unit leads have agreed the process for 14/15.</p> <p>Liasion with Re Contract Manager to broker a SLA between HBPL and Re is ongoing and will be in place for 1.4.14</p> <p>The Commercial Team HBPL Contract Manager has also liaised with Barnet Homes to re-charge all appropriate costs for 2013/14, and to broker an agreement with HBPL for Housing HRA legal services for 14/15.</p>	<p><b>Implemented</b></p> <p>The basis for re-charging legal services has been formalised and communicated to Delivery Units - breakdowns of the 13/14 costs and arrangements for 14/15 were communicated to Delivery Units.</p> <p>A process for the recoupment of income earned by RE and Barnet Group has been developed.</p> <p>The SLA between HBPL and RE was agreed and completed.</p> <p>Arrangements to broker an SLA between HPBL and Barnet Group have commenced and the completion of the SLA is imminent.</p>

## 6. People Management

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Audit Assessment (June 2014)
<p><b>People Management</b></p> <p><b>Recruitment of agency staff – approval</b></p> <p>Evidence of the approval for the use of agency staff should be retained to demonstrate that agency staff levels are being monitored.</p> <p>Approval should ensure that agency staff are used where appropriate and when a valid business need arises.</p>	<p>CSG Human Resources Director</p>	<p>We are investigating the link between the established posts held on the Council's payroll system and introducing controls that include the use of the establishment number to cross reference all assignments to vacancies (or filled posts) to have greater control. As part of this, authorisation limits will be prescribed within policy as to the length of assignments and cost. CSG have provided an additional resource to manage the Comensura activities and implement new controls. New-style management information reports for Delivery Units will monitor agency usage and trends.</p>	<p><b>Implemented</b></p> <p>Comensura, the system for raising recruitment orders for agency workers, configuration has been updated to ensure that any agency order is matched to an establishment post number. Monthly reporting will be introduced to facilitate the matching of agency orders raised in Comensura to the post number in the CoreHR establishment. Comensura has also been updated with workflows that require approval of all Comensura orders at a Head of Service level or at a Director level if £15k or over.</p>
<p><b>People Management</b></p> <p><b>Recruitment of agency staff – Disclosure and Barring Service (DBS) checks</b></p> <p>In all instances line managers should confirm that DBS checks have been undertaken prior to agency staff commencing work at the Council. Request access to Comensura's internal audit reports on a periodic basis for review by management to provide assurance that pre-employment checks are being completed in a timely manner. Monthly sample checks of agency staff</p>	<p>CSG Human Resources Director</p>	<p>Comensura is a managing agent and not the supplying agency. However, new regulations from the Disclosure and Barring Service (DBS) allows portability of status (through the Update Status) lists that the Council should identify and ask individuals provided through agencies to bring with them to provide assurance.</p> <p>The HR team has a number of short term priorities that need to be covered such as Payroll switch to the new system which will prevent the above approach being implemented until June 2014.</p> <p>Therefore, a short term mitigating control in the highest risk areas of Children's and</p>	<p><b>Implemented</b></p> <p>A monthly process has been implemented by CSG for spot checking whether agency workers recruited for that month are DBS compliant.</p>



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employed in high-risk roles should be selected and evidence obtained to confirm that the appropriate DBS clearance has been obtained prior to commencing work.		Adult's Services will be introduced to address the safeguarding concern that the current situation represents - at the transfer of the system to CoreHR, an audit and compliance report will be taken off the new system and verified to provide an assurance as to compliance for DBS checks and validity.	

## 7. Business Continuity

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Audit Assessment (June 2014)
<p><b>Business Continuity</b></p> <p><b>Recommendation 1</b></p> <p><u>Strategy</u></p> <p>A business continuity strategy should be developed as soon as is practicable and approved by senior officers and Members. The strategy should be reviewed annually at a minimum, to confirm that it reflects best practice and organisational structure. The business continuity strategy should specifically address accommodation. The risks and costs of the strategy should be set out clearly for Members, so that they can decide on the Council's risk appetite with regards to business continuity.</p>	Head of Information Management	As part of the business continuity project we have now started, a business continuity strategy will be created, and review mechanisms put in place as part of this.	<p><b>Implemented</b></p> <p>The Business Continuity Strategy to mitigate the risk of disruption to the Council's critical services was drafted and approved by Senior Management. The Strategy provided for the on-going review of Corporate and Delivery Unit Business Continuity Plans.</p>
<b>Business Continuity</b>	Head of	As part of the business continuity project	<b>Implemented</b>

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<p><b>Recommendation 2</b></p> <p><u>Central maintenance of BC Plans</u></p> <p>All Delivery Unit business continuity plans must be held centrally, so that they can be accessed readily during a business continuity event. Delivery Units should ensure that they supply updated business continuity plans &amp; contact lists every six months or more frequently if needed.</p>	<p>Information Management</p> <p>Delivery Unit business continuity champions</p>	<p>we have now started, we will ensure that a process is put in place for holding DU business continuity plans centrally.</p> <p>Delivery Unit business continuity champions agree that they will supply updated business continuity plans &amp; contact lists every six months or more frequently if needed.</p>	<p>The Strategy provided for maintaining Delivery Unit Business Continuity Plans centrally. Some were already held centrally while the remainder would be retained as part of the 6 monthly reviews undertaken in terms of the strategy to ensure that information on functions, contacts and telephone information are kept up to date.</p>
<p><b>Business Continuity</b></p> <p><b>Recommendation 3</b></p> <p><u>Testing of BC Plans</u></p> <p>Business continuity plans should be peer-challenged and tested regularly by discussion, table-top and live exercises. Testing should be led by the corporate business continuity lead, and Delivery Units should send an appropriate representative to ensure that all plans would work together in the event of an incident.</p>	<p>Head of Information Management</p> <p>Delivery Unit business continuity champions</p>	<p>As part of the business continuity project we have now started, we would put in place a process for challenging and testing BC plans.</p> <p>Delivery Unit business continuity champions agree to send an appropriate representative for challenging and testing BC plans.</p>	<p><b>Implemented</b></p> <p>The Business Continuity Strategy provided for the testing of Business Continuity Plans. The testing of BC plans is a stated deliverable, due September 2014, of the next phase, phase 3, of the project established for developing and implementing business continuity arrangements in the Council.</p>
<p><b>Business Continuity</b></p> <p><b>Recommendation 4</b></p>	<p>Head of Information Management</p>	<p>As part of the business continuity project we have now started, we will ensure that a record is kept of previous incidents and their lessons learned.</p>	<p><b>Implemented</b></p> <p>The Business Continuity Strategy provided for learning lessons from future related training and</p>

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<p><u>Lessons learned</u></p> <p>There should be a record of previous incidents so that lessons can be captured and used to inform the Council's business continuity arrangements.</p>			<p>exercises.</p>

## 8. Parking Contract

Audit Title and Recommendation	Responsible Area	Response from Management (June 2014)	Audit Assessment (June 2014)
<p><b>Parking Contract</b></p> <p><b>Recommendation 1</b></p> <p><u>Benefits Realisation</u></p> <p>Management should ensure that processes are put in place to effectively monitor and regularly review the realisation of financial and non-financial benefits. This should include:</p> <ul style="list-style-type: none"> <li>• A review of the current targets for planned benefits to re-assess their validity;</li> <li>• Identifying baselines (where possible) for existing levels to demonstrate delivery of benefits;</li> <li>• Agreeing where the realisation of planned benefits will be monitored and issues escalated;</li> <li>• Defining the roles and responsibilities of</li> </ul>	<p>Infrastructure and Parking Manager</p>	<p>Street Scene will review each of the 13 benefits and make appropriate changes to ensure that these are meaningful, measurable and deliverable. Once a revised Benefits Realisation Plan is in place, resource requirements can be assessed and resources put in place and allocated appropriate responsibility for on-going monitoring and reporting.</p>	<p><b>Implemented</b></p> <p>The Benefits Realisation Plan with both financial and non-financial benefits was reviewed by senior management to ensure that expected benefits were meaningful and measurable. The updated plan defined baselines for benefits, where possible, targets and mechanisms for measuring the delivery of benefits and clarified roles and responsibilities for their delivery. Reporting of progress periodically to the Street Scene Senior Management is planned.</p>

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<p>those involved; and Refreshing the information contained within the Benefits Realisation Plan to monitor and report on the realisation of planned benefits.</p>			
<p><b>Parking Contract Recommendation 2</b></p> <p><u>Issues Management</u></p> <p>a) An issue management strategy should be introduced to ensure that issues which occur are consistently and effectively recorded, monitored, escalated and resolved in a timely manner; and</p> <p>b) Management should create a formal issues log for the Parking contract. As a minimum this should include:</p> <ul style="list-style-type: none"> <li>• Description of the issue;</li> <li>• Potential impact of the issue;</li> <li>• Agreed actions;</li> <li>• Owners of agreed actions;</li> <li>• Target dates for resolution.</li> </ul> <p>c) This information should then be regularly monitored and updated.</p>	<p>Infrastructure and Parking Manager</p>	<p>Street Scene accept that this is an important aspect of good contract management and the recommendation is accurate and confirms our view of what actions need to be implemented to improve the management of the contract and as such this will be implemented as recommended.</p>	<p><b>Implemented</b></p> <p>An issues management strategy has been implemented. NSL contract issues are documented in a fit for purpose contract issues log for on-going review and update, as a minimum on a monthly basis at the monthly contract meetings between Council and NSL where discussion is included as a standard agenda item.</p>