

**MEETING**

**AUDIT COMMITTEE**

**DATE AND TIME**

**THURSDAY 30TH JULY, 2015**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ**

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

Chairman: **Councillor Brian Salinger**  
Vice Chairman: **Councillor Sury Khatri**

Geof Cooke	Arjun Mitra	Richard Harbord
Kathy Levine	Gabriel Rozenberg	Vacancy
	Peter Zinkin	

**Substitute Members**

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

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

**Andrew Charlwood – Head of Governance**

Governance Service contact: Kirstin Lambert 020 8359 2177 [kirstin.lambert@barnet.gov.uk](mailto:kirstin.lambert@barnet.gov.uk)

Media Relations contact: Sue Cocker 020 8359 7039

**ASSURANCE GROUP**

## ORDER OF BUSINESS

Item No	Title of Report	Pages
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3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Report of the Monitoring Officer (If any)	
5.	Public Question and Comments (If any)	
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## Decisions of the Audit Committee

30 April 2015

Members Present:-

AGENDA ITEM 1

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

Councillor Geof Cooke  
Councillor Kathy Levine  
Councillor Arjun Mitra

Councillor Gabriel Rozenberg  
Councillor Peter Zinkin

Also in attendance

Mr Richard Harbord (Independent Member)

### 1. MINUTES OF LAST MEETING

RESOLVED - That the minutes of the meeting held on 29 January 2015 be approved as a correct record.

### 2. ABSENCE OF MEMBERS (IF ANY)

None.

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

None.

### 4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

### 5. MEMBERS' ITEMS (IF ANY)

None.

### 6. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

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

The Head of Internal Audit introduced the report. The Committee discussed the report and asked questions on items where it was noted that limited assurance had been given.

The Committee noted that it considered that the management responses provided by St Andrews CE School were unsatisfactory. The Committee also noted that the audit of Pardes House had delivered a limited assurance rating since the Audit Committee papers were published.

In both cases the Head teacher and / or the Chairman of the Board of Governors should be requested to attend the Audit Committee meeting in July.

**RESOLVED –**

- 1. 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.**
- 2. That the Head teacher and / or the Chairman of the Board of Governors of St. Andrews and Pardes House schools be requested to attend the next Audit Committee meeting in July if officers were not satisfied with the response from St Andrews and Pardes House schools.**
- 3. The committee asked officers to clarify the procedures for escalating actions in the event of schools failing to respond to actions requested by audit staff following two audit visits.**

**8. INTERNAL AUDIT, CAFT AND RISK MANAGEMENT PLAN 2015-16 AND INTERNAL AUDIT CHARTER UPDATE**

The Head of Internal Audit introduced the report.

The Committee requested clarification as to whether the authority of Internal Audit to 'enter any Council land or premises' includes Capita, and if not, whether Internal Audit has any concerns about access to information. The Head of Internal Audit assured that there have been no issues concerning access to information. The Acting Assurance Director and Head of Internal Audit also undertook to check the wording within relevant contracts to clarify the legal position.

The Committee also requested an addition to the introduction of the Plan to clarify how any disagreements would be escalated and resolved.

**RESOLVED –**

- 1. That the Committee approves the Internal Audit, Anti-Fraud and Risk Management Plan for 2015-16.**
- 2. That the Committee approves the updated Internal Audit Charter.**

**9. CORPORATE ANTI-FRAUD TEAM (CAFT) ANNUAL REPORT 2014-15**

The Acting Assurance Director introduced the report. Following consideration by the Committee it was:

**RESOLVED – That the CAFT Annual Report 2014 -15 be noted.**

**10. AUDIT PLAN 2014-15**

The Assistant Director of Finance CSG introduced the report.

The Committee requested that paper copies of the draft Financial Statements be made available to Committee members on their publication on 31 May. It was noted that members would also be provided with an overview of the contents of the draft Financial Statements at the Audit Committee training to be held on 22 June, and external audit amendments will be incorporated into the final version to be approved by the Committee on 31 July. Officers noted the expectation that the Explanatory Foreword to the Financial Statements would be written in plain English and easily accessible to members of the public with no specialist knowledge

**RESOLVED – That**

- 1. The Audit Committee are asked to note Grant Thornton’s Audit Plan for 2014/15.**
- 2. The Audit Committee are asked to note the audit fee of £226,700 for the 2014/15 Council Audit as set out in paragraph 6.11.**

**11. EXTERNAL AUDIT PROGRESS - VERBAL UPDATE**

Mr Nick Taylor of Grant Thornton LLP (External Auditors) informed the Committee that the external audit process is progressing as planned and there are no other issues to report.

**12. COMMITTEE FORWARD WORK PROGRAMME**

The Committee noted the Forward Work Programme 2015-16.

Councillor Kathy Levine raised an issue concerning the process for the collection of rental service charges at Barnet Homes, and queried the potential for fraud activity. The Assistant Director of Finance, CSG noted that he was aware of the issue and that it was being addressed.

Councillor Kathy Levine MOVED a motion, which was seconded by Councillor Arjun Mittra that the Committee receive a report on this matter at a future meeting.

**RESOLVED - That an item be added to the work programme to receive a report at the next Committee meeting on issues concerning the process for the collection of rental service charges at Barnet Homes.**

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

None.

The meeting finished at 9.07 pm



	AGENDA ITEM 7
	<h2>Audit Committee</h2> <h3>30<sup>th</sup> July 2014</h3>
<b>Title</b>	<b>Annual Report of the Audit Committee 2013/14</b>
<b>Report of</b>	Chairman of the Audit Committee
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Enclosures</b>	1. Appendix A – Annual Report of the Audit Committee 2014/15 <ul style="list-style-type: none"> <li>○ Annex 1- Planned and Unplanned Work</li> <li>○ Annex 2 – Annual Internal Audit Opinion 2014/15</li> <li>○ Annex 3 – CAFT Annual Report 2014/15</li> </ul>
<b>Officer Contact Details</b>	Clair Green, Assurance Assistant Director, <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a>

<h2>Summary</h2>
<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 2014-15.</p>

<h2>Recommendations</h2>
<p><b>1. That the Committee approve the Annual Report of the Audit Committee for 2014-15 as an accurate record of the outcomes and work programme for the year.</b></p>

**2. The Annual Report is reported to the next Full Council meeting.**

**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 2014-15.
- 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 N/A

**6. BACKGROUND PAPER**

None

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# Audit Committee Annual Report 2014/15

# Contents

1. Introduction and overview
2. Summary of Audit Committee outcomes during 2014-15
3. Conclusions
4. Annex 1 – Planned and Unplanned Work
5. Annex 2 – Annual Internal Audit Opinion
6. Annex 3 – CAFT Annual Report

## 1. Introduction and Overview

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."*

In order to bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.

In July the Audit Committee, appointed in June 2014, received training on the Role and Terms of reference of Audit Committee, the roles of Internal and External Audit, and the role of the Corporate Anti-Fraud Team (CAFT). A subsequent training session was held in March 2015 to update members on recent changes in the public sector relevant to the remit of the Committee, a Knowledge & Skills discussion of the key competencies needed in Audit Committee members, a Risk Management session and finally a session on 'Being Effective', which explored how the Audit Committee can add value to the organisation.

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 2014-15 required senior officer attendance where there were high priority Audit recommendations and has encouraged public participation at the Audit Committee.

## **2. Summary of Audit Committee Outcomes during 2014-15**

During the financial year (April 2014 – March 2015) 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 intend 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 via recommendations having been implemented. 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 42 in 2013-14 (22 Council and 20 Schools) to 35 in 2014-15 (24 Council and 11 Schools). 73% of high priority recommendations were confirmed as having been fully implemented within agreed timescales, and 25% were partly implemented. This has had a tangible impact and, along with a slight reduction in the percentage of Limited and No assurance audit reports being issued (19% in 2014/15 compared to 20% in 2013/14), has resulted in a 'Satisfactory' Annual Internal Audit Opinion for the third consecutive year.

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



- Concerns from external and internal assurances – during the year the Committee has been presented with various reports regarding 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 in 2013-14 the Committee requested a review of the management of the Your Choice Barnet contract early in 2014-15, which led to a Limited Assurance audit report. Progress against the associated recommendations is being monitored by the Committee. Throughout the year the Committee has continued to challenge the assurances being received over the major contracts with Capita. Limited Assurance audit reports were issued over a number of the Key Financial Systems after the transfer from SAP to the Integra system. These were all followed up and recommendations confirmed as being implemented in advance of the external audit of the accounts for 2014-15. Serious weaknesses over People Management controls were identified in quarter 4 with a Limited assurance report over Pre-employment Checks. Progress against these recommendations will be reviewed by the Committee in 2015-16. Finally, in 2013-14 IT Access Controls and the SWIFT & Wisdom systems in use by the Adults & Communities service were given “no” assurance ratings; these were followed up by the Committee during 2014-15 and all recommendations due were confirmed as being implemented. A summary of the internal audit work completed during the year is included within the Annual Internal Audit Opinion at Appendix 2.
  
- 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. This is the first year that Committee has received quarterly progress as well as an Annual report from CAFT which provide detailed summary on outcomes including preventative, proactive and reactive anti-fraud work undertaken. There has been consistent good work reported by CAFT in relation to benefit fraud, tenancy fraud and corporate fraud.  
In relation to tenancy fraud CAFT investigations resulted in 48 properties having had their tenancies ended, which means those properties are able to be re-let to those genuinely in need of housing assistance, 24 ‘Right to Buy’ applications were denied as a result of CAFT interventions preventing the loss of valuable council assets, and 2 homelessness applications were denied as a result of CAFT interventions. A summary of all the work completed during the year is included with the CAFT Annual Report at Appendix 3.
  
- Internal Audit, CAFT and Risk Management have a combined Annual Plan approved by Audit Committee which demonstrates their commitment to joint working, making the best use of resources and avoidance of duplication of effort. This also enables them to ensure that any control weakness identified through fraudulent activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.
  
- The Internal Audit, CAFT and Risk Management functions are organisationally independent from the Strategic Commissioning Board and other Council officers.
  
- Planned and unplanned work – The Committee has completed its work plan in accordance with its planned level of activity.

### **3. Conclusions**

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

During 2015-16 it continues to require senior officers to attend Committee meetings to aid in its understanding of the services and the issues identified through the audit process, but mostly to ensure that internal and external recommendations are given the priority required and implemented on a timely basis.

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

**Annex 1 – Planned and Unplanned work**

**Detail Reports considered:**

Date	Reports
<p><b>29 April 2014</b></p>	Exception Recommendations and Internal Audit Progress Report – up 31 <sup>st</sup> March 2013
	Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management Approach 2014-15
	External Audit Plan 2013-14
	Annual Report of the Corporate Anti-Fraud Team
	Risk Management Framework
	Group Accounts
	Audit Committee Work Programme 2014/15
	Annual Report of the Audit Committee 2013/14
	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2013/14
	Annual Governance Statement 2013/14
<p><b>22 July 2014</b></p>	Internal Audit Annual Opinion
	Corporate Anti-Fraud Team Quarter 1 2014-15
	Internal Audit and Risk Management Quarter 1 2014-15 and Exceptions Recommendation report

Date	Reports
29 July 2014	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2013/14
6 November 2014	Counter Fraud Framework Annual Review
	Internal Audit and Risk Management Quarter 2 2014-15 update and exceptions report
	Corporate Anti-Fraud Team Quarter 2 2014-15
	Quarterly Progress Reports - The External Auditors – verbal update
January 2015	Internal Audit and Risk Management Quarter 3 2014-15 update and exceptions report
	Corporate Anti-Fraud Team Quarter 3 2014-15
	Annual Audit Letter 2013/2014
	Grants Certification Work Report 2013/2014
	Quarterly Progress Reports - The External Auditors – verbal update

## Appendix A

# London Borough of Barnet Annual Internal Audit Opinion 2014-15

Caroline Glitre, Head of Internal Audit

	No	Limited	Satisfactory	Substantial
<b>Audit Opinion and Direction of Travel</b> 2013/14 Annual Opinion: Satisfactory				

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## 1. Introduction and Overview

### Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2014-15 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 2014-15.

The Internal Audit function sits within the Assurance Group, which provides independent oversight and assurance to the Strategic Commissioning Board (SCB) and to elected members. Its remit is governed by the Internal Audit Charter which is approved by the Audit Committee.

### Overview of our approach

In line with the Public Sector Internal Audit Standards, the 2014-15 Internal Audit plan was risk based and was formulated by:

- Reviewing the updated corporate and group risk registers and selecting a number of the high to medium risk areas for audit review;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Meeting with officers in order to understand strategic and operational plans for 2014-15 that were likely to have a significant impact on the control environment;
- Asking officers for confirmation of any grant payments that required internal audit oversight;
- Asking officers for information that would help to inform our plan, for example regarding self-assessments, recovery or action plans, projects, contracts or IT issues; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support achievement of the Council's overall objectives.

I can confirm that during 2014-15 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 order to reach this opinion and to set our annual plan, in line with Public Sector Internal Audit Standards requirements, we must undertake sufficient audit work to determine whether risk management processes are effective at the Council. In 2013-14 these arrangements were reviewed for us by PwC, our internal audit Strategic Partner, providing Satisfactory Assurance that risk management arrangements were appropriate and operating as intended. In 2014-15 we followed up the recommendations made and confirmed that the Risk Assurance framework was in line with the expectations of the Public Sector Internal Audit Standards. The Risk Management service continues to benchmark its arrangements through CIPFA and also during 2014-15 the Risk Management Framework: Policy statement and Procedures was revised and reported to the Audit Committee.

In broad terms our Internal Audit approach takes into account the following (according to 2013/14 audited statement of accounts):

- **Annual gross revenues of approximately £662m** - Internal Audit perform key financial system audits of the major income systems each year (for example Council Tax and National Non-Domestic Rates). 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 £887m** – Each year we perform key financial system audits of the Council’s accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend, for example payroll.
- **Long term assets of approximately £1.184bn** - 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 £294m** - We annually review treasury controls and the Council’s administration of investments.

### **Overview of our work**

The Annual Internal Audit Plan for 2014-15 highlighted that a total of 47 systems based audits were planned. This included 3 joint audit reviews with the Corporate Anti-Fraud Team (CAFT), a new approach introduced this year.

We have communicated closely with senior management and strategic partners 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 internal audit resource. This included reaching an agreement with Capita that we would undertake the internal audits of the key financial systems run by the Customer Support Group (CSG).



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. Quarterly reports to the Audit Committee include any changes to the published plan and a summary of these changes can be found at Appendix C. Consequently, the total number of audits undertaken in 2014-15 was **58 systems based audits and 22 school based audits**. See Section 2 Overall Summary.

We generally undertake individual audits with one of two objectives in mind. The majority of reviews are geared towards providing assurance to management on the operation of the Council's internal control environment – 'Assurance' activity as defined by the Public Sector Internal Audit Standards. Other reviews 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 – 'Consultancy' activity as defined by the Public Sector Internal Audit Standards.

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;
- **Key themes identified** during our work in 2014-15 and an update on those themes identified from the previous year; and
- **Performance of Internal Audit** – a summary of our performance against our performance indicators and the Quality Assurance and Improvement Programme (QAIP) in place for the Internal Audit service.

In this report, we have drawn on the findings and assessments included in all of the reports issued. Senior Management and the Audit Committee have separately received summaries of the outcomes of the audit work through progress reports issued throughout the year. As a result the detailed findings have not been replicated in this report.

## 2. Overall Summary

### 2.1 Analysis of Non-Schools audit assurances

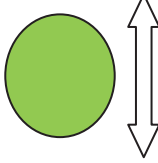
Overall, as illustrated in the tables below, we have noted a slight reduction in the percentage of 'Limited' and 'No' assurance reports issued compared to the prior year (19% in 2014/15 compared to 20% in 2013/14).

There has been an increase in the percentage of reports issued with 'Not Applicable (N/A)' for the assurance opinion (41% in 2014/15 compared to 14% in 2013/4). A rating is considered N/A if, for example:

- The audit result is either a 'pass' or a 'fail'. We started undertaking quarterly Troubled Families Payment By Results reviews in 2014/15 and there was also an increase in the number of grants requiring Internal Audit sign off;
- It could be misrepresentative. We introduced Data Quality spot checks in 2014/15 which look at only one Performance Indicator in detail within the sampled area; or
- The audit is an in-depth follow-up, requiring significant audit resource, which measures improvement rather than providing an initial assurance opinion.

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

Based on the internal audit work completed in 2014-15 I can give **Satisfactory Assurance** on the Council's overall internal control environment.

	No	Limited	Satisfactory	Substantial
<b>Audit Opinion and Direction of Travel</b> 2013/14 Annual Opinion: Satisfactory				

## Summary of report ratings

Assurance opinions	2014-15		2013-14	
	No.	%	No.	%
Substantial	1	2	1	2
Satisfactory	22	40	33	64
Limited	11	19	7	14
No	0	0	3	6
N/A	24	41	7	14
Sub-total	58		51	
Schools audits*	22		23	
<b>Total</b>	<b>80</b>		<b>74</b>	<b>100</b>

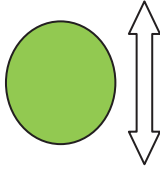
\* For breakdown of Schools audit assurance ratings see 'Analysis of School audit assurances' below

## 2.2 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 22 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 for the audit of schools and we are not comparing the same schools year on year.

Based on the school audits carried out during 2014-15 I am able to give **Satisfactory Assurance** that there is an adequate system for financial management processes and controls among the Council’s schools.

	No	Limited	Satisfactory	Substantial
<b>Audit Opinion and Direction of Travel</b> 2013/14 Annual Opinion: Satisfactory				

## Summary of report ratings

Assurance opinions	2014-15		2013-14	
	No.	%	No.	%
Substantial	0	-	0	-
Satisfactory	20	91	17	74
Limited	2	9	6	26
No	-	-	-	-
<b>Total</b>	<b>22</b>	<b>100</b>	<b>23</b>	<b>100</b>

### 3. Key themes

Reviewing all audit reports for the year and considering all recommendations made, not just those that were Priority 1, enables us to draw out key themes around Internal Control and Governance that require attention by the Council. Where pockets of poor control have been identified, the Council needs to consider if this is indicative of a wider issue. The table below summarises new themes identified during 2014-15, progress against the themes identified in 2013-14 and any issues that are relevant for consideration in the Annual Governance Statement (AGS). It should be noted that the narrative below primarily relates to work undertaken by internal audit as opposed to other contextual information which will be reflected within the AGS.

#### Issue identified 2014-15

##### 1. Human Resources (HR)

This is a new issue for 2014/15 due to both findings from specific audits of HR and also from other service audits related to workforce management, HR practice and processes or the service. This isn't solely about the contracted HR service provided by CSG, though this is the most significant challenge.

During our audit of Payroll we noted that work is in progress to review all HR policies; copies of leavers' letters were not available for the whole sample tested; and there was a lack of compliance with the Leavers policy. We also noted that a previous recommendation around HR risk management had not been implemented, in that there was no evidence that HR/Payroll risks were formally recorded in a risk log for their on-going management. In 2014/15 significant issues with the delivery of the HR service by CSG have been acknowledged; the lack of a coherent risk register reflecting these risks was, in our view, a contributing factor to these risks being realised.

During our review of Compliance with Ofsted requirements we found that one requirement had not been fully met, in that there was not a complete and up to date workforce profile available from HR for social care staff working with children in need, children subject to child protection plans, children looked after and care leavers.

During our audit of The Care Act LGA Stocktake Submissions we noted that some relevant employees within the Adults and Communities delivery unit had not been included on training lists and therefore had not yet received the required training on the Care Act. One of the root causes of this issue was that the Council does not have an accurate establishment list.

In 2013-14 our audit of People Management provided Limited Assurance. During 2014/15 we had a further audit of People Management planned but due to a lack of capacity, both within the Council and CSG, to support the audit it had to be deferred to 2015/16. During the year, it was recognised that CSG was not delivering an effective HR service. The Council has taken a number of actions to work with CSG to improve HR performance and has brought in a new senior HR lead to oversee this aspect of the contract.

Across the Council it has been recognised and acknowledged that there are issues with the new HR system Core and with the data within it. In 2015/16 we will not only complete the People Management review already planned of pre-employment checks but we will also undertake an audit of the establishment list.

**2. Data Quality and Audit Trails**

As noted above, there are known issues with the data within the new HR system Core.

In our review of the Key Financial Systems in December 2014, we consistently found that there was a lack of audit trails to support reported financial information. At the time of the audit it was evident that not all staff were fully comfortable with the functionality of the new finance system Integra. Therefore there were some delays in the requested information being provided and not all the required audit trails had been retained. We followed up our audit recommendations in January and March 2015 and by year end could confirm that these issues had been resolved.

Across a number of other reviews, we raised recommendations around Data Quality and in particular around a lack of audit trails (Information Management Strategy, Internal Governance Q4 – Council Decision Making, Data Quality – Self Directed Support).

Issue from 2013-14	Audit Findings 2014-15
<p><b>3. System Access Controls – ensuring the integrity and security of data</b></p> <p><b>Data protection</b> having fit for purpose systems to manage data in relation to children and vulnerable adults remains a</p>	<ul style="list-style-type: none"> <li>• We identified a potential data breach in a published schools budgets spreadsheet;</li> <li>• SWIFT &amp; Wisdom follow-up – interim controls have been put in place but ultimately the introduction of the Mosaic system in Adults Social Care has been delayed;</li> </ul>

**Issue from 2013-14**

**Audit Findings 2014-15**

priority particularly to support good records management. A number of reviews in 2013-14 identified weaknesses in IT systems. In particular two IT audits were undertaken which provided No Assurance (IT Access Controls and SWIFT & Wisdom in Adult Social Care) and the issues identified had data protection consequences.

The SWIFT system in Adult Social Care was found to have significant functionality issues. Officers had to resort to keeping files and information locally where it was not protected. This leads to an increased inherent risk of a data protection incident occurring. In addition, at the time of the audit evidence was not available to confirm that data was appropriately backed up.

**Records Management and Data sharing** – in a number of reviews there were some concerns noted for restriction of access to systems and data contained within those systems. Data sharing is a necessary aspect of work across partnerships for delivery of outcomes for Children in particular but needs to be done under an appropriate framework.

**4. Roles, Responsibilities and Accountabilities** - During the course of 2013-14 we repeatedly found a common theme in respect of responsibility and accountability issues.

We noted that improvements were needed to the clarity of

- Decommissioning of SAP – there was no requirement for staff to obtain management authorisation when requesting SAP information;
- Review of Self Directed Support - unnecessary team members had access to restricted folders.

This area is a residual issue for consideration within the AGS. During 2015/16 we will continue to review access controls and audit data security where appropriate

- A number of audits found a lack of clarity over roles at an operational level where CSG and delivery units needed to be working together (Disabled Blue Badges, Children’s Centres Financial Management, Community Capacity Grant, Bus Subsidy Grant, Trade Waste Invoicing).

Issue from 2013-14

roles and responsibilities between Commissioners, internal and external delivery unit Directors and the retained functions at the Council 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.

Audit Findings 2014-15

- Key Financial Systems (KFS) – some of the issues identified resulted from changes in personnel and staff structures as responsibilities were moved from the Council to CSG.
- Commissioning for Outcomes – we recommended that the Council update its RASCI (Responsible – Accountable – Support – Consult – Inform) diagrams to provide better clarity on roles. We found that relationship building was needed, particularly between commissioners and the Internal Delivery Units. The Council has subsequently addressed these issues with the introduction of the SCOT (Strategic, Critical, Operational and Transaction) framework and changes to the Commissioning Group structure.
- Re Joint Venture Arrangements – we were not provided with a copy of the Re Authorisations manual so could not confirm that financial and procurement limits for Re directors and staff were appropriate.
- Schemes of Delegation – the majority of the Schemes of Delegation across the Council under which decisions are delegated are currently in draft form.
- Policies and procedures – in a number of reviews we found these were not documented or were not up to date, leading to a lack of clarity for staff over what they should be doing (Children’s Centres Financial Management, Complaints, Disabled Blue Badges, Data Quality Re KPI 2.2, Data Quality CPI 1005, Compliance with Ofsted Requirements, Health & Safety, Mental Capacity Act, Payroll, Schools Budgets).

This area is a residual issue for consideration within the AGS. During



	<p>2015/16 we will review the Council's Schemes of Delegation and we will consider how the Council collaborates with other organisations such as the Clinical Commissioning Group (CCG).</p>
<p><b>5. Contract Management Framework and Benefits Realisation</b></p> <p>During the course of 2013-14 we repeatedly found a common theme in respect of contract management and benefits realisation.</p> <p>Our contract audits in 2013/14 confirmed that there was 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.</p>	<ul style="list-style-type: none"> <li>• Our review of Contract Management confirmed that towards the end of the year a Contract Management Framework was introduced at the Council. In 2015/16 we will review a sample of contracts across the organisation to confirm whether the Framework is now being complied with.</li> <li>• We found the section in the Contract Management Framework on Benefits Management requires enhancement.</li> <li>• The Barnet Homes contract management follow-up found the majority of recommendations fully implemented but that Benefits management is still in progress.</li> <li>• Commissioning for Outcomes – we found that the Review stage of the Commissioning Cycle needed more attention as it was not always clear when something had been achieved and thereby when outcomes were being realised.</li> <li>• Your Choice Barnet – we found the Council had not applied the contract change control process when introducing changes to the contract payments mechanism, and that the contract did not include a risk and issue management process or a clause relating to employees / agency staff having their Right to Work status confirmed.</li> <li>• Passenger Transport Contracts (PTS) – we found that two contractors had been secured outside of the PTS Framework for transporting children. There were no records of how those contractors had been validated. For the contractors used</li> </ul>

Issue from 2013-14	Audit Findings 2014-15
<p><b>Business Continuity and Resilience</b> – overall the direction of travel for improvements to business continuity and disaster recovery resilience had been gradual since 2007 with the overall assessment of the controls remaining limited over a six year period and not considered sufficient to prevent large scale failures in service provision. This was particularly the case for information systems, and plans to rectify this through the CSG contract were delayed due to the judicial review of the contract in 2013.</p>	<p>under the PTS Framework we found that not all annual reviews had been completed, and where they had been completed the records around DBS (criminal record) checks were not sufficient. Both of these findings represented a safeguarding risk.</p> <p>This area is a residual issue for consideration within the AGS. During 2015/16 we will look at developments to the Contract Management framework and compliance with it, particularly for smaller contracts not managed by the Commercial Team.</p>
<p>During 2014/15 we followed up the Business Continuity audit conducted in 2013/14 which, at that time, provided Limited Assurance. We were able to conclude that the recommendations raised had been implemented.</p> <p>Plans to address the historic weaknesses in Business Continuity have been put in place via the CSG contract and there is now a Business Continuity Strategy. During 2015-16 we will continue to monitor progress and will conduct an audit to confirm that the Strategy is being implemented as planned.</p> <p>This area is <b>not</b> a residual issue for consideration within the AGS, although the Council's Disaster Recovery Plan does still need to be formalised and an audit of this is planned for 2015/16.</p>	<p>During 2014/15 we followed up the Business Continuity audit conducted in 2013/14 which, at that time, provided Limited Assurance. We were able to conclude that the recommendations raised had been implemented.</p> <p>Plans to address the historic weaknesses in Business Continuity have been put in place via the CSG contract and there is now a Business Continuity Strategy. During 2015-16 we will continue to monitor progress and will conduct an audit to confirm that the Strategy is being implemented as planned.</p> <p>This area is <b>not</b> a residual issue for consideration within the AGS, although the Council's Disaster Recovery Plan does still need to be formalised and an audit of this is planned for 2015/16.</p>

## 4. Performance of Internal Audit

95% of the 2014-15 Audit Plan was delivered by the end of the financial year (March 2015), meeting our target.

The number of high priority recommendations reduced overall this year from 42 in 2013-14 to 35 in 2014-15. However, within this overall figure it should be noted that for non-schools audits the figures increased slightly (from 22 to 24). The reduction in high priority recommendations raised for Schools is due in part to the fact that the schools auditor post was vacant for part of the year.

Year	2014/15	2013/14
Non-Schools	24	22
Schools	11	20
<b>Total</b>	<b>35</b>	<b>42</b>

The direction of travel for implementing audit recommendations on a timely basis deteriorated with 73% of high priority recommendations confirmed as having been implemented within agreed timescales in 2014-15 (100% in 2013-14).

A summary of the status at the end of the year is as follows:

Status	Number	%
Implemented	44	73
Partly Implemented	15	25
Not Implemented	1	2
<b>Total</b>	<b>60</b>	<b>100</b>

Internal Audit evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.

In line with the Public Sector Internal Audit Standards there is a Quality Assurance and Improvement Programme (QAIP) in place for the Internal Audit service. 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 19 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 95% (100% in 2013-14) rated satisfactory (3) or above.

During the year we conducted a survey of managers across the Council to gather their wider feedback on the service. 36 responses were received, with many areas of the Council represented. Key points to note were:

*Do you think Internal Audit adds value?*

**Yes – 89%**

**No – 11%**

Comments included:

They provide an independent view on processes and procedures	Because they tie up resource, which is already extremely short and time-pressured, for hours on end
Objective, external set of eyes to check for gaps in process, areas of weakness and to recognise areas of success	Sometimes the auditors do not really understand the area they are investigating and it takes up huge amounts of staff time just explaining what they are seeing. This impacts on the ability of staff to focus on their day to day responsibilities.
Pretty fearless in identifying and addressing issues e.g. the IT problems highlighted recently	
It ensures the council upholds the highest values and maintains the integrity and trust of services to make sure the council spends money appropriately and exercises it functions fairly	
Strong method, good auditors in place, able to help highlight areas where improvement is needed	

Assurance, best practice, improvement	
---------------------------------------	--

*What did Internal Audit do which you found **most** useful last year?*

Around **half** of the respondents gave comments referring to particular audits:

“Following feedback from managers, assisted us to approve our PIs and KPIs”
“Provide support to the Troubled Families programme”
“Prompted thinking about the effectiveness of enabling boards”
“The review challenged the process resulting in changes to the Financial Regs”
“Review of the relationship with Barnet Homes. They prompted the sorting out of the movement agreement that had become ‘stuck’ ”.

*What did Internal Audit do which you found **least** useful last year?*

Around a **third** the respondents gave comments:

Communication: “Communicating risks across sections – sharing knowledge”
Too narrow an audit, or conversely, an audit too wide which encompasses things which were not valid: “ToR were incorrectly drawn and the results too narrow” versus “checking 2 to 3 year tender processes”
Risk being reported as too low or high: “needed to be stronger in terms of raising to managers the importance and fines associated with not meeting external audit practice” versus “higher assessment of risk than was justified”

We continually strive to improve the Internal Audit Service and found the feedback from the survey extremely useful. In 2015/16 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. The Audit Plan will be responsive to the pace of change at the Council and any emerging risks.

The service has made further improvements during the year including:

- Jointly procuring a Framework contract for the provision of internal audit, risk management, investigation and advisory services. The Framework is with five other London boroughs (Camden, Enfield, Harrow, Islington and Lambeth) and the supplier is PwC. The vision for the 'Cross Council Assurance Service' is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively and the ability to deliver more for less. Joining the framework has enabled us to:
  - work more closely with a number of other London Boroughs, sharing expertise, knowledge, working practices to further enhance the efficiency and effectiveness of the service; and
  - develop a platform which will harmonise working practices and audit processes and enhance the skills and capacity of the in-house teams.
- Agreeing a protocol with the Barnet Group to ensure appropriate audit coverage of all the Council's key risks, regardless of who the service is provided by.
- Undertaking an Assurance Mapping exercise to ensure our audit universe reflects the Council's evolving structure and that our plan for 2015-16 targets key risk areas.

During the year we undertook a detailed review of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAs) and the CIPFA Local Government Application Note (LGAN). As per the PSIAs the results of this self-assessment must be included within this Annual Opinion and must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAs. I can confirm that during 2014-15 in all material respects the internal audit service has conformed to the requirements of the Public Sector Internal Audit Standards. A summary of the self-assessment undertaken is at Appendix D.

## **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 2014-15

Audit Opinions on Completed Audits during the period		
	Systems Audits	Assurance
1	Disabled Blue Badges (joint with CAFT)	Limited
2	Your Choice Barnet contract review (joint with CAFT)	Limited
3	Passenger Transport Contracts (joint with CAFT)	Limited
4	Permanency Routes	Limited
5	The Care Act – LGA Stocktake Submissions	Limited
6	Accounts Payable	Limited
7	Accounts Receivable	Limited
8	General Ledger	Limited
9	Housing Benefits	Limited
10	NNDR	Limited
11	Grant Income	Limited
12	Regeneration	Satisfactory
13	Risk Management	Satisfactory
14	Children’s Centres Financial Management	Satisfactory
15	Complaints	Satisfactory
16	Transformation Q1	Satisfactory
17	Capital Programme	Satisfactory
18	Health & Safety	Satisfactory
19	Internal Governance – Delivery Board	Satisfactory
20	Decommissioning of SAP	Satisfactory
21	Mental Capacity Act	Satisfactory
22	SEN – Children’s & Families Act	Satisfactory
23	Schools Budgets	Satisfactory
24	Budget Monitoring – Street Scene & Commercial	Satisfactory
25	SPA / PCN Deletions Follow-Up	Satisfactory
26	Transformation Q4	Satisfactory
27	Contract Management	Satisfactory
28	Information Management Strategy	Satisfactory
29	Payroll	Satisfactory
30	Treasury Management	Satisfactory
31	Cash & Bank	Satisfactory
32	Council Tax	Satisfactory
33	Internal Governance – Council Decision Making	Satisfactory
34	Pensions Administration	Substantial
35	Troubled Families – Payment By Results Q1	N/A
36	Troubled Families – Payment By Results Q2	N/A
37	Troubled Families – Payment By Results Q3	N/A
38	Troubled Families – Payment By Results Q4	N/A
39	Adoption Reform Grant	N/A
40	Bus Subsidy Grant	N/A



41	Community Capacity Grant	N/A
42	Transforming Care Grant	N/A
43	Barnet Homes Contract Management Follow-Up	N/A
44	IT access controls / SWIFT & Wisdom follow-ups	N/A
45	Key Financial Systems – Follow-up of 2013/14 recommendations	N/A
46	Key Financial Systems – Follow-up on Reconciliations – January 2015	N/A
47	Key Financial Systems – Follow-up - March 2015	N/A
48	Data Quality - Re KPI 2.2	N/A
49	Data Quality - Self Directed Support	N/A
50	Data Quality - CPI 1005: Proportion of older people (65 and over) who were still at home 91days after	N/A
51	Commissioning for Outcomes	N/A
52	Children's Data Protection – memo on data breach	N/A
53	Compliance with Ofsted requirements	N/A
54	Re Joint Venture arrangements	N/A
55	Trade Waste - invoicing issues	N/A
56	Project Management Toolkit	N/A
57	Schools Assurance Mapping	N/A
58	Children's E-finance - assurance over new controls	N/A

	<b>School Audits</b>	<b>Assurance</b>
1	Pardes House	Limited
2	St Andrews CE	Limited
3	Oakleigh	Satisfactory
4	St Agnes	Satisfactory
5	Brookland Junior	Satisfactory
6	Brookland Infant	Satisfactory
7	Tudor School	Satisfactory
8	Moss Hall Infant	Satisfactory
9	Courtland	Satisfactory
10	Northside	Satisfactory
11	Menorah Primary	Satisfactory
12	All Saints N20	Satisfactory
13	Deansbrook Infant	Satisfactory
14	Garden Suburb Infant	Satisfactory
15	Beit Shvidler	Satisfactory
16	Our Lady of Lourdes Catholic	Satisfactory
17	Christ Church	Satisfactory
18	St John's N20	Satisfactory
19	Finchley Catholic	Satisfactory
20	St Vincent's	Satisfactory
21	Woodridge	Satisfactory
22	Blessed Dominic	Satisfactory

## Appendix C: Changes to 2014-15 published plan

Since the Internal Audit Plan was approved in April 2014 there have been a number of changes that have been reported to the Audit Committee within the 2014-15 quarterly progress reports. These are summarised below:

Type	Audit Title	Reasons
Additional	Schools Budgets	Added at the request of SCB
Additional	Schools Budgets – data protection	Memo issued in response to potential data breach identified
Additional	Trade Waste Invoicing	Added at the request of management to assess improved controls introduced over invoices and credit notes
Additional	Schools Assurance Mapping	Exercise undertaken to determine sources of assurance over schools. This exercise will inform any changes to the schools audit programme in 2015/16 therefore it needed to be undertaken in 2014/15
Additional	Children’s E-Finance	At the request of management, assurance provided over the design of the controls in Controcc before it went live on 1 December
Additional	Community Capacity Grant	Retrospectively asked to provide assurance that the grant had been spent or allocated in line with the grant conditions
Additional	IT Access Controls / SWIFT & Wisdom follow-up	These were added as a result of ‘No Assurance’ ratings in quarter 4 of 2013-14.
Combined	Children & Families Act	Combined with SEN review
Combined	Performance Management Framework	Covered as part of the Commissioning for Outcomes review
Combined	Benefits Realisation Framework	Combined with the Contract Management Framework audit
Combined	Conflicts of Interest	Combined with Re Joint Venture Arrangements review
Combined	Financial Management	Combined with Street Scene Budget Monitoring and MTFS Transformation programme governance review
Brought Forward	Commissioning for Outcomes	Brought forward at request of Chief Executive

Deferred	People Management	Deferred to Q1 of 2015-16 as agreed with management due to changes in HR senior officers within the Council and CSG.
Deferred	Residential Care Homes (Joint review with CAFT)	Deferred to 2015/16 due to CAFT reactive work taking priority
Deferred	School Improvement	Deferred to 2015/16 due to resources having been needed on the additional audits identified above
Deferred	Public Health follow-up	Deferred to 2015/16 to allow full year since completion of previous audit of Public Health
Deferred	Revenues & Benefits	Review of client-side arrangements around Revs & Bens deferred to 2015/16 i.e. after Key Financial System reviews completed
Deferred	Risk Management Framework	Deferred to Q4 to enable a review of risk management arrangements throughout the year to support the Head of Internal Audit opinion
Deferred	Transformation Q3	Deferred to Q4 so that assessment of projects occurs after assessment of the Project Management Toolkit (completed in Q3)
Deferred	Internal Governance Q2	Deferred to Q3 due to needing output from Commissioning for Outcomes review before selecting Board to review
Deferred	Health & Safety	Deferred to Q2 to accommodate additional audits.

## Appendix D: Compliance with Public Sector Internal Audit Standards

During the year we undertook a detailed review of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAs) and the CIPFA Local Government Application Note (LGAN). As per the PSIAs the results of this self-assessment must be included within this Annual Opinion and must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAs.

I can confirm that at the time of the review, our compliance was as follows:

Status	Response rate	Number of questions
Full compliance	75%	260
Partial compliance	21%	72
Not compliant	2%	8
N/A	2%	7
<b>Total</b>	<b>100%</b>	<b>347</b>

The eight areas where we were not compliant are below. Subsequent action has been taken and the status as at June 2015 is that five of the eight areas are now compliant and three are partially compliant.

Area	Question	Subsequent action taken to address and June 2015 status
1000: Purpose, Authority and Responsibility	Does the Internal Audit Charter set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Internal Audit Charter updated accordingly and agreed at Audit Committee April 2015
1110: Organisational Independence	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (CAE)?	Chief Executive asked to contribute to performance appraisal of CAE in June 2015

1110: Organisational Independence	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Chair of the Audit Committee asked to contribute to performance appraisal of CAE in June 2015
1210: Proficiency	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Action Plan in place to use the PwC Framework to drive up IT audit skills within in-house team. Head of Internal Audit is the Technology Lead on the Joint Governance Group for the PwC Framework, there is a project plan to take this forward in 2015/16
1311: Internal Assessments	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Updated Internal Audit's performance indicators within the 2015/16 plan which was agreed by the Audit Committee in April 2015
2010: Planning	Does the risk-based plan set out the respective priorities of those pieces of audit work?	Introduction to the 2015/16 Plan covered the new Audit Requirement Ratings methodology - but the individual rating is not stated next to each listed audit. To take forward in more detail in the 2016/17 plan
2210: Engagement Objectives	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Updated audit manual to prompt this question to be asked as part of each audit. Next stage is to update the P1 Planning Memorandum template.
2450: Overall Opinion	Does the annual report incorporate a comparison of work actually carried out with the work planned?	Quarterly reports have included any changes to the published plan. For 2014/15 opinion have included a new appendix that summarises the changes for the whole year – 'Changes to 2014-15 published plan'

**Key:**

Rating	Explanation
Full compliance	The identified action is now complete
Partial compliance	Aspects of the identified action have been implemented however not considered implemented in full.
Not compliant	There had been no progress made in implementing this action

We have devised an action plan to move closer to 100% compliance and at time of writing the actions already taken have led to improved compliance as follows.

Status	Response rate	Number of questions
Full compliance	82%	286
Partial compliance	16%	54
Not compliant	0%	0
N/A	2%	7
<b>Total</b>	<b>100%</b>	<b>347</b>

We will report against further progress on the action plan within the 2015-16 Internal Audit annual opinion.

The PSIAS also require the Internal Audit service to be externally assessed at least every 5 years. We have arranged for an external assessment to be undertaken during 2015-16 via the London borough Peer Review network. The Chair of the Audit Committee and the Chief Executive are sponsors of the review and a summary of the findings will be included within the 2015-16 Annual Internal Audit opinion.

# Corporate Anti Fraud Team (CAFT) Annual Report 2014/15

**10<sup>th</sup> April 2015**

**Clair Green**

**Acting Assurance Director**

## Executive Summary

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.

We continue to offer support and advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures and policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the corporate priorities.

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

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

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2014-15 including the objectives as set out in our annual strategy and plan.

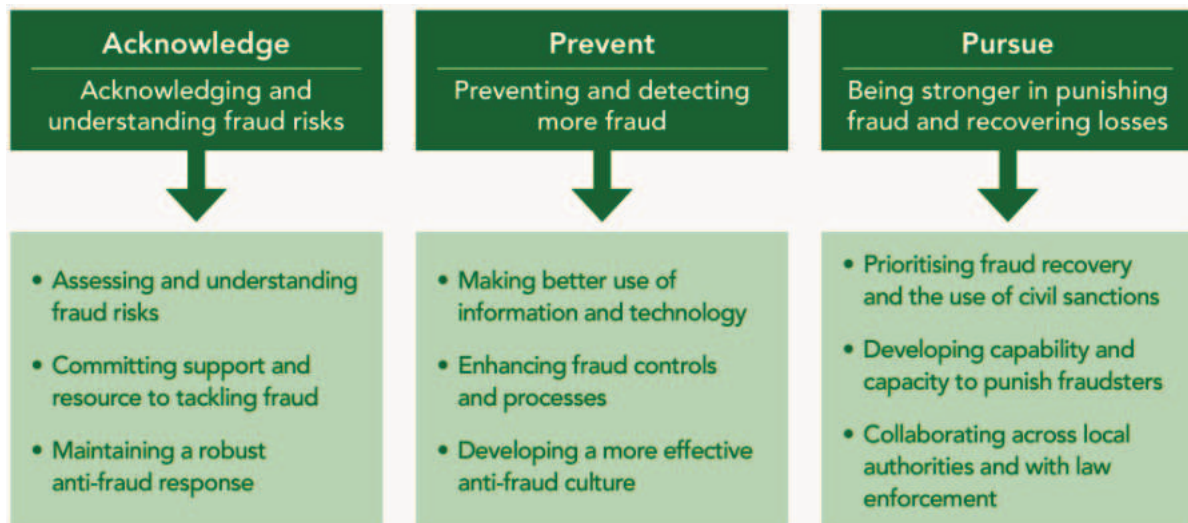


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## 1. Anti-Fraud Strategy

Our anti-fraud strategy is centred on the strategic approach as outlined in 'Fighting Fraud Locally' (Local Government Fraud Strategy) and provides a blueprint for a tougher response to tackle fraud. Within CAFT we adopted this approach and our work throughout the year compliments the objectives detailed below.



### Acknowledging (and detecting) Fraud

Each year we assess our fraud risks against national fraud risks and local intelligence and review our anti-fraud strategy and incorporate this into our risk based annual plan. CAFT work closely with management in high fraud risk areas to ensure that working procedures and practices include robust fraud preventative measures. CAFT also conduct targeted proactive anti-fraud activity throughout the year, joint reviews with internal audit as well as re-active investigation work. Outcomes from reviews and investigations where appropriate are reported to management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

We continue to work collaboratively with partners ensuring that anti-fraud arrangements are fit for purpose on all aspects of fraud risk. We have a working protocol with both CAPITA and Barnet Homes in relation to the contractual arrangements that address anti-fraud responsibilities.

Each year an annual risk based work plan is devised which also ensure that the CAFT team has sufficient resources in order to ensure that they are able to respond to demands and deliver the objectives as set out in the annual plan in order to deliver a robust anti-fraud response. There are effective, efficient anti-fraud procedures that ensure that we provide a effective value for money service. Progress against the annual plan as well as any emerging risks is reported quarterly to senior management and the Audit Committee.

In the last year CAFT provided Fraud awareness training to Barnet Homes staff to raise awareness around social housing fraud and to date this year have delivered sessions to 84 staff in housing options and across Barnet Homes. This has proved to be very popular and feedback has been very positive.

### Preventing (and deterring) Fraud

We recognise that employees are often the first line of defence in preventing fraud. The Financial Regulations within the Council's Constitution places the responsibility for fraud prevention on all employees. Staff are aware that they should therefore be alerted to the possibility of fraud and to report any concerns to CAFT. We have a confidential reporting 'Whistle blowing' policy in place to

assist employees in reporting concerns about fraud and other issues without fear of harassment or victimisation. CAFT have a dedicated e-learning training programme which informs staff of their responsibilities and fraud risks.

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

We have a communications strategy, whereby press releases are issued on all successful prosecutions to act as a deterrent factor to the community. During the last year we have taken part in a television production BBC's 'Saints and Scroungers' in which officers from CAFT presented the facts of complex and noteworthy benefit fraud investigations that the Council had successfully prosecuted, further details on our investigations and outcomes are reported quarterly.

All management and employees must abide by the Council's Employee Code of Conduct, which sets out requirements on staff conduct. Barnet also has in place comprehensive disciplinary procedures for all employees, those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. We have effective liaison and working relationships with our HR team and where criminal activity is suspected or found, the matter must be referred to the CAFT team for investigation and possible prosecution, in accordance with the Counter Fraud Framework. Recompense will be sought from all who are found to have carried out fraudulent acts. A key preventative measure in that fight is the effective recruitment of employees. Employee recruitment is undertaken in accordance with the council's Recruitment and Selection Policy.

#### **Pursuing Fraud (and seeking redress)**

Within CAFT we ensure that each investigation is carried out in compliance with our policies and appropriate legislation, consistently apply 'zero Tolerance' approach reinforcing our policy that we take appropriate action against anyone who commits fraud whether they are members of staff or members of the public.

To this end we have developed a financial investigation team dedicated to this area of work. They liaise closely with other internal departments and external partner's (including the Police) that prosecute offenders in order to raise awareness around POCA and ensure that where possible financial investigations are undertaken by CAFT so that we can assist in the recovery of losses to the public purse and obtain where possible compensation and/or confiscation under the Proceeds of Crime Act (POCA).

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

## 2. Pro-active fraud plan

Table 1 provides an update against all pro-active activity as set out within the 2014/15 joint pro-active fraud plan and annual strategy with Internal Audit and Risk Management.

Area of review	Fraud Risk	Outcome
<p><b>Your Choice Barnet – contract review (Q1 review Joint review with Internal Audit)</b></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>CAFT reviewed all employment records of 123 YCB employees. Initially 89 were confirmed as valid and eligible to work in the UK. The remaining 34 were subject to further enquiries. All enquiries have now been completed and we are able to report that 120 have been confirmed valid and eligible to work in the UK – the three remaining members of staff are no longer employed by YCB.</p> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 1 and 2 Progress Reports.</p>
<p><b>Disabled Blue Badges (Q1 Joint review with Internal Audit and Q3 proactive operation)</b></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>CAFT reviewed a sample of 92 of 500 badges that were recorded as applications made but had not attended a face to face identity appointment results of this sample testing were reported</p> <p>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             <ul style="list-style-type: none"> <li>• 20 were unable to be contacted at the time of the review</li> </ul> </li> </ul> <p>At the time of reporting 19 were reported as going through a process of further investigation as there are indications of application fraud – these related to badge applications that were made by a third party and not the disabled person; results of these investigation were</p>

		<ul style="list-style-type: none"> <li>• 8 were confirmed as no fraud genuine applications</li> <li>• 11 had insufficient evidence to warrant further investigation</li> </ul> <p>We agreed during joint review that we would commit to undertake annual proactive street operation which took place on one day in November in the Hendon and Golders Green area</p> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 1 and 3 Progress Report.</p>
<p><b>Transport contracts (Q2 Joint review with Internal Audit)</b></p> <p>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 CAFT review, we noted that two contractors who were not secured as part of the Street Scene PTS framework contract were used by Children's DU for transporting children. At the date of the report the delivery unit had ceased using these contractors and had alternative arrangements in place.</p> <p>Full details and all recommendations relating to this review can be found in the Internal Audit Quarter 2 Progress Report.</p>
<p><b>Residential Care Homes</b></p> <p>Pro active antifraud work in this area to ensure that the Council only fund placements when there is genuine eligibility.</p>	<p>If the Council continues to fund placements when there is no longer a need then scarce financial resources will be wasted.</p>	<p>This review has been carried forward into the 2015/16 plan.</p>
<p><b>Children's - Schools Admissions</b></p> <p>Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.</p>	<p>Those fully entitled to placement at desirable schools within the borough are being deprived of place due to fraudulent applications</p>	<p>As part of the CAFT exercise we reviewed applications in respect of the three most desirable secondary schools in Barnet.</p> <p>A total of 24 applications were identified as containing potentially incorrect information and verification of these applications has been undertaken by CAFT officers.</p> <p>Of these 24 , 9 cases have been concluded and referred back to school admissions for a decision to be made on their eligibility, from these 9 cases, 3 applications have already been confirmed as being withdrawn by the admissions team with the remaining 6 are still</p>

		<p>awaiting decision at the time of reporting.</p> <p>There are also 15 cases that remain with CAFT pending further investigation.</p> <p>Further updates on this exercise will be reported in 15/16 progress reports.</p>
<p><b>Adults - Personal Budgets / Direct Payments</b></p> <p>Proactive anti-fraud work in this area that will ensure validity and legitimacy of high risk elements within the scheme.</p>	<p>Funds are misused, adequate care services are not obtained by the budget holder.</p>	<p>This review has been carried forward into the 2015/16 plan and will become part of our proactive work on National Fraud Initiative matches as there are 27 recommended matches within this category that require investigation.</p> <p>Further updates on this exercise will be reported in 15/16 progress reports</p>
<p><b>Cross Cutting - Employee remuneration schemes</b></p> <p>Proactive anti-fraud review of all the various types of employee remuneration claims</p>	<p>Fraudulent / improper claims have been made / authorised impacting the public purse</p>	<p>This review is currently in progress and will reported in 15/16 progress reports.</p>
<p><b>Cross Cutting - Validation of vendor account details.</b></p> <p>Pro-active anti-fraud review of the compilation of vendor details and accounts</p>	<p>Unauthorised / fraudulent payments being released impacting the public purse resulting in potential reputational damage</p>	<p>This review has been carried forward into the 2015/16 plan and is being conducted as part of the National Fraud Initiative exercise as there are more than 400 recorded matches that require investigation.</p> <p>This exercise is being run using the NFI ‘duplicate records ‘matches. The results so far have been useful in identifying areas where improvements need to be made regarding the categorizing and recording of invoices to allow a greater level of assurance that invoices are being paid correctly.</p> <p>Further updates on this exercise will be reported in 15/16 progress reports</p>

<b>Tenancy Fraud – Proactive data matching exercise</b>	Pro-active data matching exercise into specific areas of the borough to identify and tackle potential Tenancy Fraud case	<p>In 2014/15 we have undertaken 5 pro-active data matching exercises covering different postcodes, a targeted block of flats and a number of decant properties in NW9, in order to verify that the tenant of the property is actually resident in the property.</p> <p>Outcomes from these combined exercises include verification of tenants, awareness and deterrent factor for residents in relation to tenancy fraud and investigations which are reported in Performance Indicators section of the report.</p>
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### 3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2014/15 Joint pro-active fraud plan and annual strategy with Internal Audit and Risk Management.

*No targets are set against each of these indicators, as they are the results of CAFT re-active and continuous investigation work. Therefore the indicators, outcomes and direction of travel is reported for comparative statistical information only and not for benchmarking purposes.*

Performance Indicator	Outcome 14/15	Outcome 13/14	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>			
Combined amount Fraud and Error identified within the Benefits System	<b>£1,731,710</b>	£1,985,239	This figure would indicate that our investigation techniques such as data matching, early intervention and joint working is having a positive impact towards combatting benefit fraud and error as the combined overall figure is 12.7% lower than that identified last year
Amount of council tax – single person discount fraud identified	<b>£166,670</b>	£120,286	This figure relates to the National Fraud initiative matches in relation to Council Tax Single Person Discounts; CAFT investigated 226 of those matches and established that the that residents were claiming discounts they were and not entitled to – the outcome figure is the financial saving that has been identified.

**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	148	222	At the time of reporting we have 148 on-going benefit fraud investigations within CAFT carried forward into 2015/16.
Number of new Benefit Fraud investigations	264	N/A	
Total Number of closed Benefit Fraud investigations	338	201	
Number of cautions issued	13	14	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	69	56	
Number of prosecutions	19	29	
Total number of Sanctions	101	99	
Number of sanctions issued per investigations officer	33.67	31	

**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	28	10	Of the 38 on-going investigations, 23 relate to school Admissions, 7 relate to Assisted travel, 2 relate to waste and recycling, 1 relates to children's services, 2 relate to Barnet Homes, 1 relates to Adults and Communities, and 2 relates to Finance and payroll
Number of new fraud investigations (excluding financial cases)	105	98	



Total Number of closed fraud investigations	100	94	
Total number of on-going fraud investigations	38		
Number of carried forward Financial investigations from 13/14	5	8	A Financial investigation is one of many specialist investigative approaches employed by Local Authorities when tackling criminal activity and it is an increasingly well-established discipline. Financial investigators typically operate within the legal framework of the Proceeds of Crime Act 2002 (POCA), which introduced a number of asset recovery powers, including the use of restraint orders and post-conviction confiscation orders as well as cash seizure and civil forfeiture/recovery. Related policies include the Asset Recovery Incentivisation Scheme, which allows Local Authorities to keep a proportion of assets recovered.
Number of new Financial investigations	10	7	
Number of closed Financial investigations	10	12	
Total Number of on-going Financial investigations	10	8	Of the 10 financial investigations, 5 cases relate to Benefit Fraud and the recovery of funds back to the council, 3 relate to planning enforcement cases, 1 relates to Trading standards and 1 relates to a council tax money laundering case.
Number of dismissals as a result of a CAFT investigation.	3	2	Please refer to noteworthy investigations (section 4) of the report for further details for details of all 3 dismissals.
Number of requests authorised for surveillance.	3	1	In accordance with our policy on Regulation of Investigatory Powers Act 2000 (RIPA) this is reported for information purposes and to support statistical return to the Office of Surveillance Commissioners
Number of referrals received under the council's whistleblowing policy.	0	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		81	This figure relates to the number of investigations on-going as at start of 2014/15.
Number of new Tenancy Fraud investigations	116	This information was not recorded by CAFT in 13/14 as the	Of the 87 on-going investigations 6 are with our legal provider pending criminal action, 6 cases are currently with our legal provider pending civil recovery action, 5 cases have had notice to quits served on them and the remaining 70 are current
Total Number of closed Tenancy Fraud	110		

investigations		Tenancy Fraud transferred to CAFT in November 2013.	investigations.
Total number of on-going Tenancy Fraud Investigations.	87		
Number of properties recovered	48		48 properties have had their tenancies ended and are able to be re-let to those genuinely in need as a result of CAFT investigations into Tenancy Fraud. Please refer to noteworthy investigations (section 4) of the report for further details on example investigations.
Number of Criminal convictions	2		Please refer to noteworthy investigation sections (section 4) of report for further details.
Number of 'Right to Buy' applications denied as a result of CAFT intervention	24		This is the first year that we have proactively worked with the 'Right to Buy' in relation to Tenancy Fraud Intervention in this area which prevents the loss of valuable council assets.
Number of Applications denied as a result of CAFT intervention	2		This is the first year that we have proactively worked with the 'Housing Options' in relation to Tenancy Fraud Intervention in this area which prevents the fraudulent letting of valuable council assets.

## 4. A sample of noteworthy investigations summaries from 2014/15

### 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 pleaded guilty and was sentenced to 6 weeks imprisonment suspended for 12 months with a requirement to undertake 120 hours of unpaid work, plus £500 towards the prosecution costs.

**Mr Scarola** – relates to a joint investigation with DWP into a benefit claimant that had failed to declare savings and part-time employment. Mr Scarola admitted under caution that he had deliberately failed to inform the departments of these details. The claim was reassessed and resulted in an overpayment of £12,534.54 for the period 2008 to 2010. There was also a DWP overpayment of £32,508.28. The matter was passed for prosecution. Mr Scarola pleaded guilty to 4 offences and was sentenced to 20 weeks imprisonment, suspended for two years, on each count.

**Ms Potamitis** - Relates to an joint investigation with Havering council and the Department for Work and Pensions (DWP) into a benefit claimant where there were concerns that the claimant may be related to

the owner of the property. CAFT investigated this matter and when interviewed under caution the claimant admitted that her brother was the owner of the property from which she was claiming benefit. She gave no explanation as to why she had not declared this on the various application forms. However on further investigation evidence showed that in fact Ms Potamitis was actually the owner of the property and so her benefit claim was cancelled. This resulted in an joint overpayment of £189,370.79 housing benefit for the period 1996 - 2013. The matter was passed for prosecution jointly with Havering Council as there were other family members conducting similar fraud in their Borough. Ms Potamitis pleaded guilty and was sentenced to 16 months imprisonment, suspended for 2 years. Confiscation proceedings are now on going to recover the lost funds

**Mr Hunter** - Relates to a joint investigation with the DWP into a benefit claimant where there were concerns that the claimant may have not declared capital in excess of £50,000. Mr Hunter was interviewed under caution and claimed that the capital belonged to his Mother but admitted he had opened the account. The benefit claim was cancelled by the DWP and Barnet Council and this resulted in an overpayment of £27,659.74 housing and council tax benefit for the period 2007 - 2013. The matter was passed for prosecution jointly with the DWP. Mr Hunter was found guilty and was sentenced to 24 months imprisonment, suspended for 12 months and ordered to do 150 hours unpaid work. He was ordered to pay compensation of the full amount of housing and council tax benefit within 28 days and has repaid this as directed.

### **Tenancy Fraud Investigations**

**Mr Gregory** was assigned a one bedroom flat in the NW4 area in April 2014. Investigations revealed that he was advertising the property online and was actually living elsewhere. Mr Gregory was interviewed under caution about the matter and fully admitted that he was sub-letting the property. He returned the keys and surrendered his tenancy. He was prosecuted regarding the matter and pleaded guilty to two offences under the Fraud Act. Mr Gregory was sentenced to 8 weeks imprisonment for each offence to be served concurrently suspended for one year and was given a 12 month supervision order.

**Mrs A** had a two bedroom flat in the NW9 area. There were suspicions that Mrs A was not actually resident and the matter was passed to CAFT. Investigations began into the residency of the property and appeared to show Mrs A was actually living elsewhere. When she became aware that she was being investigated, Mrs A returned the keys to the property and surrendered the tenancy. Mrs A was interviewed under caution regarding a criminal offence and the trial date has now been set for prosecution.

**Miss Stinson** had a 3 bedroom house in the HA8 area. A referral was received indicating that she was living in Essex and another family member was sub-letting the house. Investigations began into her residency and also the fact that Miss Stinson was also receiving housing benefit in respect of the property. In view of the evidence gathered, Miss Stinson was asked to attend an interview under caution. She admitted that she had moved out and that her daughter was resident. In view of this fact, the housing benefit was cancelled and this resulted in an overpayment of £1623.14. Miss Stinson returned the keys to the property, but it was decided to pass this case to our legal section for offences regarding the tenancy and housing benefit fraud. Miss Stinson pleaded guilty, and was given a curfew order for 8 weeks and ordered to pay costs of £1170.00 .

**Mr and Mrs B** had a 2 bedroom flat in NW9. As part of a pro-active data matching exercise, this case was investigated as there were concerns that tenants may not be resident. They were both invited in for interviews under cautions regarding their tenancy, as evidence indicated they owned three other properties and had been sub-letting their council property. A week before the interviews, Mrs B

handed the keys to the property back, however she was advised that both her and her husband still needed to be interviewed under caution as we had reasonable grounds to believe a criminal offence had been committed. Both Mr and Mrs B were interviewed under caution and the matter is with our legal section awaiting a court date for prosecution.

## **Corporate Fraud Investigations**

**Dismissal Case 1** –relates to an internal investigation 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 and the staff member was dismissed from the council for gross misconduct

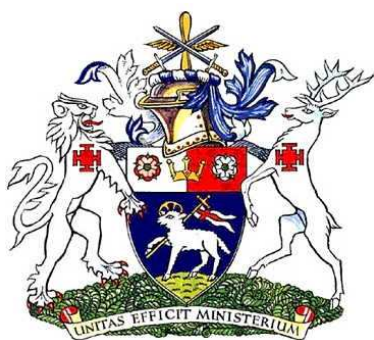
**Dismissal Case 2** – relates to a temporary member of staff who was found to be making a number of personal phone calls from a council phone at NLBP to family members living in Eastern Europe. Whilst the monetary value attributed to the calls was less than £50 it was felt that issue of trust and a breach of procedures was significant therefore the officer’s employment with the council was terminated and reported to the agency

**Dismissal Case 3** – relates to a member of staff who claimed ten times the amount of mileage expenses she was due. This was subsequently authorised and resulted in a wrong payment of over £4,000 instead of £400. The member of staff, knowing that she had been over paid and failing to inform Payroll, used the money, she claimed to pay off loans and buy new furniture. The member of staff became the subject of disciplinary action and was dismissed. The Manager who authorised the expenses resigned as a result of the investigation. This CAFT investigation was part of a pro-active CAFT exercise into validation of expense claims.

**Case 4** - relates to an investigation into an offence of fraudulently obtaining refund payments in respect of the London Borough of Barnet’s Council Tax refund process, totally £30,824. This fraud occurred whereby the Council Tax team arrange for the refund of overpaid amounts or cancellations due to vacation of property. The investigation revealed that this fraud was also spread across three other local authorities. Officers from Barnet’s CAFT are the lead authority in this investigation. Directed and Communications surveillance were carried out to identify the suspect who was subsequently arrested, interviewed by CAFT officers and is awaiting trial for prosecution.

**Case 5** - relates to a teacher who falsified documents in order to gain a school place for her own child in the school where she was a teacher. CAFT Investigators found that tenancy documents and letters from third parties had been changed in an effort to convince the school admissions team that the application was valid even though the applicant’s real address was outside of the schools catchment area. The matter has been passed to the school for disciplinary action, which is currently in progress along with a review of the placement.

AGENDA ITEM 8



## Audit Committee

**30 July 2015**

<b>Title</b>	<b>Corporate Anti-Fraud Team (CAFT) Progress Report April – June 2015.</b>
<b>Report of</b>	Clair Green – Assurance Assistant Director
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix 1 - CAFT Q1 Progress Report April – June 2015
<b>Officer Contact Details</b>	Clair Green <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a> 0208 359 7791

### Summary

This report covers the period 1st April 2015 – 30 June 2015 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 – 30 June 2015.

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

- 1.1 The Audit Committee included in the work programme for 2015/6 that quarterly progress reports on the work of the Corporate Anti- Fraud Team are produced to this meeting.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 N/A

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

- 3.1 None

## **4. POST DECISION IMPLEMENTATION**

- 4.1 None

## **5. IMPLICATIONS OF DECISION**

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

- 5.1.1 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team (CAFT) supports this by continuing to provide an efficient value for money anti-fraud activity, that is able to investigate all referrals that are passed to 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 30 April 2015 (Decision item 11) – the Audit committee included in the Committee Forward Work Programme for 2015/16 that quarterly progress reports on the work of the Corporate Anti Fraud Team be produced to this meeting

6.3 Audit Committee 30 April 2015 (Decision Item 8) – the Audit committee approved the Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach and internal audit charter.

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# Corporate Anti-Fraud Team (CAFT) Progress Report: April – June 2015

**July 2015**  
**Clair Green**  
**Assurance Assistant Director**

## **Introduction**

This report covers the period 1<sup>st</sup> April 2015 – 30<sup>th</sup> June 2015 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.

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

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

On the 1<sup>st</sup> July 2015 Barnet area became a Single Fraud Investigation Service (SFIS) site in relation to benefit fraud investigations. SFIS is the creation of a national single integrated fraud investigation service within the Department of Work and Pensions (DWP). It has statutory powers to conduct single investigations and sanctions covering the totality of welfare benefit fraud (all DWP benefits, Local Authority benefits and HMRC credits). It will not have responsibility for other Local Authority Fraud such as Internal Fraud, Tenancy Fraud, Council Tax Replacement or discounts Fraud this will remain with the council CAFT Team.

As such CAFT migrated 105 on-going benefit cases to SFIS and 3 investigators from CAFT also transferred to the DWP. Following the transfer staff are now employed by the DWP and relocated to DWP offices. The first quarter of 2015 was in effect the transitional months ahead of the transfer – however good results were still obtained in relation to investigations closed during that period and these are detailed within the body of the report.

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1. Performance Indicators
2. Noteworthy Investigation Summaries

# 1. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2015/16 fraud plan.

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

Performance Indicator	Quarter 1 April – June Progress	Comments
<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.		
Total amount of Fraud overpayments identified in Benefits system	355,903	
Total amount of Error overpayments identified in Benefits system	105,345	
Combined amount Fraud and Error identified within the Benefits System	<b>461,248</b>	
<b>Benefit Fraud Investigation Team</b> 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 14/15	148	As part of the SFIS – 105 ongoing investigations were transferred to the DWP on the 1 <sup>st</sup> July 2015.
Number of new Benefit Fraud investigations	5	
Total Number of on-going Benefit Fraud investigations transferred to the DWP	105	
Total number of closed cases – no fraud	25	
Total number of Sanctions*	23	These figures relate to the differing sanctions that are available under the DWP's Fraud and Error Strategy in relation to benefit fraud investigations where fraud is proven.
*Number of cautions issued	2	
*Number of administration penalties issued	17	
*Number of prosecutions	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 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 14/15	44	The carried over figure was higher this year due to the Pro-active exercise on admissions which resulted in 25 school admissions cases being carried over for further investigation
Number of new fraud investigations	14	
Total Number of closed fraud investigations	21	
Total number of on-going fraud investigations	37	Of these 37 investigations, 15 relate school admissions which were identified as part of the pro-active exercise and 8 relate to Blue Badge fraud 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 prosecutions	1	Please refer to noteworthy investigations sections of the report for further details
Number of dismissals as a result of a CAFT investigation.	2 (1 case involving 2 staff)	Please refer to noteworthy investigations section of the report for further details.

**Financial Investigations** - a Financial Investigation under the Proceeds of Crime Act 2000 ensures that any persons subject to a criminal investigation by Barnet do not profit from their criminal action

Number of carried forward Financial investigations from 13/14	9	
Number of new Financial investigations	1	
Number of closed Financial investigations	1	
Total Number of on-going Financial investigations	11	Of these 11 financial investigations, 6 cases relate to Benefit Fraud and the recovery of funds back to the council and 3 relate to Planning, 1 relates to Trading Standards and 1 relates to Tenancy Fraud
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.	1	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 14/15	87	Of the 68 on-on-going investigations there are currently 6 cases with legal awaiting criminal hearings and 5 cases awaiting civil hearings. A pro-active exercise was undertaken with Barnet Homes to review all 88 properties in a block of flats in Hendon. Two of these properties are still under investigation and we currently have two pro-active data matching exercise on-going.
Number of new Tenancy Fraud investigations	26	
Total Number of closed Tenancy Fraud investigations	45	
Total number of on-going Tenancy Fraud Investigations.	68	
Number of properties recovered	8	The savings that this number of recovered properties equates to is £1.2m* (*according to audit commission calculation of £150k per recovered property)
Number of 'Right to Buy' applications denied as a result of CAFT intervention	7	The savings in discounts that were offered to tenants in the right to buy scheme are in the region of £397,500
Number of Homeless Applications denied as a result of CAFT intervention	0	We have been working pro-actively with the housing options team and are confident this will result in tenancies only being given to genuine applicants and people in most need.

## 2. Noteworthy investigations summaries:-

### Benefit Fraud

**Mr Osunsami** – relates to a joint investigation with the DWP into a benefit claimant where they had concerns that he had not declared he was a student. He was interviewed under caution and he provided a pre-prepared statement saying he was not aware that he had to confirm he was a student. The benefit claim was cancelled by DWP and Barnet Council and this resulted in an overpayment of £12,960.00 housing benefit for the period 24 September 2012 to 9 February 2014. Mr Osunsami was found guilty and is awaiting sentencing.

### Tenancy Fraud

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

while she was abroad. She pleaded guilty to these offences and was given 2 years conditional discharge and ordered to pay £500 costs. This was the first successful prosecution of the new social housing offence for Barnet. There is a separate civil court matter ongoing to recover the property.

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

**Mr B** had a two bedroom property in the NW7 area. A referral was received from Notting Hill Housing Trust stating they had concerns that the tenant was not resident. Checks showed many links to another address. Mr B was interviewed under caution regarding the matter. Notting Hill issued notices to quit and notices of seeking possession on the advice of CAFT and Mr B subsequently relinquished the tenancy of the property. Nomination rights are then given to Barnet Homes to rehouse a tenant into the property.

### **Corporate Fraud**

**Case 1** - relates to a case of fraudulently obtaining refund payments in respect of Barnet's Council Tax refund process of overpaid amounts or cancellations due to vacation of property.

The investigation identified the suspect **Mr Viren Amin**, a resident in Harrow, who used false names to open more than 20 fraudulent council tax accounts by stating that he was due to move into these properties. On receipt of the council tax bill **Mr Amin** would pay the full amount (via forged or counterfeit) cheque which he deposited at a post office for onward credit to the council in respect of the fraudulent council tax account. **Mr Amin** would contact the council and state that he was no longer moving into the property and requested that his payment be refunded to his bank account which he supplied by email. At later date the cheque that was originally lodged at the post office would be returned as lost or stolen and the council was debited those funds by the post office leaving the council tax account with a debit balance.


As well as the 20 fraudulent refunds from Barnet which totalled more than £28,000, the investigation further identified that **Mr Amin** had used the same scam to defraud funds exceeding £4,000 from the London Borough of Merton. **Mr Amin** was arrested and pleaded guilty to 27 counts of fraud totalling more than £33,000 and was subsequently sentenced at Harrow crown court to 14 months in prison.

CAFT worked with the service during the investigation to ensure that processes and controls with regard to refunds were amended to prevent this type of fraud from re-occurring.

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

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	AGENDA ITEM 9
	<h2>Audit Committee</h2> <h3>30<sup>th</sup> July 2015</h3>
<b>Title</b>	<b>Annual Internal Audit Opinion 2014-15</b>
<b>Report of</b>	Caroline Glitre – Head of Internal Audit
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A: Annual Internal Audit Opinion 2014-15
<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>Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. In 2014-15 the annual opinion overall is <b>satisfactory assurance</b>.</p> <p>Whilst this is positive there are still some underlying themes that should be considered for inclusion within the Annual Governance Statement, these being:</p> <ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Data Quality and Audit Trails</li> <li>• System Access Controls – ensuring the integrity and security of data</li> <li>• Roles, Responsibilities and Accountabilities</li> <li>• Contract Management Framework and Benefits Realisation</li> </ul> <p>The annual opinion also includes a summary of the performance of the Internal Audit service and compliance with the Public Sector Internal Audit Standards.</p>

<h2>Recommendations</h2>
<p><b>1. That the Committee note the contents of the Annual Internal Audit Opinion 2014-15.</b></p>

## **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 2014-15. This is as per the approved Workplan of the Audit Committee.

## **2. REASONS FOR RECOMMENDATIONS**

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

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

- 3.1 N/A

## **4. POST DECISION IMPLEMENTATION**

- 4.1 N/A

## **5. IMPLICATIONS OF DECISION**

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

- 5.1.1 All internal audit and risk management planned activity in 2014-15 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

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

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

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

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

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

- 5.3.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference 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 N/A

**6. BACKGROUND PAPERS**

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

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

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## Appendix A

# London Borough of Barnet Annual Internal Audit Opinion 2014-15

Caroline Glitre, Head of Internal Audit

	No	Limited	Satisfactory	Substantial
<b>Audit Opinion and Direction of Travel</b> 2013/14 Annual Opinion: Satisfactory				

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## 1. Introduction and Overview

### Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2014-15 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 2014-15.

The Internal Audit function sits within the Assurance Group, which provides independent oversight and assurance to the Strategic Commissioning Board (SCB) and to elected members. Its remit is governed by the Internal Audit Charter which is approved by the Audit Committee.

### Overview of our approach

In line with the Public Sector Internal Audit Standards, the 2014-15 Internal Audit plan was risk based and was formulated by:

- Reviewing the updated corporate and group risk registers and selecting a number of the high to medium risk areas for audit review;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Meeting with officers in order to understand strategic and operational plans for 2014-15 that were likely to have a significant impact on the control environment;
- Asking officers for confirmation of any grant payments that required internal audit oversight;
- Asking officers for information that would help to inform our plan, for example regarding self-assessments, recovery or action plans, projects, contracts or IT issues; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support achievement of the Council's overall objectives.

I can confirm that during 2014-15 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 order to reach this opinion and to set our annual plan, in line with Public Sector Internal Audit Standards requirements, we must undertake sufficient audit work to determine whether risk management processes are effective at the Council. In 2013-14 these arrangements were reviewed for us by PwC, our internal audit Strategic Partner, providing Satisfactory Assurance that risk management arrangements were appropriate and operating as intended. In 2014-15 we followed up the recommendations made and confirmed that the Risk Assurance framework was in line with the expectations of the Public Sector Internal Audit Standards. The Risk Management service continues to benchmark its arrangements through CIPFA and also during 2014-15 the Risk Management Framework: Policy statement and Procedures was revised and reported to the Audit Committee.

In broad terms our Internal Audit approach takes into account the following (according to 2013/14 audited statement of accounts):

- **Annual gross revenues of approximately £662m** - Internal Audit perform key financial system audits of the major income systems each year (for example Council Tax and National Non-Domestic Rates). 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 £887m** – Each year we perform key financial system audits of the Council’s accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend, for example payroll.
- **Long term assets of approximately £1.184bn** - 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 £294m** - We annually review treasury controls and the Council’s administration of investments.

### **Overview of our work**

The Annual Internal Audit Plan for 2014-15 highlighted that a total of 47 systems based audits were planned. This included 3 joint audit reviews with the Corporate Anti-Fraud Team (CAFT), a new approach introduced this year.

We have communicated closely with senior management and strategic partners 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 internal audit resource. This included reaching an agreement with Capita that we would undertake the internal audits of the key financial systems run by the Customer Support Group (CSG).



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. Quarterly reports to the Audit Committee include any changes to the published plan and a summary of these changes can be found at Appendix C. Consequently, the total number of audits undertaken in 2014-15 was **58 systems based audits and 22 school based audits**. See Section 2 Overall Summary.

We generally undertake individual audits with one of two objectives in mind. The majority of reviews are geared towards providing assurance to management on the operation of the Council's internal control environment – 'Assurance' activity as defined by the Public Sector Internal Audit Standards. Other reviews 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 – 'Consultancy' activity as defined by the Public Sector Internal Audit Standards.

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;
- **Key themes identified** during our work in 2014-15 and an update on those themes identified from the previous year; and
- **Performance of Internal Audit** – a summary of our performance against our performance indicators and the Quality Assurance and Improvement Programme (QAIP) in place for the Internal Audit service.

In this report, we have drawn on the findings and assessments included in all of the reports issued. Senior Management and the Audit Committee have separately received summaries of the outcomes of the audit work through progress reports issued throughout the year. As a result the detailed findings have not been replicated in this report.

## 2. Overall Summary

### 2.1 Analysis of Non-Schools audit assurances

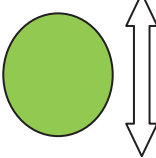
Overall, as illustrated in the tables below, we have noted a slight reduction in the percentage of 'Limited' and 'No' assurance reports issued compared to the prior year (19% in 2014/15 compared to 20% in 2013/14).

There has been an increase in the percentage of reports issued with 'Not Applicable (N/A)' for the assurance opinion (41% in 2014/15 compared to 14% in 2013/4). A rating is considered N/A if, for example:

- The audit result is either a 'pass' or a 'fail'. We started undertaking quarterly Troubled Families Payment By Results reviews in 2014/15 and there was also an increase in the number of grants requiring Internal Audit sign off;
- It could be misrepresentative. We introduced Data Quality spot checks in 2014/15 which look at only one Performance Indicator in detail within the sampled area; or
- The audit is an in-depth follow-up, requiring significant audit resource, which measures improvement rather than providing an initial assurance opinion.

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

Based on the internal audit work completed in 2014-15 I can give **Satisfactory Assurance** on the Council's overall internal control environment.

	No	Limited	Satisfactory	Substantial
<b>Audit Opinion and Direction of Travel</b> 2013/14 Annual Opinion: Satisfactory				

## Summary of report ratings

Assurance opinions	2014-15		2013-14	
	No.	%	No.	%
Substantial	1	2	1	2
Satisfactory	22	40	33	64
Limited	11	19	7	14
No	0	0	3	6
N/A	24	41	7	14
Sub-total	58		51	
Schools audits*	22		23	
<b>Total</b>	<b>80</b>		<b>74</b>	<b>100</b>

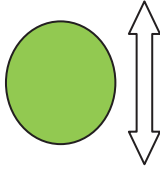
\* For breakdown of Schools audit assurance ratings see 'Analysis of School audit assurances' below

## 2.2 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 22 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 for the audit of schools and we are not comparing the same schools year on year.

Based on the school audits carried out during 2014-15 I am able to give **Satisfactory Assurance** that there is an adequate system for financial management processes and controls among the Council’s schools.

	No	Limited	Satisfactory	Substantial
<b>Audit Opinion and Direction of Travel</b> 2013/14 Annual Opinion: Satisfactory				

## Summary of report ratings

Assurance opinions	2014-15		2013-14	
	No.	%	No.	%
Substantial	0	-	0	-
Satisfactory	20	91	17	74
Limited	2	9	6	26
No	-	-	-	-
<b>Total</b>	<b>22</b>	<b>100</b>	<b>23</b>	<b>100</b>

### 3. Key themes

Reviewing all audit reports for the year and considering all recommendations made, not just those that were Priority 1, enables us to draw out key themes around Internal Control and Governance that require attention by the Council. Where pockets of poor control have been identified, the Council needs to consider if this is indicative of a wider issue. The table below summarises new themes identified during 2014-15, progress against the themes identified in 2013-14 and any issues that are relevant for consideration in the Annual Governance Statement (AGS). It should be noted that the narrative below primarily relates to work undertaken by internal audit as opposed to other contextual information which will be reflected within the AGS.

#### Issue identified 2014-15

##### 1. Human Resources (HR)

This is a new issue for 2014/15 due to both findings from specific audits of HR and also from other service audits related to workforce management, HR practice and processes or the service. This isn't solely about the contracted HR service provided by CSG, though this is the most significant challenge.

During our audit of Payroll we noted that work is in progress to review all HR policies; copies of leavers' letters were not available for the whole sample tested; and there was a lack of compliance with the Leavers policy. We also noted that a previous recommendation around HR risk management had not been implemented, in that there was no evidence that HR/Payroll risks were formally recorded in a risk log for their on-going management. In 2014/15 significant issues with the delivery of the HR service by CSG have been acknowledged; the lack of a coherent risk register reflecting these risks was, in our view, a contributing factor to these risks being realised.

During our review of Compliance with Ofsted requirements we found that one requirement had not been fully met, in that there was not a complete and up to date workforce profile available from HR for social care staff working with children in need, children subject to child protection plans, children looked after and care leavers.

During our audit of The Care Act LGA Stocktake Submissions we noted that some relevant employees within the Adults and Communities delivery unit had not been included on training lists and therefore had not yet received the required training on the Care Act. One of the root causes of this issue was that the Council does not have an accurate establishment list.

<p>In 2013-14 our audit of People Management provided Limited Assurance. During 2014/15 we had a further audit of People Management planned but due to a lack of capacity, both within the Council and CSG, to support the audit it had to be deferred to 2015/16. During the year, it was recognised that CSG was not delivering an effective HR service. The Council has taken a number of actions to work with CSG to improve HR performance and has brought in a new senior HR lead to oversee this aspect of the contract.</p> <p>Across the Council it has been recognised and acknowledged that there are issues with the new HR system Core and with the data within it. In 2015/16 we will not only complete the People Management review already planned of pre-employment checks but we will also undertake an audit of the establishment list.</p>	<p><b>2. Data Quality and Audit Trails</b></p> <p>As noted above, there are known issues with the data within the new HR system Core.</p> <p>In our review of the Key Financial Systems in December 2014, we consistently found that there was a lack of audit trails to support reported financial information. At the time of the audit it was evident that not all staff were fully comfortable with the functionality of the new finance system Integra. Therefore there were some delays in the requested information being provided and not all the required audit trails had been retained. We followed up our audit recommendations in January and March 2015 and by year end could confirm that these issues had been resolved.</p> <p>Across a number of other reviews, we raised recommendations around Data Quality and in particular around a lack of audit trails (Information Management Strategy, Internal Governance Q4 – Council Decision Making, Data Quality – Self Directed Support).</p>
<p><b>Issue from 2013-14</b></p>	<p><b>Audit Findings 2014-15</b></p> <ul style="list-style-type: none"> <li>• We identified a potential data breach in a published schools budgets spreadsheet;</li> <li>• SWIFT &amp; Wisdom follow-up – interim controls have been put in place but ultimately the introduction of the Mosaic system in Adults Social Care has been delayed;</li> </ul>
<p><b>3. System Access Controls – ensuring the integrity and security of data</b></p> <p><b>Data protection</b> having fit for purpose systems to manage data in relation to children and vulnerable adults remains a</p>	

**Issue from 2013-14**

**Audit Findings 2014-15**

priority particularly to support good records management. A number of reviews in 2013-14 identified weaknesses in IT systems. In particular two IT audits were undertaken which provided No Assurance (IT Access Controls and SWIFT & Wisdom in Adult Social Care) and the issues identified had data protection consequences.

The SWIFT system in Adult Social Care was found to have significant functionality issues. Officers had to resort to keeping files and information locally where it was not protected. This leads to an increased inherent risk of a data protection incident occurring. In addition, at the time of the audit evidence was not available to confirm that data was appropriately backed up.

**Records Management and Data sharing** – in a number of reviews there were some concerns noted for restriction of access to systems and data contained within those systems. Data sharing is a necessary aspect of work across partnerships for delivery of outcomes for Children in particular but needs to be done under an appropriate framework.

**4. Roles, Responsibilities and Accountabilities** - During the course of 2013-14 we repeatedly found a common theme in respect of responsibility and accountability issues.

We noted that improvements were needed to the clarity of

- Decommissioning of SAP – there was no requirement for staff to obtain management authorisation when requesting SAP information;
- Review of Self Directed Support - unnecessary team members had access to restricted folders.

This area is a residual issue for consideration within the AGS. During 2015/16 we will continue to review access controls and audit data security where appropriate

- A number of audits found a lack of clarity over roles at an operational level where CSG and delivery units needed to be working together (Disabled Blue Badges, Children’s Centres Financial Management, Community Capacity Grant, Bus Subsidy Grant, Trade Waste Invoicing).

Issue from 2013-14

roles and responsibilities between Commissioners, internal and external delivery unit Directors and the retained functions at the Council 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.

Audit Findings 2014-15

- Key Financial Systems (KFS) – some of the issues identified resulted from changes in personnel and staff structures as responsibilities were moved from the Council to CSG.
- Commissioning for Outcomes – we recommended that the Council update its RASCI (Responsible – Accountable – Support – Consult – Inform) diagrams to provide better clarity on roles. We found that relationship building was needed, particularly between commissioners and the Internal Delivery Units. The Council has subsequently addressed these issues with the introduction of the SCOT (Strategic, Critical, Operational and Transaction) framework and changes to the Commissioning Group structure.
- Re Joint Venture Arrangements – we were not provided with a copy of the Re Authorisations manual so could not confirm that financial and procurement limits for Re directors and staff were appropriate.
- Schemes of Delegation – the majority of the Schemes of Delegation across the Council under which decisions are delegated are currently in draft form.
- Policies and procedures – in a number of reviews we found these were not documented or were not up to date, leading to a lack of clarity for staff over what they should be doing (Children’s Centres Financial Management, Complaints, Disabled Blue Badges, Data Quality Re KPI 2.2, Data Quality CPI 1005, Compliance with Ofsted Requirements, Health & Safety, Mental Capacity Act, Payroll, Schools Budgets).

This area is a residual issue for consideration within the AGS. During



	<p>2015/16 we will review the Council's Schemes of Delegation and we will consider how the Council collaborates with other organisations such as the Clinical Commissioning Group (CCG).</p>
<p><b>5. Contract Management Framework and Benefits Realisation</b></p> <p>During the course of 2013-14 we repeatedly found a common theme in respect of contract management and benefits realisation.</p> <p>Our contract audits in 2013/14 confirmed that there was 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.</p>	<ul style="list-style-type: none"> <li>• Our review of Contract Management confirmed that towards the end of the year a Contract Management Framework was introduced at the Council. In 2015/16 we will review a sample of contracts across the organisation to confirm whether the Framework is now being complied with.</li> <li>• We found the section in the Contract Management Framework on Benefits Management requires enhancement.</li> <li>• The Barnet Homes contract management follow-up found the majority of recommendations fully implemented but that Benefits management is still in progress.</li> <li>• Commissioning for Outcomes – we found that the Review stage of the Commissioning Cycle needed more attention as it was not always clear when something had been achieved and thereby when outcomes were being realised.</li> <li>• Your Choice Barnet – we found the Council had not applied the contract change control process when introducing changes to the contract payments mechanism, and that the contract did not include a risk and issue management process or a clause relating to employees / agency staff having their Right to Work status confirmed.</li> <li>• Passenger Transport Contracts (PTS) – we found that two contractors had been secured outside of the PTS Framework for transporting children. There were no records of how those contractors had been validated. For the contractors used</li> </ul>

Issue from 2013-14	Audit Findings 2014-15
<p><b>Business Continuity and Resilience</b> – overall the direction of travel for improvements to business continuity and disaster recovery resilience had been gradual since 2007 with the overall assessment of the controls remaining limited over a six year period and not considered sufficient to prevent large scale failures in service provision. This was particularly the case for information systems, and plans to rectify this through the CSG contract were delayed due to the judicial review of the contract in 2013.</p>	<p>under the PTS Framework we found that not all annual reviews had been completed, and where they had been completed the records around DBS (criminal record) checks were not sufficient. Both of these findings represented a safeguarding risk.</p> <p>This area is a residual issue for consideration within the AGS. During 2015/16 we will look at developments to the Contract Management framework and compliance with it, particularly for smaller contracts not managed by the Commercial Team.</p>
<p>During 2014/15 we followed up the direction of travel for improvements to business continuity and disaster recovery resilience had been gradual since 2007 with the overall assessment of the controls remaining limited over a six year period and not considered sufficient to prevent large scale failures in service provision. This was particularly the case for information systems, and plans to rectify this through the CSG contract were delayed due to the judicial review of the contract in 2013.</p>	<p>During 2014/15 we followed up the Business Continuity audit conducted in 2013/14 which, at that time, provided Limited Assurance. We were able to conclude that the recommendations raised had been implemented.</p> <p>Plans to address the historic weaknesses in Business Continuity have been put in place via the CSG contract and there is now a Business Continuity Strategy. During 2015-16 we will continue to monitor progress and will conduct an audit to confirm that the Strategy is being implemented as planned.</p> <p>This area is <b>not</b> a residual issue for consideration within the AGS, although the Council's Disaster Recovery Plan does still need to be formalised and an audit of this is planned for 2015/16.</p>

## 4. Performance of Internal Audit

95% of the 2014-15 Audit Plan was delivered by the end of the financial year (March 2015), meeting our target.

The number of high priority recommendations reduced overall this year from 42 in 2013-14 to 35 in 2014-15. However, within this overall figure it should be noted that for non-schools audits the figures increased slightly (from 22 to 24). The reduction in high priority recommendations raised for Schools is due in part to the fact that the schools auditor post was vacant for part of the year.

Year	2014/15	2013/14
Non-Schools	24	22
Schools	11	20
<b>Total</b>	<b>35</b>	<b>42</b>

The direction of travel for implementing audit recommendations on a timely basis deteriorated with 73% of high priority recommendations confirmed as having been implemented within agreed timescales in 2014-15 (100% in 2013-14).

A summary of the status at the end of the year is as follows:

Status	Number	%
Implemented	44	73
Partly Implemented	15	25
Not Implemented	1	2
<b>Total</b>	<b>60</b>	<b>100</b>

Internal Audit evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.

In line with the Public Sector Internal Audit Standards there is a Quality Assurance and Improvement Programme (QAIP) in place for the Internal Audit service. 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 19 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 95% (100% in 2013-14) rated satisfactory (3) or above.

During the year we conducted a survey of managers across the Council to gather their wider feedback on the service. 36 responses were received, with many areas of the Council represented. Key points to note were:

*Do you think Internal Audit adds value?*

**Yes – 89%**

**No – 11%**

Comments included:

<p>They provide an independent view on processes and procedures</p>	<p>Because they tie up resource, which is already extremely short and time-pressured, for hours on end</p>
<p>Objective, external set of eyes to check for gaps in process, areas of weakness and to recognise areas of success</p>	<p>Sometimes the auditors do not really understand the area they are investigating and it takes up huge amounts of staff time just explaining what they are seeing. This impacts on the ability of staff to focus on their day to day responsibilities.</p>
<p>Pretty fearless in identifying and addressing issues e.g. the IT problems highlighted recently</p>	
<p>It ensures the council upholds the highest values and maintains the integrity and trust of services to make sure the council spends money appropriately and exercises its functions fairly</p>	
<p>Strong method, good auditors in place, able to help highlight areas where improvement is needed</p>	

Assurance, best practice, improvement	
---------------------------------------	--

*What did Internal Audit do which you found **most** useful last year?*

Around **half** of the respondents gave comments referring to particular audits:

“Following feedback from managers, assisted us to approve our PIs and KPIs”
“Provide support to the Troubled Families programme”
“Prompted thinking about the effectiveness of enabling boards”
“The review challenged the process resulting in changes to the Financial Regs”
“Review of the relationship with Barnet Homes. They prompted the sorting out of the movement agreement that had become ‘stuck’ ”.

*What did Internal Audit do which you found **least** useful last year?*

Around a **third** the respondents gave comments:

Communication: “Communicating risks across sections – sharing knowledge”
Too narrow an audit, or conversely, an audit too wide which encompasses things which were not valid: “ToR were incorrectly drawn and the results too narrow” versus “checking 2 to 3 year tender processes”
Risk being reported as too low or high: “needed to be stronger in terms of raising to managers the importance and fines associated with not meeting external audit practice” versus “higher assessment of risk than was justified”

We continually strive to improve the Internal Audit Service and found the feedback from the survey extremely useful. In 2015/16 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. The Audit Plan will be responsive to the pace of change at the Council and any emerging risks.

The service has made further improvements during the year including:

- Jointly procuring a Framework contract for the provision of internal audit, risk management, investigation and advisory services. The Framework is with five other London boroughs (Camden, Enfield, Harrow, Islington and Lambeth) and the supplier is PwC. The vision for the 'Cross Council Assurance Service' is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively and the ability to deliver more for less. Joining the framework has enabled us to:
  - work more closely with a number of other London Boroughs, sharing expertise, knowledge, working practices to further enhance the efficiency and effectiveness of the service; and
  - develop a platform which will harmonise working practices and audit processes and enhance the skills and capacity of the in-house teams.
- Agreeing a protocol with the Barnet Group to ensure appropriate audit coverage of all the Council's key risks, regardless of who the service is provided by.
- Undertaking an Assurance Mapping exercise to ensure our audit universe reflects the Council's evolving structure and that our plan for 2015-16 targets key risk areas.

During the year we undertook a detailed review of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAs) and the CIPFA Local Government Application Note (LGAN). As per the PSIAs the results of this self-assessment must be included within this Annual Opinion and must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAs. I can confirm that during 2014-15 in all material respects the internal audit service has conformed to the requirements of the Public Sector Internal Audit Standards. A summary of the self-assessment undertaken is at Appendix D.

## **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 2014-15

Audit Opinions on Completed Audits during the period		
	Systems Audits	Assurance
1	Disabled Blue Badges (joint with CAFT)	Limited
2	Your Choice Barnet contract review (joint with CAFT)	Limited
3	Passenger Transport Contracts (joint with CAFT)	Limited
4	Permanency Routes	Limited
5	The Care Act – LGA Stocktake Submissions	Limited
6	Accounts Payable	Limited
7	Accounts Receivable	Limited
8	General Ledger	Limited
9	Housing Benefits	Limited
10	NNDR	Limited
11	Grant Income	Limited
12	Regeneration	Satisfactory
13	Risk Management	Satisfactory
14	Children’s Centres Financial Management	Satisfactory
15	Complaints	Satisfactory
16	Transformation Q1	Satisfactory
17	Capital Programme	Satisfactory
18	Health & Safety	Satisfactory
19	Internal Governance – Delivery Board	Satisfactory
20	Decommissioning of SAP	Satisfactory
21	Mental Capacity Act	Satisfactory
22	SEN – Children’s & Families Act	Satisfactory
23	Schools Budgets	Satisfactory
24	Budget Monitoring – Street Scene & Commercial	Satisfactory
25	SPA / PCN Deletions Follow-Up	Satisfactory
26	Transformation Q4	Satisfactory
27	Contract Management	Satisfactory
28	Information Management Strategy	Satisfactory
29	Payroll	Satisfactory
30	Treasury Management	Satisfactory
31	Cash & Bank	Satisfactory
32	Council Tax	Satisfactory
33	Internal Governance – Council Decision Making	Satisfactory
34	Pensions Administration	Substantial
35	Troubled Families – Payment By Results Q1	N/A
36	Troubled Families – Payment By Results Q2	N/A
37	Troubled Families – Payment By Results Q3	N/A
38	Troubled Families – Payment By Results Q4	N/A
39	Adoption Reform Grant	N/A
40	Bus Subsidy Grant	N/A



41	Community Capacity Grant	N/A
42	Transforming Care Grant	N/A
43	Barnet Homes Contract Management Follow-Up	N/A
44	IT access controls / SWIFT & Wisdom follow-ups	N/A
45	Key Financial Systems – Follow-up of 2013/14 recommendations	N/A
46	Key Financial Systems – Follow-up on Reconciliations – January 2015	N/A
47	Key Financial Systems – Follow-up - March 2015	N/A
48	Data Quality - Re KPI 2.2	N/A
49	Data Quality - Self Directed Support	N/A
50	Data Quality - CPI 1005: Proportion of older people (65 and over) who were still at home 91days after	N/A
51	Commissioning for Outcomes	N/A
52	Children's Data Protection – memo on data breach	N/A
53	Compliance with Ofsted requirements	N/A
54	Re Joint Venture arrangements	N/A
55	Trade Waste - invoicing issues	N/A
56	Project Management Toolkit	N/A
57	Schools Assurance Mapping	N/A
58	Children's E-finance - assurance over new controls	N/A

	<b>School Audits</b>	<b>Assurance</b>
1	Pardes House	Limited
2	St Andrews CE	Limited
3	Oakleigh	Satisfactory
4	St Agnes	Satisfactory
5	Brookland Junior	Satisfactory
6	Brookland Infant	Satisfactory
7	Tudor School	Satisfactory
8	Moss Hall Infant	Satisfactory
9	Courtland	Satisfactory
10	Northside	Satisfactory
11	Menorah Primary	Satisfactory
12	All Saints N20	Satisfactory
13	Deansbrook Infant	Satisfactory
14	Garden Suburb Infant	Satisfactory
15	Beit Shvidler	Satisfactory
16	Our Lady of Lourdes Catholic	Satisfactory
17	Christ Church	Satisfactory
18	St John's N20	Satisfactory
19	Finchley Catholic	Satisfactory
20	St Vincent's	Satisfactory
21	Woodridge	Satisfactory
22	Blessed Dominic	Satisfactory

## Appendix C: Changes to 2014-15 published plan

Since the Internal Audit Plan was approved in April 2014 there have been a number of changes that have been reported to the Audit Committee within the 2014-15 quarterly progress reports. These are summarised below:

Type	Audit Title	Reasons
Additional	Schools Budgets	Added at the request of SCB
Additional	Schools Budgets – data protection	Memo issued in response to potential data breach identified
Additional	Trade Waste Invoicing	Added at the request of management to assess improved controls introduced over invoices and credit notes
Additional	Schools Assurance Mapping	Exercise undertaken to determine sources of assurance over schools. This exercise will inform any changes to the schools audit programme in 2015/16 therefore it needed to be undertaken in 2014/15
Additional	Children’s E-Finance	At the request of management, assurance provided over the design of the controls in Controcc before it went live on 1 December
Additional	Community Capacity Grant	Retrospectively asked to provide assurance that the grant had been spent or allocated in line with the grant conditions
Additional	IT Access Controls / SWIFT & Wisdom follow-up	These were added as a result of ‘No Assurance’ ratings in quarter 4 of 2013-14.
Combined	Children & Families Act	Combined with SEN review
Combined	Performance Management Framework	Covered as part of the Commissioning for Outcomes review
Combined	Benefits Realisation Framework	Combined with the Contract Management Framework audit
Combined	Conflicts of Interest	Combined with Re Joint Venture Arrangements review
Combined	Financial Management	Combined with Street Scene Budget Monitoring and MTFS Transformation programme governance review
Brought Forward	Commissioning for Outcomes	Brought forward at request of Chief Executive

Deferred	People Management	Deferred to Q1 of 2015-16 as agreed with management due to changes in HR senior officers within the Council and CSG.
Deferred	Residential Care Homes (Joint review with CAFT)	Deferred to 2015/16 due to CAFT reactive work taking priority
Deferred	School Improvement	Deferred to 2015/16 due to resources having been needed on the additional audits identified above
Deferred	Public Health follow-up	Deferred to 2015/16 to allow full year since completion of previous audit of Public Health
Deferred	Revenues & Benefits	Review of client-side arrangements around Revs & Bens deferred to 2015/16 i.e. after Key Financial System reviews completed
Deferred	Risk Management Framework	Deferred to Q4 to enable a review of risk management arrangements throughout the year to support the Head of Internal Audit opinion
Deferred	Transformation Q3	Deferred to Q4 so that assessment of projects occurs after assessment of the Project Management Toolkit (completed in Q3)
Deferred	Internal Governance Q2	Deferred to Q3 due to needing output from Commissioning for Outcomes review before selecting Board to review
Deferred	Health & Safety	Deferred to Q2 to accommodate additional audits.

## Appendix D: Compliance with Public Sector Internal Audit Standards

During the year we undertook a detailed review of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAs) and the CIPFA Local Government Application Note (LGAN). As per the PSIAs the results of this self-assessment must be included within this Annual Opinion and must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAs.

I can confirm that at the time of the review, our compliance was as follows:

Status	Response rate	Number of questions
Full compliance	75%	260
Partial compliance	21%	72
Not compliant	2%	8
N/A	2%	7
<b>Total</b>	<b>100%</b>	<b>347</b>

The eight areas where we were not compliant are below. Subsequent action has been taken and the status as at June 2015 is that five of the eight areas are now compliant and three are partially compliant.

Area	Question	Subsequent action taken to address and June 2015 status
1000: Purpose, Authority and Responsibility	Does the Internal Audit Charter set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Internal Audit Charter updated accordingly and agreed at Audit Committee April 2015
1110: Organisational Independence	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (CAE)?	Chief Executive asked to contribute to performance appraisal of CAE in June 2015

1110: Organisational Independence	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Chair of the Audit Committee asked to contribute to performance appraisal of CAE in June 2015
1210: Proficiency	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Action Plan in place to use the PwC Framework to drive up IT audit skills within in-house team. Head of Internal Audit is the Technology Lead on the Joint Governance Group for the PwC Framework, there is a project plan to take this forward in 2015/16
1311: Internal Assessments	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Updated Internal Audit's performance indicators within the 2015/16 plan which was agreed by the Audit Committee in April 2015
2010: Planning	Does the risk-based plan set out the respective priorities of those pieces of audit work?	Introduction to the 2015/16 Plan covered the new Audit Requirement Ratings methodology - but the individual rating is not stated next to each listed audit. To take forward in more detail in the 2016/17 plan
2210: Engagement Objectives	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Updated audit manual to prompt this question to be asked as part of each audit. Next stage is to update the P1 Planning Memorandum template.
2450: Overall Opinion	Does the annual report incorporate a comparison of work actually carried out with the work planned?	Quarterly reports have included any changes to the published plan. For 2014/15 opinion have included a new appendix that summarises the changes for the whole year – 'Changes to 2014-15 published plan'

**Key:**

Rating	Explanation
Full compliance	The identified action is now complete
Partial compliance	Aspects of the identified action have been implemented however not considered implemented in full.
Not compliant	There had been no progress made in implementing this action

We have devised an action plan to move closer to 100% compliance and at time of writing the actions already taken have led to improved compliance as follows.

Status	Response rate	Number of questions
Full compliance	82%	286
Partial compliance	16%	54
Not compliant	0%	0
N/A	2%	7
<b>Total</b>	<b>100%</b>	<b>347</b>

We will report against further progress on the action plan within the 2015-16 Internal Audit annual opinion.

The PSIAS also require the Internal Audit service to be externally assessed at least every 5 years. We have arranged for an external assessment to be undertaken during 2015-16 via the London borough Peer Review network. The Chair of the Audit Committee and the Chief Executive are sponsors of the review and a summary of the findings will be included within the 2015-16 Annual Internal Audit opinion.



## Audit Committee 30<sup>th</sup> July 2015

<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Progress Report up to 30th June 2015</b>
<b>Report of</b>	Caroline Glitre – Head of Internal Audit
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Enclosures</b>	Internal Audit progress report (up to 30 <sup>th</sup> June 2015)
<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

### Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2015-16 and high priority recommendations.

The Internal Audit Service has commenced delivery of work in accordance with its plan reported to the Audit Committee in April 2015. Over the current period since the Committee last met in April 2015 the service has issued 16 reports with the following assurance ratings:

Substantial	2
Satisfactory	7
Limited	4
No	0
N/A	3
<b>Total</b>	<b>16</b>

Detail has been presented within the report on audits that were given 'Limited' assurance:

1	Grant Income
2	People Management – Pre-Employment Checks
3	Pardes House School
4	Fairway School

Full copies of Limited Assurance audit reports are available on the Barnet website here:

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

### Implementation of Recommendations

17 of the 22 (77%) high priority recommendations that were due to have been implemented by the end of the quarter have been fully implemented. This is below the target of 90%. A summary of the detail of those recommendations which were due in Quarter 1 has been included for the Audit Committee to review (Section 7).

As requested by the Audit Committee in April, this follow-up progress now includes schools audits. We have confirmed that the high priority recommendations due at Pardes School have been implemented.

A summary of the status across all the priority 1 recommendations due for implementation within the quarter is as follows:

Status	Number	%
Implemented	17	77
Partly Implemented	4	18
Not Implemented	1	5
<b>Total</b>	<b>22</b>	<b>100</b>

### Schools Audits

At the April Audit Committee members requested that if a school is found not to have implemented recommendations within agreed timescales that the Head Teacher and Chair of Governors should attend the Committee to answer questions from members.

After discussion at the Strategic Commissioning Board (SCB) it was agreed that if high priority recommendations are found not to have been implemented within agreed timescales, or the school does not respond to the request for a follow-up visit, the appropriate escalation route is for the school to receive a warning letter from the Director of Education & Skills threatening to withdraw delegation. The Audit Committee will receive a report on where in the escalation process each school is if they have not dealt with the issues raised.

Further detail is included within section 2 of the report, Schools Audit Approach.



### **Independent Member**

Interviews were held for the Audit Committee Independent Member in June and, subject to Full Council approval on 28 July, Geraldine Chadwick was appointed.

## **Recommendations**

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

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

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

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

- 2.1 The Audit Committee approved the 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 Internal 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 2015-2020, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

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

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

5.2.2 The 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, Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

### 5.4 **Risk Management**

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

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

### 5.5 **Equalities and Diversity**

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

### 5.6 **Consultation and Engagement**

5.6.1 N/A

## 6. **BACKGROUND PAPERS**

6.1 Audit Committee 11 March 2010 (Decision Item 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>

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## **Internal Audit**

### **Progress Report 2015-16 – Quarter 1**

**Caroline Glitre, Head of Internal Audit**

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## **1. Introduction**

The Internal Audit Plan was accepted by the Audit Committee on the 30th April 2015. 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. Schools Audit Approach**

### **Schools key risks**

As reported to the Audit Committee in April, earlier in the year we undertook a Schools Assurance mapping exercise to document the 'three lines of defence' around key risks to schools i.e. operational controls, management controls and independent assurance.

This identified potential gaps in coverage and therefore in the Autumn term we are piloting an updated schools audit programme to provide independent assurance over those areas. During the pilot stage we will seek feedback from the schools and any findings will be an Appendix to the main audit report and not impact on the school's audit rating.

### **Follow-Up audits**

At the April meeting of the Audit Committee, it was agreed that we would conduct follow-up audits of two schools that had received Limited Assurance ratings: St. Andrews and Pardes House, and that the Head teacher and / or Chairman of the Board of Governors of schools be requested to attend the next Audit Committee meeting in July if we were not satisfied with the responses received. The appropriate follow-up work has been completed and we are satisfied that the recommendations due have been implemented, see section 7.

It was also agreed that we would review the procedures for escalating actions in the event of schools that fail to respond to audit recommendations.

The Scheme for Financing Schools sets out the financial relationship between the authority and the schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the authority and on schools. The Scheme 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.'

A change to the follow-up process included in the Scheme for Financing Schools is planned which would bring our approach to schools more in line with non-schools audits, where officers have to attend the Audit Committee when we find that high priority recommendations have not been implemented:

- When an audit results in high priority recommendations, internal audit will confirm, by reviewing appropriate evidence, whether these recommendations have been implemented within the agreed timescales. This follow-up will form part of the Internal Audit quarterly reporting to the Audit Committee (see section 7 for the findings from the follow-ups undertaken in Q1).
- If high priority recommendations are found not to have been implemented within agreed timescales, or the school does not respond to the request for a follow-up visit, the school will receive a warning letter from the Director of Education & Skills threatening to withdraw delegation. The Audit Committee will receive a report on where in the escalation process each school is if they have not dealt with the issues raised.

### Summary of Proposed changes

This proposal has been discussed and agreed with the Commissioning Director for Children & Young People, the Education & Skills Director and the Strategic Commissioning Board (SCB).

Area	Rationale	Notes
<b>Pupil Premium</b>	New part of Ofsted inspection	<ul style="list-style-type: none"> <li>• If audit testing finds weaknesses in controls we would recommend that the school have an independent Pupil Premium review undertaken (by the BPSI or another body).</li> <li>• Also refer concerns to the School Improvement team who would then contact the school to follow this up.</li> </ul>
<b>Governance</b>	National concerns over schools governance	<ul style="list-style-type: none"> <li>• Expansion to current testing of governance.</li> <li>• Refer any concerns to the School Improvement Team</li> </ul>
<b>Safeguarding</b>	Increased emphasis in Ofsted inspection	<ul style="list-style-type: none"> <li>• High level testing on pre-employment checks, policies, reporting</li> <li>• Refer any concerns to the School Improvement Team / their Safeguarding consultants</li> </ul>
<b>Anti-Fraud</b>	Unexpectedly low number of fraud referrals from Barnet's schools	<ul style="list-style-type: none"> <li>• School to complete Schools Anti-Fraud checklist</li> <li>• Review response and refer to CAFT if any areas of concern identified</li> </ul>
<b>Follow-up</b>	Requested by Audit Committee, brings in line with non-schools audits	<ul style="list-style-type: none"> <li>• Follow-up Priority 1 recommendations to confirm timely implementation and report findings to Audit Committee on a quarterly basis</li> </ul>



## Resource Impact

We estimate that the addition of these areas will add a day to the audit of each school. During the pilot we will confirm this. Currently we audit Barnet's 96 schools with a delegated budget on a 3 year cycle.

<b>Current – 3 year cycle</b>	Approximate number of schools audited each year	Approximate days per audit	Audit days in plan
	30	3	100

Of the 96 schools, only 14 were rated as Limited Assurance at their last audit visit. We therefore propose that if the pilot leads to an agreed change to the Schools Audit approach, that we move to a Risk-based system.

We would apply the following triggers. If any of these triggers are met, **we would treat the school as a Priority and keep the school on the 3 year cycle - or bring an audit forward:**

1. Limited or No Assurance on last audit
2. Change of Leadership
3. Schools Improvement or Schools Finance raise a concern
4. CAFT referral

*If none of these triggers met, move to 5 year cycle*

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Priority schools (estimate 30)	10	10	10	10	10	10
Other schools (estimate 65)	13	13	13	13	13	13
<b>Total schools each year</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
Current audit days per school	3	3	3	3	3	3
Pilot - additional estimated days per school	1	1	1	1	1	1
<b>Total days per audits</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Total	92	92	92	92	92	92
Follow ups	6	6	6	6	6	6
<b>Total annual days needed</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>

Second visit

### 3. Final Reports Issued

This report covers the period from 1<sup>st</sup> March 2015 to 30<sup>th</sup> June 2015 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 16 reports in accordance with the 2015-16 Internal Audit Plan. In summary, the assurance ratings provided were as follows:


Substantial	2
Satisfactory	7
Limited	4
No	0
N/A	3
<b>Total</b>	<b>16</b>

Table 1: 2015-16 work completed during quarter 1 including assurance levels		
Systems Audits		Assurance
1	Grant Income	Limited
2	People Management – Pre-Employment Checks	Limited
3	Internal Governance – Decision Making	Satisfactory
4	Barnet Group – Internal Audit and Housing Risk Management	Satisfactory
5	Business Continuity Strategy	Satisfactory
6	Project Management Toolkit follow-up	N/A
Advisory Reviews		Assurance
7	Data Quality – Re KPI 2.2 Category 1 defects Rectification Timescales completed in time - Follow-Up	N/A
Grants		Assurance
8	Community Capacity Grant	N/A
School Audits		Assurance
9	Pardes House*	Limited
10	Fairway	Limited
11	St. Theresa’s	Satisfactory
12	St. Michael’s	Satisfactory
13	Underhill	Satisfactory
14	Sacks Morasha	Satisfactory
15	Monkfrith	Substantial
16	Dollis Infant	Substantial

The summary detail of those reports issued as Limited assurance is included within section 4.

\* See outcome of Follow-Up audit of Pardes House within section 7

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


Title	Grant Income		
	No	Limited	Satisfactory
Assurances Audit Opinion			
<b>Date of report:</b>	June 2015		
<b>Background &amp; Context</b>	<p>The Local Government Association (LGA) report “Future funding outlook for Councils 2010-11 to 2019-20” identified grant funding as one of the 6 funding/income streams for Councils.</p> <p>The report referred to Council income expected to fall significantly from 2010-11 to 2019-20. For specific / other grants, the percentage of Council income was expected to fall from 18% to 4%.</p> <p>It is therefore essential that all specific grant income for which the Council is eligible is identified and secured, if appropriate, to assist in addressing the significant overall funding gap expected from 2016-17 until 2019-20 of £73.5m.</p> <p><b>Audit work completed</b></p> <ul style="list-style-type: none"> <li>• We prepared and issued a Grant Income Self-assessment Questionnaire (GISAQ) for completion by senior management within the Council’s Commissioning Group, internal delivery units and strategic partners (Barnet Group, Capita Customer Support Group (CSG) and Capita Re).</li> <li>• We reviewed responses to the GISAQ to assess the adequacy of arrangements for:</li> </ul>		

	<ul style="list-style-type: none"> <li>- <b>Grant identification:</b> pro-actively identifying/“scanning” for potential grants that may be applicable for service delivery;</li> <li>- <b>Grant evaluation:</b> arrangements to assess grant conditions and whether an application/bid for the grant should be made, including the assessment of the exit strategy once the grant funding ceases and engagement with Strategic Finance for support/advice for proper consideration of financial conditions linked to the grant;</li> <li>- <b>Review:</b> senior management scrutiny/challenge of the grant evaluation; and</li> <li>- <b>Decision making:</b> clear records and audit trails of decisions, for referral/review where necessary, as to whether to proceed or not proceed with the bid/ application for grant funding to embed accountability for effective decision making.</li> </ul> <ul style="list-style-type: none"> <li>• We identified grants on the Grant Finder website and within “National Audit Office Local Government Funding: Assurance to Parliament – Government grants paid to local authorities (2013-14)”, published 23 June 2014, to assess for their pro-active identification by the relevant officers and for records of decisions as to whether to proceed with making a bid/application for the grant funding.</li> </ul>
<p><b>Summary of Findings</b></p>	<p>There are one priority 1 and two priority 2 recommendations.</p> <p>We issued 14 grant income self-assessment questionnaires to Delivery Units and the Commissioning Group. We received 12 responses (86%), including from those delivery units likely to be the main recipients of grant income (Adults &amp; Communities, Education &amp; Skills, Family Services, Street Scene, Barnet Group and Re).</p> <p>The following significant issue was noted:</p> <ul style="list-style-type: none"> <li>- <b>Grant identification</b> - Of the 12 responses received, there were 5 areas where pro-active arrangements for identifying grants need to be defined and formally implemented. (Priority 1).</li> </ul> <p>The following other issues were noted:</p> <ul style="list-style-type: none"> <li>- <b>Grant evaluation and approval</b> - Of the 12 responses received, there were 4 areas where grant</li> </ul>

	<p>evaluation and approval processes need to be developed. Engagement with the Commissioning Group's Head of Finance was not undertaken as a matter of course. Documented procedures governing grant evaluation were not available for referral in 10 of the 12 areas (Priority 2).</p> <p>- <b>Grant decision making</b> - Of the 12 responses received, arrangements for the recording and retention of related decisions were robust for only 3 areas as they included a formal record of the decision for referral and review where necessary (Priority 2).</p>		
<b>Priority 1 recommendations, management responses and agreed action dates</b>			
<b>1. Grant Identification</b>			
<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<p>Roles/arrangements for <u>pro-actively</u> identifying grant opportunities should be implemented.</p> <p>a) We suggest that roles for pro-actively identifying grants could be undertaken as part of existing structures as follows:</p> <p>(i) Delivery Units together with their Commissioning Directors should consider the options available, including the possibility of a dedicated team/officer for pro-actively identifying grants depending on resources / the significance of grants available in that area.</p> <p>(ii) Service area leads pro-actively identify grants in their area. Local business improvement / performance teams challenge</p>	<p>Across commissioning portfolios (in commissioning group or Delivery units) grants databases will be maintained which evidence horizon scanning, at least once every quarter. Evidence may include communication with relevant central government departments or the use of grant finder. 'Invest to save' options will also be explored, for example the possibility of engaging an appropriate grants finding company.</p>	<p>Commissioning Directors for:</p> <ul style="list-style-type: none"> <li>• Adults and Health;</li> <li>• Children &amp; Young People;</li> <li>• Growth and Development; and</li> <li>• Environment</li> </ul> <p>Commercial and Customer Services Director</p> <p>Supported by Finance</p>	<p>1 September 2015</p>

	(Commissioning Group)	<p>for proactive identification, undertake proactive reviews themselves and co-ordinate related reporting of horizon scanning outcomes as part of their local performance management arrangements.</p> <p>(iii) CSG service areas: Senior Responsible Officers (SROs) client-side at the Council pro-actively identify grants in their CSG responsibility areas or arrange for CSG Capita leads to undertake this role, with SRO monitoring CSG identification activity.</p> <p>b) Existing performance management arrangements should be used to embed accountability for pro-active grant identification by relevant officers/teams, for example as part of Delivery Unit Management Agreements, through local performance indicators or through the staff objectives/performance review/appraisal process.</p> <p>c) Eligible grants identified should be formally documented and reported to Senior Management to ensure that grant identification processes are undertaken routinely and that senior management are involved in the decision making process. This could form part of Senior Management</p>
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<p>Team (SMT) standing agendas.</p>	<p>d) All eligible grants for which applications will <b>not</b> be submitted should be reported to the Commissioning Group's Head of Finance sufficiently <u>in advance</u> of application deadlines, 5 working days as a minimum, to consider whether decisions not to apply were appropriate and challenge as necessary.</p> <p>e) Procedures should be documented governing identification arrangements in each area. The procedures should include:</p> <ul style="list-style-type: none"> <li>• grant identification mechanisms such as the use of the Grant Finder website, Internet searches and pro-active engagement with known funding bodies.</li> <li>• arrangements for the escalation/communication of grant opportunities to the relevant areas for evaluation if identified centrally</li> <li>• arrangements for the recording and reporting of all grant opportunities, identified for follow-up/monitoring and reporting</li> <li>• arrangements for the timely escalation to the Commissioning Group's Head of Finance for all eligible grants for which applications will not be submitted.</li> </ul>
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Title	People Management – Pre-Employment Checks			
	No	Limited	Satisfactory	Substantial
Assurances Audit Opinion				
Date of report:	June 2015			
Background & Context	<p>The management of the Human Resources (HR) function at the Council is contracted to CSG (Capita).</p> <p>A number of policies and procedures govern the pre-employment vetting process in operation within the Council. A project is currently underway to review the Council’s Safer Recruitment guidance which sets out the checks that are required for all prospective employees. This includes those who will be working with children and adults at risk of harm.</p> <p>As part of the pre-employment checks, candidates must provide identification documents. The need for a Disclosure and Barring Service (DBS) check, formerly known as a Criminal Records Bureau (CRB) check, is generally identified by the type of role that an employee will undertake.</p> <p>The HR function within CSG is responsible for the processing of pre-employment checks on Council employees. All relevant documentation should be uploaded onto the CORE HR Management System which was introduced in April 2014.</p> <p>The Health and Care Professions Council (“HCPC”) regulations require social workers employed by the Council to be registered with the HCPC. Registration details should be reviewed annually by individuals to ensure the information</p>			



	<p>recorded is up to date. The Council should assure itself that social workers employed to undertake work on its behalf have appropriate HCPC registration.</p>
<p><b>Summary of Findings</b></p>	<p>There are three priority 1 and one priority 2 recommendations.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> <li> <p>• <b>Safer Recruitment training and guidance available to staff</b> - In line with Council procedure, when a new employee is recruited or an existing employee changes role, the requirement for any pre-employment or additional vetting procedures should be identified by the Line Manager from the details in the role description. We confirmed that the current Council guidance available to Line Managers does not contain sufficient detail regarding the current statutory requirements relating to DBS clearances and no on-going training is provided by Human Resources.</p> <p>We were informed that the Safer Recruitment procedures are currently being updated and were reviewed by the Workforce Board on 10 June 2015. These include more information on DBS requirements and will be made available to Line Managers when they are finalised. <b>(Priority 1)</b></p> </li> <li> <p>• <b>Monitoring of HCPC registration of social workers</b> - All social workers employed by the Council are required to be registered with the HCPC. Social workers should renew their registration before the expiry date to ensure continued compliance with their employment conditions.</p> <p>We confirmed that registration documentation is not required to be provided by social workers to evidence compliance with their employment contract.</p> <p>Additionally, there is no formal monitoring of the registration status of social workers undertaken by the Council or CSG to independently validate registration status.</p> <p>Our detailed testing identified one case where a social worker employed by the Council was not listed on the HCPC website. <b>(Priority 1)</b></p> </li> <li> <p>• <b>Accuracy and completeness of vetting information held on Council employees</b> - The CORE Human Resources management system was introduced in April 2014 and all employee data was transferred from the previous SAP system. We confirmed that a formal data cleanse was not performed before the information was transferred. As a</p> </li> </ul>

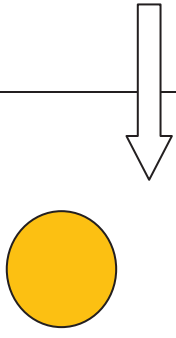
	<p>result, management are aware that there are issues with the completeness and accuracy of the data held in CORE, although the extent of the issues has not been quantified.</p> <p>There is also no formal mechanism in place to capture any change in roles of existing employees using CORE to ensure continued compliance with safeguarding legislation.</p> <p>An exercise is currently being undertaken by the HR management team to validate all information held in the CORE system. One of the objectives of the exercise is to ensure that all Council employees have the correct clearance for their role. <b>(Priority 1)</b></p> <ul style="list-style-type: none"> <li>• <b>Annual audit results of pre-employment checks performed by Comensura</b> - The Council has a contract with Comensura Limited (“Comensura”) to provide agency staff when the existing resources are unable to meet demand. Comensura are able to use third party recruitment agencies when the skills and expertise of the role cannot be met by the staff on their register. In these cases Comensura are still responsible for meeting the conditions of the contract with the Council and performing the pre-employment checks before staff are assigned.</li> </ul> <p>Comensura are also required to perform an annual audit of the third party agencies used to provide staff to the Council. The audit includes testing that agency staff have the correct DBS clearance specified in the role description.</p> <p>Management were unable to provide evidence that Comensura had provided the Council with the result of the audit performed in the 2014/15 financial year although we were able to validate that monthly spot checks performed independently by the Council are operating effectively. <b>(Priority 2)</b></p>		
<b>Priority 1 recommendations, management responses and agreed action dates</b>			
<b>1. Safer Recruitment training and guidance available to staff</b>			
<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Deadline</b>
a) The revised Safer Recruitment guidance should be formalised and made available to all Line Managers within the Council following formal approval by	Revised policy and guidelines were submitted to Workforce Board (WFB) 10 <sup>th</sup> June for 30 day consultation. If no further consultation required the policy and guidelines will be approved and	Lead Human Resources Consultant Human Resources	a) 31 August 2015 b) and c) Initial

<p>the Workforce Board in August 2015.</p> <p>b) Human Resources should develop training on the new guidance.</p> <p>c) All Line Managers within the Council should be mandated to attend a formal briefing on the new guidance to ensure they fully understand their role and responsibilities.</p>	<p>released. These will be placed on the intranet with briefing sessions arranged as required – it has been noted that this is a formal recommendation and therefore further discussion will take place with the client to determine requirements.</p> <p>Many of the managers have raised concerns (either through WFB or independently) in relation to the guidance and applying consistent methodology to determining which posts do or do not require checks. With this in mind Capita intend to propose to the client the introduction of a new DBS consistency forum with representation from each DU; the intention being that the forum will debate requirements for posts where there is any uncertainty with the aim to ensure consistent application of requirements against posts across the DU's.</p> <p>WFB also requested that an appendix of posts requiring/hot requiring checks was developed, this has been considered since the last WFB but further discussion will be required with the client to establish how this would work in practice.</p> <p>A formal meeting will be set up for discussions between client strategy, client assurance, client safeguarding and Capita to determine the next steps.</p>	<p>Operations Director, CSG Human Resources Operational Manager, CSG</p>	<p>discussion at the WFB meeting in July 2015, full implementation by 31 August 2015</p>
<p><b>2. Monitoring of HCPC registration of social workers</b></p>			

Recommendation	Management Response	Responsible Officer	Deadline
<p>a) Management should complete the risk assessment process for the case where HCPC registration could not be confirmed and ensure that it is appropriate for them to remain in post.</p> <p>b) The Council should consider whether to introduce a requirement for all social workers to provide evidence of HCPC registration.</p> <p>c) Management should agree a clear procedure for the monitoring of HCPC registration, clarifying the respective responsibilities of Adults &amp; Communities, Family Services and Human Resources.</p> <p>d) The Council should consider how to formally monitor HCPC registration, including the expiry date of all social worker registration. Management should continue to develop the functionality of CORE to support this process. If relevant, reminders should be sent to all social workers when a registration is due to expire.</p> <p>e) The Council should produce an Engagement and Communications Plan to communicate any new monitoring procedures to ensure</p>	<p>The case identified as being non-compliant will be raised with the DU Director and a risk assessment will be undertaken, with the appropriate decision being made by the DU Director as to whether that employee should have HCPC registration or be supervised (or other alternative action taken) whilst registration is being obtained.</p> <p>A review is currently underway for all employees whose role requires HCPC registration and those found to be non-compliant will be addressed as above.</p> <p>A process will be written and submitted to WFB for consultation and approval for the monitoring with guidance notes which will include a requirement for all social workers to provide evidence of HCPC registration. This will be cross referenced with an HCPC website check. Once document is approved it will be placed on the intranet and briefing sessions held as appropriate</p> <p>A decision will need to be made as to where the responsibility rests for monitoring registration going forward. A formal meeting will be set up for discussions between client strategy, client assurance, client safeguarding and Capita to facilitate this discussion. Irrespective of where the responsibility lies CORE is currently being</p>	<p>Lead Human Resources Consultant</p> <p>Human Resources Operations Director, CSG</p> <p>Human Resources Operational Manager, CSG</p>	<p>All – 31 July 2015</p>

<p>social workers are aware of their responsibility to provide timely evidence of registration.</p>	<p>developed to record and provide management information to support this process.</p> <p>Work is already underway to develop CORE to store information relating to both DBS and HCPC. This work is currently in test phase with the aim to transfer data from manual spreadsheets to the system in July 2015.</p> <p>Reminders for Social Workers will be considered alongside the discussion regarding responsibility for monitoring in the meeting described above. Implementation of this process will follow in due course.</p> <p>Engagement and communication for all Social Workers will form part of the plan addressed in the meeting described above. Consideration and approval of this guidance will need to be discussed as well as the communication methodology. Implementation of this process to follow in due course.</p> <p>The meeting described above will be critical in informing what action should be taken by the Council to investigate Social Workers who fail to provide relevant evidence. Outcomes of this discussion will form part of the guidance and engagement for managers and employees alike.</p>	
<p><b>3. Accuracy and completeness of vetting information held on Council employees</b></p>		
<p><b>Recommendation</b></p>	<p><b>Management Response</b></p>	<p><b>Responsible Officer</b></p>
		<p><b>Deadline</b></p>



<p>a) The Council should complete the review of all information held in the CORE system as soon as possible.</p> <p>b) DBS clearances should be obtained for all roles where gaps are identified in the information held on CORE.</p> <p>c) A formal change in role form should be introduced and all Line Managers should be made aware of their responsibilities in notifying Human Resources when additional clearances are required.</p>	<p>The review of information held in CORE is currently underway. DU's are already undertaking an exercise to review whether a position requires a DBS check or HCPC registration as previously stated. Where there is uncertainty this will be reviewed through the DBS Consistency Forum described above.</p> <p>Data collated is being referenced back to establishment data in CORE and data is currently being prepared to complete test uploads within week commencing 29<sup>th</sup> June 15. The aim will be to have this recorded against live records in early July.</p> <p>Any gaps in information once data is loaded will either be addressed through the DBS consistency forum or raised with Managers as gaps.</p> <p>The Establishment Control Movers form has already been updated to capture the requirements of the post and the incoming employee. The aim will be for this to trigger the operations team to begin the process for upgrading if required and current certification doesn't already trump the requirements of the post. These updated forms will be embedded via Engagement and Communications channels.</p>	<p>Lead Human Resources Consultant Human Resources Operations Director, CSG Human Resources Operational Manager, CSG</p>	<p>All – 31 July 2015</p>
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<b>Title</b>	<b>Pardes House School</b> <i>Please also see Section 7, Implementation of Internal Audit recommendations, which confirms that since the audit the high priority recommendations have been implemented</i>		
<b>Assurances</b> <b>Audit Opinion and Direction of Travel</b> Last audit: Satisfactory Assurance May 2011	<b>No</b>	<b>Limited</b> 	<b>Satisfactory</b>
<b>Date of report:</b>	March 2015		
<b>Background &amp; Context</b>	Pardes School is a Voluntary Aided school with places for 236 boys aged between 4 and 11 years of age. The School budget for 2014/15 was £1,238,584 with employee costs of £908,379 (73% of the delegated budget). The School was assessed as 'Good' by OFSTED in Mar 2011.		
<b>Summary of Findings</b>	As part of the audit we were able to give <b>Limited</b> assurance to the school, noting two high and seven medium priority issues as part of the audit (in order of priority): <ul style="list-style-type: none"> <li>• <u>Income</u> – Paperwork is incomplete for all money received into the school office. Therefore a complete reconciliation between money received and money banked was not possible (Priority 1);</li> <li>• <u>Payroll</u> – Lack of financial control due to no segregation of duties or evidence of independent review and overtime being paid without completion of authorised timesheets (Priority 1);</li> <li>• <u>Financial Planning</u> – No medium term School Development Plan exists, no three year budget;</li> <li>• <u>Budget Monitoring</u> – When the budget is set for the year, an amount of income is requested from the Governors to code to I13 Governors contributions to balance the budget to zero;</li> <li>• <u>Purchasing</u> – Payments are made without an approved Purchase Order. These costs are not recorded as a committed expense, and accurate budget monitoring is not possible, expenses have been paid to the Headteacher that have not been authorised by the Chair of Governors;</li> <li>• <u>Contracts</u> – Contracts were not available for cleaning, security and computer services. There was no evidence of</li> </ul>		

	<p>regular review of contracts;</p> <ul style="list-style-type: none"> <li>• <u>Lettings</u> –The school does not have an approved lettings policy, and a signed agreement is not held for organisations that use the premises on a regular basis. Insurance should be checked on an annual basis;</li> <li>• <u>Assets</u>– The Inventory contains incomplete entries, only items purchased after January 2013 are included.</li> </ul>
<b>Priority 1 recommendations, management responses and agreed action dates</b>	
<b>1. Income</b>	
<p><b>Recommendation</b></p> <p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	<p><b>Management Response</b></p> <p>New income from parents has been inputted into spreadsheets and new banking method has been implemented.</p> <p>Our new banking partner will ensure we will deposit cheques and any cash directly with the local branch.</p>
<b>2. Payroll</b>	
<p><b>Recommendation</b></p> <p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports.</p> <p>The School should refer to the Barnet Schools Financial Guide, section 4.1-4.7 (Internal Financial Control) and page 16 (Payroll) of the ‘Keeping Your Balance’ document, issued jointly</p>	<p><b>Management Response</b></p> <p>Payroll is (I agree) an area that requires improvement. Our plan is for the following to be implemented:</p> <ol style="list-style-type: none"> <li>1. Headteacher to sign final changes on a monthly basis</li> <li>2. Headteacher to sign off all month-end figures.</li> </ol>
<b>Responsible Officer</b>	<b>Responsible Officer</b>
Head Teacher	Schools Business Manager
<b>Deadline</b>	<b>Deadline</b>
April 2015	April 2015



by Ofsted and the Audit Commission for guidance with payroll, to ensure that the school has adequate control over its payroll costs and personnel data.	<p>3. Headteacher to check staff scale points / hours / TLRs etc on a monthly basis.</p> <p>4. To ensure any HR/payroll changes are documented properly and filed in relevant staff files.</p>	
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Fairway School				
Title	No	Limited	Satisfactory	Substantial
<b>Assurances</b> <b>Audit Opinion and Direction of Travel</b> Satisfactory Assurance Jul 2011				
<b>Date of report:</b>	June 2015			
<b>Background &amp; Context</b>	<p>Fairway School is a Community school with places for 286 pupils aged between 3 and 11 years of age. Attached to the School is a Children's Centre supporting families with children aged under 5. The School budget for 2014/15 was £1,673,731 with employee costs of £1,156,601 (69% of the delegated budget).</p> <p>The School was assessed as 'Good' by OFSTED in May 2012.</p> <p>The previous Headteacher left the school in March 2015, and an interim Headteacher was in post at the time of the audit.</p>			
<b>Summary of Findings</b>	<p>As part of the audit we were able to give '<b>Limited</b>' assurance to the school, noting two high and six medium priority issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> <li>• <u>Income</u> – There is no segregation of duties or independent checks to confirm the amounts invoiced or collected for childcare in the Children's centre. Paperwork is incomplete for money received into the school</li> </ul>			

	<p>office for afterschool club, and Children’s centre play sessions, swimming and football (Priority 1);</p> <ul style="list-style-type: none"> <li>• <u>Purchasing</u> – Lack of confirmation of receipt of goods. Paperwork missing for credit card expenditure for the Children’s centre. No authorisation of meals invoices (Priority 1);</li> <li>• <u>Governance</u> –The ‘Notice of Authorised Signatories’ and credit card policy should be revised and approved by Governors to reflect current procedures in school. Procedures relating to the Children’s centre should be documented and approved;</li> <li>• <u>Financial Planning</u> –No medium term School Development Plan exists;</li> <li>• <u>Payroll</u> – No information provided from the Children’s centre to allow a complete reconciliation of unpaid leave and sickness pay;</li> <li>• <u>Voluntary funds</u> – The accounts for the Amenities account were last audited for the year ended 31 March 2012;</li> <li>• <u>Assets</u>– The Inventory is incomplete, it does not include date of purchase or cost. No evidence of annual review, or authorisation of disposals.</li> </ul>
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**Priority 1 recommendations, management responses and agreed action dates**

<b>1. Income</b>			
<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	<p>All monies coming into school however small MUST be accounted for, logged and banked</p> <p>Independent checks will be carried out to verify amounts banked agree to source records.</p> <p>Fun club ledger will be prepared showing all income, record of debt, balance and carry forward each week.</p> <p>Inventory of school uniform will be prepared with ledger of sales and payments.</p>	<p>Interim Headteacher/Business manager/Children’s centre manager</p>	<p>July 2015</p>

	Children's centre income will be collected in a locked box and counted by two members of staff before banking.		
<p><b>2. Purchasing</b></p> <p><b>Recommendation</b></p> <p>The School should ensure that:</p> <p>a. All goods or services should be checked against the delivery note. The check should be recorded on the delivery note. Invoices for payment should be matched with delivery notes of the receipt of goods or work carried out;</p> <p>b. The documented purchasing system is followed for all purchases. This should include authorisation, confirmation of receipt of goods, payment and reconciliation.</p> <p>Refer to the Barnet Financial Guide for schools, section 4 (Internal Financial Controls) and section 6 (Value for money and Purchasing) for guidance.</p>	<p><b>Management Response</b></p> <p>All goods or services will be checked against the delivery notes</p> <p>A written policy for purchasing procedures for the school and children's centre will be completed and ratified by the Governing Body. This will be followed for all purchases.</p>	<p><b>Responsible Officer</b></p> <p>Business Manager</p> <p>Headteacher</p>	<p><b>Deadline</b></p> <p>Immediately</p> <p>September 2015</p>

## 5. Advisory reviews for management purposes

There was one advisory review undertaken by internal audit that does not give an assurance rating but none the less aids management in assessing the design and effectiveness of their control environment. If a significant issue has been identified or a Priority 1 recommendation made as part of these reviews further detail is provided within this progress report below. Priority 1 recommendations are followed up in line with the Audit Committee’s standard follow-up process.

Any potential independence threats have been managed when undertaking these reviews in that the staff involved in the reviews have not audited / will not audit the area concerned for at least 12 months before or after the advisory work.

Advisory Reviews		
1	Data Quality – Re KPI 2.2 Category 1 defects Rectification Timescales completed in time - Follow-Up	See section 7, Implementation of Internal Audit recommendations

## 6. Work in progress

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

Table 2: Work in progress		
Systems Audits		Status
1	Regeneration – Brent Cross	Draft Report
2	Risk Management Framework	Draft Report
3	School Improvement	Draft Report
4	Transforming Care Grant	Draft Report
5	Financial Assessment (joint with CAFT)	Fieldwork
6	Transformation Q1 - Libraries	Fieldwork
7	Contract Management - Toolkit Compliance Q1 – Home Care and Premier Partnerships	Fieldwork
8	CSG Invoicing / Gain Share Agreements	Planning
9	Information Security - Cyber Risk (joint with CAFT)	Planning
10	Better Care Fund – Pooled Budget Arrangements	Planning
11	Procurement – Compliance with Contract Procedure Rules (CPRs)	Planning
12	Procurement – Conflict Management	Planning
13	Troubled Families – Payment By Results – Q2	Planning
14	Shared Legal Service – Clienting and Governance	Planning
Schools Audits		
15	Martin Primary School	Draft Report
16	Pavilion Pupil Referral Unit (PRU)	Draft Report

## 7. Implementation of Internal Audit recommendations

### Quarter 1, 2015-16: 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.

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)
<p><b>1. The Care Act - LGA Stocktake Submissions</b></p> <p>A periodic check of the financial model should be completed by an appropriately skilled member of staff to rectify any errors which could lead to incorrect financial forecasts being generated. Ideally the check should be undertaken by a member of staff who is not</p>	<p>Assistant Director of Finance, Customer and Support Group (CSG) 20 June 2015</p>	<p><u>Report Action</u> The financial model which supports the financial impact of the Care Act changes due to come in from 1st April 2015 and then April 2016 is very complex and as highlighted above contains 830 referenced cells and 20 core pieces of data. The points</p>	<p><b>Not implemented</b></p> <p>Management from CSG have confirmed that since the time of the audit the financial model has not been updated with any new or revised information. Additionally, the figures generated by the model have not been used for any financial planning within the Council. Therefore it has not been possible for Officers to complete periodic checks of calculations or verify references are correctly updated when new data is added to the model.</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)
<p>directly responsible for updating the model. Additionally when the model is updated with new data, the references should also be correctly updated to allow for a full audit trail to support the revised figures</p>		<p>highlighted effect the model for 2016/17 onwards and not 2015/16 which is considered in the Council's medium term financial plan.</p> <p>In order to mitigate the risk moving forward, we shall review the model to identify if it's feasible to reduce the number of referenced cells which will allow for an independent member of the Finance Services to review the model on a periodic basis.</p> <p>At the same time, when the independent review is undertaken we shall ensure any core data is clearly referenced back to supporting documentation.</p>	<p>Management confirmed the next change to the financial model is due to be in October 2015, when the Department of Health is expected to publish guidance relating to the legislative changes coming into force in April 2016.</p> <p>The Care Act Implementation Project Manager confirmed to us that this approach is acceptable.</p> <p><b>Revised implementation date: 30 November 2015</b></p>
<p><b>2. Barnet Homes Contract Management Follow-up Benefits Management</b> a) The planned benefits of the Barnet Homes contract should be clarified and agreed;</p>	<p>Housing &amp; Environment Lead Commissioner / Contract Manager</p>	<p><u>Report Action</u> The next phase of the project to develop the longer term Management Agreement which could include a full Options Appraisal. -----</p>	<p><b>Partly Implemented</b></p> <p>The 2015/2016 Delivery Plan has continued the identification of Barnet Homes key deliverables and the benefits required by the Council. The Barnet Homes Performance Review Group review progress on key objectives and the 2015/2016 extended suite</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)
<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><b>Revised implementation date:</b> From April 2015</p>	<p>of management performance indicators.</p> <p>The draft Heads of Terms, which went to the Housing Committee on 29<sup>th</sup> June, includes further enhancements including baselines, targets and agreed methods of measuring benefits.</p> <p>These were agreed and provided they form a key part of the new long-term management agreement then all our original findings will have been addressed and the recommendation implemented.</p>
<p><b>3. Permanency Routes</b></p> <p><b>Permanency process and control - Records management and documentation retention</b></p> <p>A policy for naming and saving key adoption and kinship documentation consistently should be developed, communicated, implemented and monitored during supervision to facilitate the efficient retrieval of documentation where</p>	<p>Service Manager – Provider Services / Data and Performance Manager 30/9/14</p> <p>Acting Children’s Social Care Assistant Director / Data and Performance</p>	<p><u>Report Action</u></p> <p>Naming conventions for documents to be jointly reviewed with the Information Manager, revised guidance to be issued, key documents to be agreed and added to file audit template.</p> <p>Review of ICS system commencing in September 2014 to incorporate findings from this audit.</p> <p>-----</p>	<p><b>Partly implemented</b></p> <p>The process for identifying and saving templates, used in the adoption and SGO process, in ICS for retrieval by social workers had started but had not been completed at the date of the follow-up audit. Retrieval and use of such ICS system templates by social workers will automatically ensure that key document files are correctly saved in WISDOM with the correct file name as part of the system configuration. Social workers will need to be reminded to use the templates in ICS when undertaking their work.</p> <p>Management indicated that inconsistencies with</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)
<p>necessary. Documentation, clearly evidencing scrutiny and approval/sign-off of recommendations and decisions, should be retained in all cases to evidence that key processes were undertaken and that necessary reports were considered when decisions were taken.</p>	<p>Manager 30/9/14</p>	<p>Revised implementation date: 31 May 2015.</p>	<p>regard to naming conventions and retrieval of documentation would be completed by 31 July 2015.</p>
<p><b>4. Data Quality Re KPI 2.2</b></p> <p><b>Compliance with definition</b></p> <p>The KPI should be collated and reported in line with the formal definition KPI 2.2 NM.</p> <p>The Commercial team should assess whether and apply, if considered necessary or appropriate, any financial impact to date.</p> <p>The Council's Data Quality policy should be communicated to all officers responsible for</p>	<p>RE Strategy &amp; Performance Manager / Partnership Relationship Manager</p> <p>31 July 2014 onwards</p> <p>Revised to 1 April 2015</p>	<p><u>Report action</u></p> <p>As agreed in May, since July 2014 onwards KPI NM 2.2 reporting now includes all Category 1 defects whether they are potholes or pavement repairs.</p> <p>From November 2014 KPI NM 2.2 reporting will also include Category 1 defects proactively identified by Highways Inspectors during the course of planned cyclical inspections. This addition has been made possible by the</p>	<p><b>Partly Implemented</b></p> <p>We inspected the underlying data related to KPI 2.2 for January, February and March of this year. Responsibility for the entry of rectification times into the Exor system lies with the Direct Labour Organisation (DLO), managed by Re. The responsibility for checking that the reported outturn, generated via reports from Exor, is correct lies with Re.</p> <p>We can confirm that the data included both potholes and pavement repairs as per the KPI definition. In January and February returns also contained defects proactively identified from Highways Inspectors (36 and 38 respectively). No category 1 defects were reported by Highways Inspectors in the course of</p>



Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)
<p>the input, recording, processing, collation, reporting and challenge of performance outturn.</p>		<p>recent development of interactive reporting for Exor (the Highways IT system) that makes it possible to identify and report on this dataset within Exor.</p> <p>More importantly; the planned rollout of interactive Exor reports developed in October 2014 will replace the existing manual spreadsheet based systems. A period of testing and data validation within the new system is scheduled for completion in time for November 2014 reporting cycle results.</p> <p>A number of new processes and training with relevant staff, scheduled as part of Re's transformation programme will be utilised to increase understanding and awareness of the data collection processes within the interactive reports and requirements of KPI definitions and methodology.</p>	<p>their duties in March. We were informed this is most likely a result of the Risk Assessment Matrix for prioritising highway defects being implemented by Highway Inspectors in February and, therefore, it is feasible that the Inspectors subsequently gained increased confidence in prioritising defects which were previously logged as Category 1 as Category 2 or Category 3 defects.</p> <p>We confirmed that management within the Council's Commercial team decide whether to impose financial reductions and there is evidence that this happens where considered appropriate.</p> <p>We confirmed that in October 2014 the Re Customer Services Hub was reminded of the Council's Data Quality Policy. In late-2014 there was also a briefing to KPI owners regarding the audit findings and learning points, together with a reminder to staff regarding the importance of adhering to the Council's Data Quality Policy.</p> <p><b>Detailed testing - Accuracy</b></p> <p>From January to March there were 2576 reported category 1 defects. We selected a sample of these defects across the 3 month period to verify the accuracy of the reported 'pass' or 'fail', against source data. The reported outturn over the 3 month period</p>

Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)										
		<p>Re Customer Service Hub staff training is being rolled out to ensure appropriate criteria for the vetting and categorisation of repair types (required when logging new customer service requests) and will be completed by Monday 20th October. The relevant teams will start using documented guidance so that the recording and monitoring of types of repairs (i.e. category 1 vs. 2) is applied correctly, in line with the Authority's Data Quality Policy.</p> <p>The Authority's Data Quality Policy document will be distributed to relevant KPI data owners. Workshop meetings are scheduled in November to raise staff awareness, to ensure the appropriate criteria is applied when dealing with future caseload.</p> <p>The Authority will take these findings into consideration within</p>	<p>was a pass rate of 2479 (i.e. rectified within timescales) which equates to 96.23%</p> <p>We found exceptions with 6 (29%) of our sample, i.e. for those 6 defects we were unable to confirm that the reported outcome ('pass' or 'fail') was correct. The causes of the exceptions are summarised as follows:</p> <table border="1" data-bbox="632 376 1353 896"> <thead> <tr> <th data-bbox="632 645 711 896">Cause</th> <th data-bbox="632 376 711 645">Impact</th> </tr> </thead> <tbody> <tr> <td data-bbox="711 645 912 896">Date in Exor incorrect, should have been a 'Fail'</td> <td data-bbox="711 376 912 645">'Pass' overstated by 1 and 'fail' understated by 1</td> </tr> <tr> <td data-bbox="912 645 1034 896">Entry duplicated in Exor</td> <td data-bbox="912 376 1034 645">'Pass' overstated by 1</td> </tr> <tr> <td data-bbox="1034 645 1235 896">Inadequate audit trails to confirm 4 'Passes' as per Exor</td> <td data-bbox="1034 376 1235 645">Unknown impact</td> </tr> <tr> <td data-bbox="1235 645 1353 896"><b>Total Net Impact</b></td> <td data-bbox="1235 376 1353 645"><b>'Pass' overstated by 2 and 'fail' understated by 1</b></td> </tr> </tbody> </table>	Cause	Impact	Date in Exor incorrect, should have been a 'Fail'	'Pass' overstated by 1 and 'fail' understated by 1	Entry duplicated in Exor	'Pass' overstated by 1	Inadequate audit trails to confirm 4 'Passes' as per Exor	Unknown impact	<b>Total Net Impact</b>	<b>'Pass' overstated by 2 and 'fail' understated by 1</b>
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Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)						
		<p>the contract management framework.</p> <p>Revised implementation date: 1 April 2015</p>	<p><b>Detailed testing - Completeness</b></p> <p>We selected a further sample of Category 1 repairs completed by the DLO across the 3 month period as per their daily worksheets, and verified whether these were included in the KPI return to give assurance over the completeness of the reported data. We found exceptions in 6 (30%) of our sample, i.e. there were discrepancies between the worksheets and the reported outturn as per Exor. The causes of the exceptions are summarised as follows:</p> <table border="1" data-bbox="751 376 1386 907"> <thead> <tr> <th data-bbox="751 633 831 907">Cause</th> <th data-bbox="751 376 831 633">Impact</th> </tr> </thead> <tbody> <tr> <td data-bbox="831 633 1342 907"> <p>Exor report parameters did not pick up cases as the repair date was after the report date. However report date was &gt;48 hours after the incident was reported so definitely fails</p> </td> <td data-bbox="831 376 1342 633"> <p>'Pass' overstated by 2 and 'fail' understated by 2</p> </td> </tr> <tr> <td data-bbox="1342 633 1386 907"> <p>1 repair in DLO</p> </td> <td data-bbox="1342 376 1386 633"> <p>'Pass'</p> </td> </tr> </tbody> </table>	Cause	Impact	<p>Exor report parameters did not pick up cases as the repair date was after the report date. However report date was &gt;48 hours after the incident was reported so definitely fails</p>	<p>'Pass' overstated by 2 and 'fail' understated by 2</p>	<p>1 repair in DLO</p>	<p>'Pass'</p>
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Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)										
			<table border="1"> <tr> <td data-bbox="282 633 475 891">daily worksheet not included within Exor report</td> <td data-bbox="282 376 475 633">understated by 1</td> </tr> <tr> <td data-bbox="475 633 595 891">Entry duplicated in Exor</td> <td data-bbox="475 376 595 633">'Pass' overstated by 1</td> </tr> <tr> <td data-bbox="595 633 794 891">Date in Exor incorrect, should have been a 'Pass'</td> <td data-bbox="595 376 794 633">'Pass' understated by 1 and 'fail' overstated by 1</td> </tr> <tr> <td data-bbox="794 633 994 891">Date in DLO's daily worksheet different to date in Exor</td> <td data-bbox="794 376 994 633">No impact</td> </tr> <tr> <td data-bbox="994 633 1114 891"><b>Total Net Impact</b></td> <td data-bbox="994 376 1114 633"><b>Pass overstated by 1 and 'fail' understated by 1</b></td> </tr> </table> <p data-bbox="1161 210 1348 898">Across both our samples, we confirmed a net impact of the 'pass' rate being overstated by 3 and the 'fail' rate being understated by 2. Whilst the reported KPI met the Council's Data quality principles of 'timeliness' as well as 'accessibility and transparency',</p>	daily worksheet not included within Exor report	understated by 1	Entry duplicated in Exor	'Pass' overstated by 1	Date in Exor incorrect, should have been a 'Pass'	'Pass' understated by 1 and 'fail' overstated by 1	Date in DLO's daily worksheet different to date in Exor	No impact	<b>Total Net Impact</b>	<b>Pass overstated by 1 and 'fail' understated by 1</b>
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Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment for Audit Committee (July 2015)
			<p>it did not meet the definition with regards to 'accuracy and completeness' and 'reliability'.</p> <p>Re management have confirmed that since the audit follow-up fieldwork regular daily and weekly reports have been created by Re which has improved data quality by ensuring data is input correctly and at an appropriate time.</p> <p><b>Further action for full implementation:</b> Management within Re and the DLO should work together to investigate and agree the causes of the exceptions identified to ensure that in future the KPI is collated and reported in line with the formal definition KPI 2.2.</p> <p>We will follow-up to confirm progress again in October, undertaking detailed testing of July, August and September's reported outturn for KPI 2.2.</p>

Audit Title and Recommendation	Audit Assessment for Audit Committee (July 2015)
<p><b>5. SWIFT and WISDOM</b></p> <p>Backups for Wisdom should be tested.</p>	<p><b>Implemented</b></p> <p>A test successfully restoring WISDOM data was completed and validated 21-24 April 2015.</p>

Audit Title and Recommendation	Audit Assessment for Audit Committee (July 2015)
<p><b>6. SWIFT and WISDOM</b></p> <p>Roles and responsibilities for data restoration should be defined and documented. This should be communicated to all stakeholders.</p>	<p><b>Implemented</b></p> <p>The Disaster Recovery (DR) process which refers to the recovery of the priority platinum systems such as WISDOM and SWIFT is documented and the DR solution will be implemented shortly in line with this design.</p> <p>Roles and responsibilities for escalating, authorising and implementing the restoration of SWIFT and WISDOM are clear and allocated to the CSG ICT Service Delivery Manager, the Head of Information Management, the Strategic Commissioning Board and Capita Infrastructure Teams with the technical know-how to implement data restores where approval for the invocation of the DR Plan is given.</p>
<p><b>7. Permanency Routes</b></p> <p><b>Annual Reviews – Part a</b></p> <p>Annual reviews of SGO &amp; Adoption support plans including financial allowances should be routinely planned and implemented.</p> <p>For reviews of allowances, the adoptive parent or special guardian should, in line with the guidance, be required to provide an annual statement of his/her financial circumstances.</p>	<p><b>Implemented</b></p> <p>Responsibility for the <u>Adoption and Special Guardianship Allowance (SGO)</u> annual reviews is now clear and allocated to the Adoption Team supported by Family Service Business Support Resource (Family Services Finance Team).</p> <p>An annual review template letter and financial assessment form to capture the financial position of the recipient has been designed and is used when requesting the required information from recipients of the allowance.</p> <p>Business Support commenced the SGO annual review initiative for 199 SGO cases on 19 June 2015 of which 42 had been returned by 16 July. A log of requests and responses are kept by the team for the review and monitoring of submissions.</p> <p>The annual review of adoption allowances is <u>planned</u> and will commence</p>

Audit Title and Recommendation	Audit Assessment for Audit Committee (July 2015)
<p><b>8. Permanency Routes</b></p> <p><b>Annual Reviews – Part b</b></p> <p>Application of DfE Standard Means Test Model &amp; North London Adoption Consortium agreed protocol on Adoption Allowances to be applied to all new Adoption Allowances.</p>	<p>once the SGO reviews, which are a higher priority, have been completed.</p> <p><b>Implemented</b></p> <p>Only one new adoption allowance, time limited for 6 months, had been agreed since the date of the audit in September 2014. The adoption allowance was not means tested as the decision to pay the allowance was based on <u>siblings</u> and not just one child being adopted. The allowance was also time limited for 6 months to provide support during the initial stages of the adoption. Management indicated that financial means testing was not the only consideration in determining whether adoption allowances would be paid.</p> <p>Financial means testing using the Department for Education (DfE) means test model is now undertaken for all new SGO agreements.</p>
<p><b>9. Permanency Routes</b></p> <p><b>Annual Reviews – part c</b></p> <p>Updated information on the financial circumstances of Adopters and Special Guardians to be requested prior to the annual review. Allowances to be temporarily suspended if information is not supplied.</p>	<p><b>Implemented</b></p> <p>An annual review template letter and financial assessment form to capture the financial position of the recipient has been designed and is used when requesting the required information from recipients of the allowance. The letter emphasises that the failure to return the form may result in the payment being suspended.</p>
<p><b>10. Permanency Routes</b></p> <p><b>Annual Reviews – Part d</b></p>	<p><b>Implemented</b></p> <p>The SGO practices now include the consideration of SGO allowances as part of the SGO support. Responsibility for undertaking and supporting SGO</p>

Audit Title and Recommendation	Audit Assessment for Audit Committee (July 2015)
<p>Overall review of practice in relation to SGO's to include financial allowances.</p>	<p>annual reviews is clear and allocated to officers/management in the Family Service Business Resource Team. The annual review of SGO allowances has started.</p>
<p><b>11. Your Choice Barnet Review</b></p> <p><b>Day Centre Staff - Right to Work</b></p> <p>YCB should confirm that pre-employment checks including Right to Work are contractually agreed with each employment agency and that the signed final copy of each individual contract is kept centrally on file at YCB. The contract should detail that relevant checks will be undertaken prior to agency staff commencing work at YCB.</p>	<p><b>Implemented</b></p> <p>Management confirmed that seven employment agencies are currently used by YCB. For staff from two of the employment agencies YCB confirmed they verify Right to Work status at the pre-employment interview.</p> <p>For each of the remaining five employment agencies – where Right to Work checks are not completed by YCB at the pre-employment stage – we confirmed that site visits had been completed and were supplied with:</p> <ul style="list-style-type: none"> <li>• Signed Terms of Business agreements from the employment agencies.</li> <li>• Written confirmation by agencies that they complete Right to Work checks on agency staff before sending them for assignments.</li> </ul>
<p><b>12. Your Choice Barnet Review</b></p> <p><b>Day Centre Staff – Right to work</b></p> <p>The contract with YCB will be updated to include a clause in relation to requiring all employees/agency staff to have their Right to Work status confirmed.</p>	<p><b>Implemented</b></p> <p>The contract with The Barnet Group, the parent company of YCB, has been updated to include a clause requiring The Barnet Group to conduct right to work checks prior to employment. The Barnet Group must contractually agree with each employment agency that pre-employment checks, including right to Work checks, are completed for each agency employee supplied. The contract places an obligation on The Barnet Group to retain Right to Work checks in one central location which is accessible to all appropriate staff.</p>
<p><b>13. The Care Act - LGA Stocktake Submissions</b></p>	<p><b>Implemented</b></p>



<b>Audit Title and Recommendation</b>	<b>Audit Assessment for Audit Committee (July 2015)</b>
<p>The current training database and attendance lists should be cross matched against the current staff list to ensure that records are up to date and correct, and that all staff who require training are captured on training records. If current staff lists are not accurate Adults &amp; Communities should continue to engage with HR to rectify this issue.</p> <p><b>14. Data Quality (Self Directed Support)</b></p> <p>Audit trails supporting outturn for reporting periods should be retained for independent scrutiny and testing, in line with the Data Quality Policy, as a minimum to support corporately reported outturn and any other key reporting, for example, for statutory returns.</p> <p>The Information Team should undertake periodic spot checks to ensure that reported outturn is supported by sufficient audit trails / source documentation.</p> <p>Officers should be reminded, for example at supervision, to save the relevant documentation correctly in WISDOM.</p>	<p>The Adults and Communities Performance Team supplied us with an establishment list which was provided to them by HR. The Workforce Lead provided us with lists of new starters and leavers within the delivery unit which covered March, April and May of 2015. These lists are provided by the Performance Team regularly which allows the Lead to update the Care Act training list to ensure it is up-to-date.</p> <p>We verified that a sample of staff within the establishment list had been included in the Delivery Unit's training database with no exceptions.</p> <p><b>Implemented</b></p> <p>Spot checks were undertaken to ensure that the reported outturn for self-directed support is supported by the appropriate audit trails and source documentation in WISDOM, the Adults and Communities social care records management system and SWIFT, the Adults and Communities social care system. Evidence of the spot checking exercise by the Adults and Communities Performance Team (Information), the team responsible for these checks, was retained for review and scrutiny.</p>
<p><b>15. Re Governance Arrangements</b></p> <p><b>Decision Making</b></p> <p>Re should prepare an appropriate Authorisation Limits</p>	<p><b>Implemented</b></p> <p>Re has finalised an Authorisation Limits document specifying financial limits for financial and procurement decisions and authorisation levels for different contract types. The document will be ratified at the July 2015 Re JV Board.</p>

Audit Title and Recommendation	Audit Assessment for Audit Committee (July 2015)
<p>document which specifies financial and procurement decisions can be made at each level of the organisation. This document should also include authorisation limits on signing of contracts to provide services to other bodies.</p>	
<p><b>16. Re Governance Arrangements</b></p> <p><b>Risk Register and Risk Reporting</b></p> <p>Re's complete risk register should be presented to the JV Board meeting for review. The JV Board should then decide the frequency with which it wants the full risk register to come to the JV Board.</p> <p>Directors should satisfy themselves that all key risks preventing the achievement of Re's objectives are mitigated adequately and that opportunity risk is maximised.</p>	<p><b>Implemented</b></p> <p>Re's risk register was presented to the Re JV Board for review. The risk register was complete and recorded a clear thread between gross risk, treatment and residual risk demonstrating the considered and adequate mitigation of risks. The risk register will be reviewed at each JV Board.</p>
<p><b>17. Re Governance Arrangements</b></p> <p><b>Financial Reporting</b></p> <p>Re should work with its Directors to ensure that financial reporting is fit for purpose and understood by management.</p> <p>Re should ensure that papers presented contain suitable narrative to describe the financial performance and position of Re.</p>	<p><b>Implemented</b></p> <p>Re Senior Management indicated that the financial reports had been extended to include all the relevant information for the JV board. Council representation on the JV Board confirmed that financial reporting was now adequate and understood, although it will continue to evolve as Re moves into new business areas.</p>
<p><b>18. Re Governance Arrangements</b></p> <p><b>Council Decision Making and Conflicts of Interest</b></p>	<p><b>Implemented</b></p> <p>The latest version of the Re Conflicts of Interest register is published on the</p>

Audit Title and Recommendation	Audit Assessment for Audit Committee (July 2015)
<p>The latest version of the Conflicts of Interest register should be published on the Council's website.</p>	<p>Council's website.</p>
<p><b>19. Re Governance Arrangements</b></p> <p><b>Council Decision Making and Conflicts of Interest</b></p> <p>The JV Board should proactively review conflicts of interest at each meeting and ensure that the log contains any perceived, potential and actual conflicts of interest recognised to date.</p>	<p><b>Implemented</b></p> <p>The Conflicts of Interest register recording potential, actual and perceived conflicts of interest is now reviewed at the Regional Enterprise (Re) JV Board.</p>
<p><b>20. Re Governance Arrangements</b></p> <p><b>Council Decision Making and Conflicts of Interest</b></p> <p>The Council should ensure that the log is reviewed and agreed by the Council's Monitoring Officer. This should take into account the recent changes to the Council's senior management structure.</p>	<p><b>Implemented</b></p> <p>The incumbent Monitoring Officer (MO) reviewed the Re Col Register as part of this follow-up exercise. No significant issues were raised. The MO did re-iterate the need for more frequent review when conflicts were raised to ensure the optimum challenge for status, the sufficiency of appropriate mitigation and retention of the advice received. Officers confirmed that when issue are logged in future they will be reviewed at that time by the Council's Monitoring Officer.</p>

## Schools follow-up of High Priority Recommendations

### Pardes House, March 2015

Recommendation	Audit Assessment for Audit Committee (July 2015)
<p><b>21. Income</b></p> <p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	<p><i>Implemented / Partly Implemented / Not Implemented</i></p> <p><b>Implemented</b></p> <p>Follow up audit visit 23 June 2015 confirmed appropriate use of 'Journeys and Trips Spreadsheet' (financial Guide for schools 7.5). Paying in slips to the bank are now reconciled to completed sheets.</p>
<p><b>22. Payroll</b></p> <p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports. The School should refer to the Barnet Schools Financial Guide, section 4.1-4.7 (Internal Financial Control) and page 16 (Payroll) of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission for guidance with payroll, to ensure that the school has adequate control over its payroll costs and personnel data.</p>	<p><b>Implemented</b></p> <p>Follow up audit visit 23 June 2015 – checked payroll reports now signed by Headteacher. School Business Manager overtime is now authorised by Headteacher by completion of overtime form.</p>

**St. Andrews CE School, April 2015**

Recommendation	Audit Assessment for Audit Committee (July 2015) <i>Not yet due / Implemented / Partly Implemented / Not Implemented</i>
<p><b>Income</b></p> <p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced.</p> <p>Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	<p><b>Not yet due</b></p> <p><b>Status at June 2015: Not Implemented</b></p> <p>Additional staff member to do checks from September 2015</p>
<p><b>Lettings</b></p> <p>The School should refer to the Barnet Schools Financial Guide, section 7.9 (Lettings Policy and Administration) for guidance with lettings, to ensure that all income due to the School is identified, collected and recorded promptly.</p> <p>The Financial Guide for schools section 7.9 states that 'The income from lettings should be paid into the same account from which the related expenditure was paid i.e. the school's Delegated Budget / Budget Share Account. However, in Voluntary Aided Schools where the premises are owned by the Governors, then</p>	<p><b>Not yet due</b></p> <p><b>Status at July 2015: Partly Implemented</b></p> <p>Summary of regular clubs and lettings spreadsheet reviewed. This recommendation is still Partly Implemented as at June 2015 lettings invoices are not being issued for all letting. See Financial Guide for Schools 7.9</p>

Recommendation	Audit Assessment for Audit Committee (July 2015) <i>Not yet due / Implemented / Partly Implemented / Not Implemented</i>
<p>it is permissible for the income to be paid into the Governor's account but only if all identifiable costs associated with providing the letting are reimbursed to the school's delegated budget. Where income from lettings is paid into the Governors account then the Lettings Policy should set out the frequency at which associated costs are reimbursed to the delegated budget together with the basis on which these are calculated.'</p>	
<p><b>Payroll</b></p> <p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports.</p> <p>Refer to the Barnet Financial Guide for schools, section 4 (Internal Financial Controls), and page 16 of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission for guidance.</p>	<p><b>Not yet due</b></p> <p><b>Status at June 2015:</b> <b>Partly Implemented</b></p> <p>Signed payroll report for Dec 2014-May 2015 reviewed.</p> <p>This recommendation is still Partly Implemented as at June 2015 we have been told that the Headteacher checked payroll from April 2014 to Nov 2014, but there was no evidence provided to support this.</p>

## 8. Internal Audit effectiveness review

We have met all targets within the plan with the exception of one indicator being rated Amber:

- 1) Implementation of internal audit recommendations – as per section 7 above, the progress of the 22 high priority recommendations due for implementation in quarter 1 is that 77% of recommendations have been fully implemented compared to a target of 90%.

A summary of the status is as follows:

Status	Number	%
Implemented	17	77
Partly Implemented	4	18
Not Implemented	1	5
<b>Total</b>	<b>22</b>	<b>100</b>

Performance Indicator	Target	End of Quarter 1
% of plan delivered	19%*	21%
Number of reviews due to commence vs. commenced in quarter	95%	100%
% of reports year to date achieving: <ul style="list-style-type: none"> <li>• Substantial</li> <li>• Satisfactory</li> <li>• Limited</li> <li>• No Assurance</li> <li>• N/A</li> </ul>	N/A	14% 43% 14% 0% 29%
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> <li>• Implemented</li> <li>• Partly implemented</li> <li>• Not implemented</li> </ul> in quarter when due	90%**	77%

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

\*\* Performance of 50-89% considered Amber; performance <50% considered Red.

## 9. Changes to our plan

Since the Internal Audit Plan was approved agreed in April 2015 there has been one change as follows:

Type	Audit Title	Reasons
Cancelled	Troubled Families – Payment by Results – Q1	No submission made in Q1

## 10. 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 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 and the Barnet Group in line with agreed protocols that both clarify and put in place practical arrangements around the relevant Audit, Fraud and Risk contract or management agreement clauses.

## 11. Risk Management

The final performance report for Quarter 4 was presented to the Performance and Contract Monitoring Committee on 12<sup>th</sup> May 2015 and can be found via the link below:

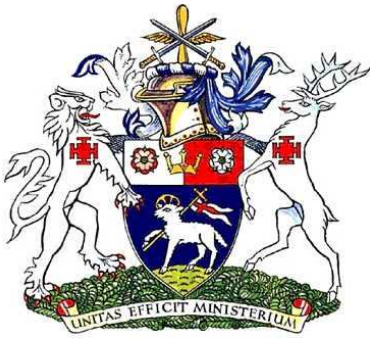
<http://barnet.moderngov.co.uk/documents/s23156/Final%20Outturn%20and%20Quarter%204%20Performance%20Monitoring%20201415.pdf>

Appendix H to the report is the Quarter 4 corporate risk register:

<http://barnet.moderngov.co.uk/documents/s23141/Appendix%20H%20-%20Corporate%20Risk%20Register.pdf>

Quarter 1 performance, including the corporate risk register, will go to the September meeting of the Performance and Contract Monitoring Committee.



	AGENDA ITEM 11
	<p><b>Audit Committee</b></p> <p><b>30 July 2015</b></p>
<b>Title</b>	<b>Annual Governance Statement</b>
<b>Report of</b>	Assurance Assistant Director
<b>Wards</b>	None
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A: Annual Governance Statement 2014/15
<b>Officer Contact Details</b>	Clair Green, Assurance Assistant Director, 020 8359 7719 <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a>

<b>Summary</b>
This report seeks approval for the Annual Governance Statement 2014/15 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 2014/15.</b>

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

- 1.1 Regulation 4 [2] of the Accounts and Audit Regulations 2003 (amended 2006) requires a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement each year with the authority's financial statements

## **2. REASONS FOR RECOMMENDATIONS**

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

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

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

## **4. POST DECISION IMPLEMENTATION**

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

## **5. IMPLICATIONS OF DECISION**

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

- 5.1.1 The Annual Governance Statement is a public document that shows that the council recognises that there are areas for improvement;
- 5.1.2 The committee's scrutiny of their progress supports the priorities in the 2015-20 Corporate Plan of Barnet as place
- 'where services are delivered efficiently to get value for money for the tax payer' within which is the further aim
  - 'to improve Customer Services and increase transparency.'
- 5.1.3 Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- 5.1.4 Barnet Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of 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 on-going process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

5.4.2 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 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework
- 6.2 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>
- 6.3 Audit Committee 22 July 2014 (Decision item 7) approved the Annual Governance Statement for inclusion within the Statement of Accounts for 2013/14.  
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=7807&Ver=4>

# Annual Governance Statement

2014-15

## 1. Scope of Responsibility

- Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- In discharging this overall responsibility the council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.
- Barnet Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the council has complied with the code and also meets the requirements of regulation 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.
- There has been a review of the Code of Corporate Governance in the last financial year 2014-15 and no changes were proposed. The Code of Corporate Governance is included within the Constitution.

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## 2. The Purpose of the Governance Framework

- The governance framework encompasses the systems and processes, culture and values, by which the council directed and controlled together with the activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level - it cannot eliminate all risk only provide reasonable not absolute assurance of effectiveness.
- The system is based on an on-going process designed to (i) identify and prioritise the risks to achievement of the council's policies, aims and objectives, (ii) evaluate the likelihood of those risks being realised together with the impact should they be realised, and (iii) manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts.

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# 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
- The theme committees are responsible for monitoring and reviewing process and documentation

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

- Officer and Member structures working together
- Commissioning Directors working closely with Theme Committee Chairmen and the Lead Opposition spokesperson
- Decision-making bodies
- Bi-monthly Assurance meetings
- Performance and Contract Management Committee
- Audit Committee
- Board Assurance: Partnership/Enabling/Delivery Boards
- Group Leaders Panel
- Constitution Ethics and Probity Committee

## How we know that we are effective?

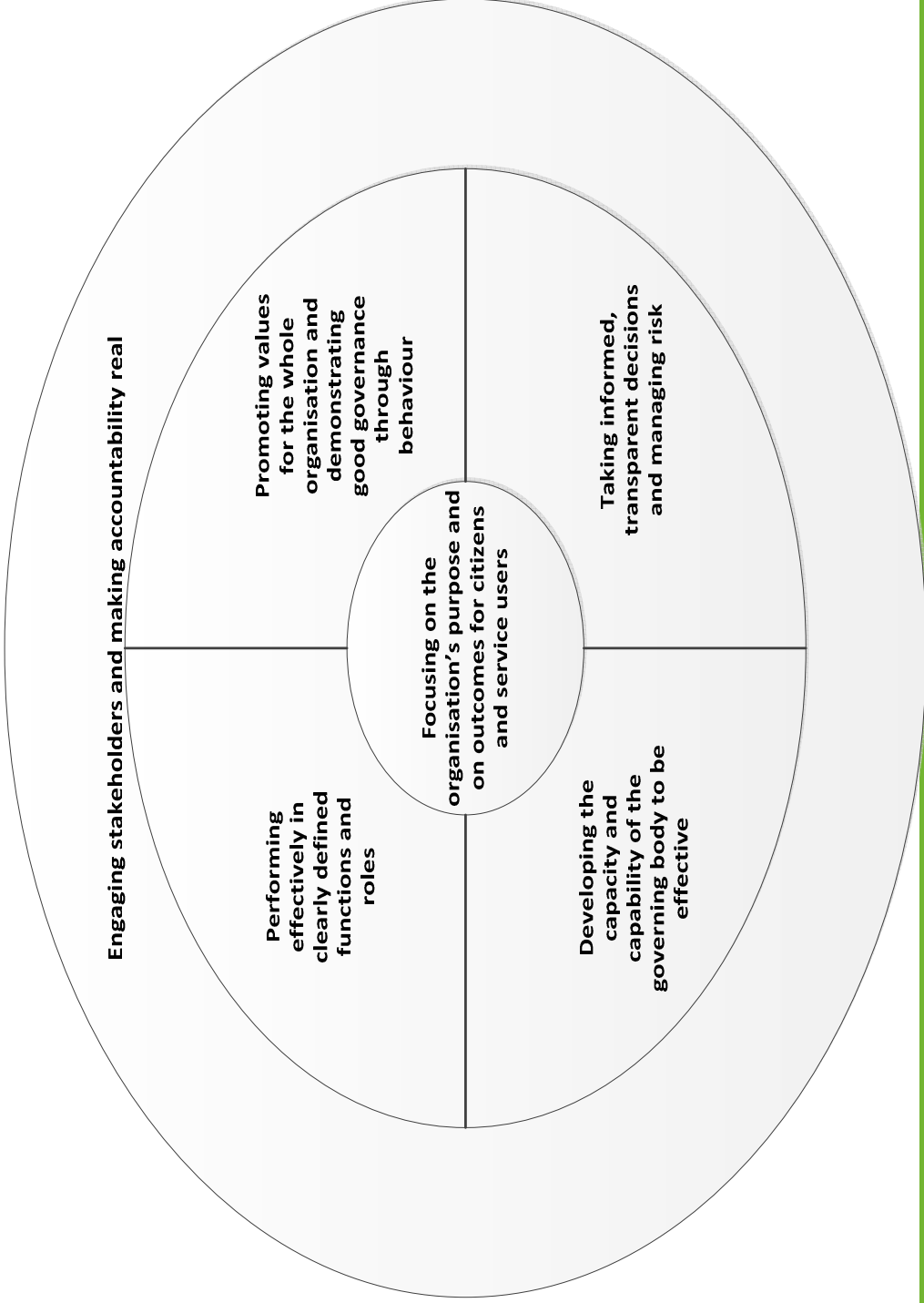
- Review sources of assurance identified at the planning phase
- Review annual reports that provide further insight such as: audit committee annual report, Quarterly Budget and Performance Monitoring
- Ensure sources of assurances have delivered against their plans at the necessary quality
- Internal and external audit annual reports/letters
- Highlight areas of weakness, development and implement action plans.

*Annual Governance Statement*

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### 3. The Governance Framework

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



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Principle	Description of Governance Mechanisms	Assurances received
<p><b>1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</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 services user.</li> <li>• The Corporate Plan approved by full Council, is a corporate narrative that sets out the council's vision for the next five years.</li> <li>• Informed by Barnet's Priorities and Spending Review, it sets out the council's priorities and strategic objectives for Barnet as a local authority and Barnet as a place; <ul style="list-style-type: none"> <li>➢ of opportunity, where people can further their quality of life</li> <li>➢ where people are helped to help themselves, recognising that provision is better than cure</li> <li>➢ where responsibility is shared, fairly</li> <li>➢ where services are delivered efficiently to get value for money for the taxpayer</li> </ul> </li> <li>• The Plan confirms the council's commitment to cooperative commissioning by working with local, regional and national partners to deliver the plan.</li> <li>• A new committee system of Governance was approved by full Council on 2 June 2014. The new system acknowledges and reflects that in the present day more decisions are now made at partnership level and many services are contracted out, jointly commissioned or procured and delivered in innovative ways.</li> <li>• In place are seven themed committees that have commissioning responsibilities across some wide cross-cutting themes. Linked to each committee is a Commissioning Plan that sets out its strategic priorities and commissioning intentions for the next five years.</li> <li>• The priorities and intended outcomes have been communicated to citizens, services users, partners and stakeholders in a number of ways; <ul style="list-style-type: none"> <li>➢ the council's website</li> <li>➢ a new look Barnet First directly tying into the corporate narrative;</li> <li>➢ a variety of social media.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Published Corporate Plan to 2020 <a href="#">Corporate Plan 2015-20</a></li> <li>• Published Commissioning Plans</li> </ul>

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Principle	Description of Governance Mechanisms	Assurances received
<p>1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area (continued)</p> <p>Measuring the quality of services for users, making sure they are;</p> <p>(i) delivered in accordance with the Council's objectives</p> <p>(ii) represent the best use of resources, value for money and</p> <p>(iii) ensure the effective management of change and transformation</p>	<ul style="list-style-type: none"> <li>The arrangement of the new committee system enables it to contribute to the effective and efficient management of the council and allows Members to review the progress and performance of services provided to the community</li> <li>The council's priorities, outcomes and services are reviewed annually as part of the business planning cycle.</li> <li>We use different performance measures to give an overview of the council's performance and highlight areas of improvement.</li> <li>Management agreements are now all in place.</li> <li>Progress against the priorities identified in the Corporate Plan is reported and reviewed quarterly by Performance and Contract Management Committee, included is the delivery performance of major contracts, performance of delivery units and the budget position. The committee scrutinises performance against key performance indicators and financial targets.</li> <li>Understanding performance in Barnet - in place are seven key principles of performance management which reflect that: <ul style="list-style-type: none"> <li>services are commissioned</li> <li>there is greater focus on outcomes</li> <li>we set clear accountability for performance</li> <li>we focus on analysis led improvement, not just data reporting</li> <li>the right information is made available to the right audience; and</li> <li>we manage by exception to address key challenges.</li> </ul> </li> <li>The council has in place a Transformation Programme to deliver the key changes, complex projects, and key savings required by the Corporate Plan – its purpose is to reduce the council's cost by increasing efficiency and to make sure that we are best able to meet the needs of citizens and services users, now and in the future.</li> <li>In place is our Customer Care Charter where we state there is a <i>'...need to be clear about the services we can and can't provide; sometimes other organisations will be better placed to meet your needs'</i></li> </ul>	<ul style="list-style-type: none"> <li>The council's <b>Performance Framework</b> clearly sets out how we manage, monitor and work with services – the framework is reviewed annually to ensure it remains relevant and continues to reflect the council's priorities.</li> <li><b>Performance and Contract Management Committee</b> – has overall responsibility for monitoring the council's quarterly budget position, including monitoring the trading position and financial strategy of Council Delivery Units and Support Groups: Customer Support Group; Re; the Barnet Group Ltd.</li> <li><b>Quarterly Budget Performance Monitoring</b> – by Performance and Contract Management Committee, includes the Transformation Programme.</li> <li>Published <b>Customer Care Charter</b></li> <li><b>Internal Audit and Anti Fraud Strategy &amp; Annual Plan and Risk Management Approach 2014-15</b> – supports the delivery of council's key objectives by providing an auditor judgement on the effectiveness of the management of the risks associated with delivery of the council's services.</li> </ul>

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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>• Ultimate strategic direction and control lies with elected Members who collectively are responsible for the governance of the Council.</li> <li>• The council's constitution provides a summary and explanation of how the council operates. It documents the terms of references for Committees and the appropriate point of authority for decisions, rules of procedure and various codes and protocols, including a protocol for working arrangements between officers and Members. Further documented is a scheme of delegated authority to officers. As such the constitution augments the statutory framework in setting out the council's decision making powers.</li> <li>• The constitution sets out the responsibilities of both Members and Chief Officers - in particular it identifies the seven statutory posts as follows: <ul style="list-style-type: none"> <li>➢ Head of Paid Service (Chief Executive works with Members and the Strategic Commissioning Board to deliver the council themes)</li> <li>➢ Monitoring Officer – Assurance Director</li> <li>➢ Chief Finance Officer (Section 151 Officer) - Chief Operating Officer</li> <li>➢ Deputy Section 151 Officer – Deputy Chief Operating Officer</li> <li>➢ Director of Children's Services - Commissioning Director, Children and Young People</li> <li>➢ Director for Adult Social Services – Commissioning Director, Adults and Health</li> <li>➢ Director of Public Health – Public Health Commissioner</li> </ul> </li> <li>• As head of paid service the Chief Executive, along with Commissioning and Delivery Unit Director's works closely with elected Members to deliver: <ul style="list-style-type: none"> <li>➢ strategic direction – ensuring all staff understand and adhere to the strategic aims of the organisation and follow the directions set by Members.</li> <li>➢ policy advice – act as principal policy advisers to members to lead the development of work strategies to deliver set by Members</li> <li>➢ partnerships – leading and developing strong partnerships to achieve improved outcomes and better public services for citizens and service users.</li> <li>➢ operational management – overseeing financial and performance management, risk management, people management and change management within the council</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The following are included in the council's constitution <ul style="list-style-type: none"> <li>➢ Protocols for Member/officer relations are set out in the constitution</li> <li>➢ Functions delegated to committee</li> <li>➢ Functions of authority delegated to officers</li> <li>➢ Who the Chief Officers are and functions of the Statutory Officers</li> </ul> </li> <li>• Member representative roles, outside bodies appointments and opportunity for members' engagement in the community</li> <li>• A programme of monthly briefings with; <ul style="list-style-type: none"> <li>➢ Leader</li> <li>➢ Deputy Leader</li> <li>➢ Committee Chairman</li> <li>➢ Strategic Commissioning Board</li> <li>➢ Commissioning Directors</li> </ul> </li> <li>• Meetings between Commissioning Directors and committee lead opposition spokesperson</li> <li>• Chief Executive annual appraisal process, conducted by the Leader of the Council</li> </ul>

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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 (continued)</b></p>	<ul style="list-style-type: none"> <li>• The Chief Operation officer (Chief Finance Officer in accordance with Section 151 of the Local Government Act 1927) has responsibility for ensuring: <ul style="list-style-type: none"> <li>➢ appropriate advice is given on all financial matters</li> <li>➢ keeping proper financial records and accounts</li> <li>➢ maintaining an effective system of control</li> <li>➢ lawfulness and financial decision making</li> <li>➢ providing advice on financial impropriety, budget and policy framework issues to elected Members.</li> </ul> </li> <li>• The Monitoring Officer responsibilities set out in the constitution include but are not limited to: <ul style="list-style-type: none"> <li>➢ making sure agreed procedures are followed</li> <li>➢ all applicable statutes and regulations are complied with</li> <li>➢ receiving and acting on complaints that a member has breached Barnet Members code of conduct</li> <li>➢ advising councillors on the scope of powers and authority to take decisions</li> <li>➢ contributing to the promotion and maintenance of high standards of conduct through provision of support to the Group Leaders Panel and by maintaining a Register of Interests of Councillors and voting co-opted members of the Council</li> </ul> </li> <li>• Restructure of the Commissioning Group approved by the General Functions Committee – the statutory roles of Director for Adult Social Services and Director of Children Services previously sat within the Delivery Units. Following a restructure they are now within Commissioning Group</li> <li>• The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control, and reports quarterly to the Audit Committee.</li> <li>• A new system of governance provides greater scope for Commissioning and Delivery Unit Directors to work closely with theme committee chairmen and the lead opposition spokesperson to develop feed into and develop committee work plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance reporting through the Performance contract and Management Committee.</li> <li>• The Chief Executive and the Leader of the Council are the appointed Council representative Directors of the Joint Venture Company (JVCO) with Capita Symonds Limited and Holding Company (NEWCO).</li> <li>• Development of the Corporate Plan: Members and officer working together in consultation with the local community and key stakeholders.</li> </ul>

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 (continued)</b></p>	<ul style="list-style-type: none"> <li>• Decisions no longer delegated to and made Cabinet Members - this means that instead they either taken by cross party committee or delegated to the appropriate Commissioning Director as set out in their scheme of delegation.</li> <li>• Performance challenge sessions – these involves Commissioning and Delivery Unit Directors meeting on one-to-one basis with the Chairman and Vice-Chairman of the Performance and Contract Management Committee.</li> <li>• Member role profiles (approved by General Functions Committee) set out the duties and responsibilities of (i) a Committee Chairman and (ii) a Councillor – these are published on the website.</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). As of May 2015 these function will be carried out by the <i>General Functions Committee and Chief Officer Appointments Panel following the decommissioning of the Remuneration Committee.</i></li> <li>• The General Functions Committee continues to be in place whose remit it is to review conditions of service, as per its remit</li> <li>• The strategic objectives approved by elected Members are linked to all services and feed into service/team plans and individual objectives. Aligning personal objectives to strategic objectives enables managers to help staff understand the contribution they are making to the corporate objectives and how their roles fits into the work of the council a whole.</li> </ul>	

Principle	Description of Governance Mechanisms	Assurances received
<p><b>3. Promoting values for the authority and demonstrating the values of good governance through upholding standards of conduct and behaviour</b></p>	<ul style="list-style-type: none"> <li>The Council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members, staff and partners.</li> <li>The codes of conduct and protocols set out in the constitution document the expected standard of conduct and personal behaviour of Members and staff.</li> <li>In place is a Group Leaders Panel that investigates and determines alleged breaches of the Code of Conduct for Members. Also appointed to the panel is an Independent person who has a statutory role of giving view on any complaint about the conduct of a Member.</li> <li>Managers are responsible for embedding assurance frameworks to monitor compliance with policies and procedures, where relevant consistent with expectations of statutory inspectors.</li> <li>Arrangements are in place to make sure that Members and employees are not influenced by prejudice, bias or conflicts of interests in dealing with different stakeholders.</li> <li>Contained within the Employee Handbook are relevant policies from the Counter Fraud Framework Manual 2014, which sets out the council's Whistleblowing Policy Statement and Procedure and the Fraud Policy Statement and Procedure.</li> <li>The Assurance Director is the Monitoring Officer and is responsible for making sure that decisions are made not only in accordance with the constitution but are within the appropriate legal framework</li> <li>Promoting our standards outside the organisation is our customer care charter which says we want to be an organisation that is: <ul style="list-style-type: none"> <li>friendly, fair, patient and professional at all times</li> <li>listening, sympathetic and human</li> <li>easy to reach and do business with</li> <li>accurate and clear about what we can and can't deliver.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Standards of conduct and personal behaviour communicated a number of ways including the following: <ul style="list-style-type: none"> <li>Codes of conduct for Member's and officers set out in the Constitution.</li> <li>Register of interests for both Members/officers with guidance</li> <li>Declaration of gifts and hospitality with guidance</li> <li>'Our Stars' staff award is a scheme that recognise outstanding practice and those who go the extra mile for the good of our community. It further seeks encourage employees to contribute to new ideas and innovate.</li> </ul> </li> <li>Published Corporate Complaints Policy</li> <li>Published guidance on complaints about (i) the conduct of a councillor, and (ii) council services.</li> <li>Cumulative Equalities Impact Analysis for 2015/16 published as part of the budget proposals and proposed Medium Term Financial Strategy to 2020 <i>'...all residents from our diverse communities benefit from the opportunities of growth and to ensure that the decisions taken do not disproportionately impact on people who may experience disadvantage. This includes groups with protected characteristics across the borough.'</i></li> </ul>

Principle	Description of Governance Mechanisms	Assurances received
<p><b>3. Promoting values for the authority and demonstrating the values of good governance through upholding standards of conduct and behaviour (continued)</b></p>	<ul style="list-style-type: none"> <li>Contract Procedure Rules (CPRs) set out in the constitution, provide the governance structure within which the council may procure works, supplies and services.</li> <li>The Performance Management Framework helps individuals understand how they contribute to the strategic goals of the organisation and ensure that the right skills and efforts are focussed on the things that really matter being what will make an impact on organisational performance.</li> <li>Commissioning Directors have ultimate responsibility for making sure that decisions are made properly and in line with the Scheme of Delegation.</li> </ul>	<ul style="list-style-type: none"> <li>Contract Procedure rules apply to all those who commission and or procure contracts on behalf of the council, including external consultants or third party service providers</li> <li>Functions of the Monitoring Officer are set out in the Constitution</li> <li>All the council's identified statutory officers are on the Assurance Strategic Commission Board.</li> <li>Half –yearly and annual performance reviews.</li> <li>The whistleblowing policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith.</li> <li>The counter-fraud guidance is designed to assist in both the detection and reporting of fraud.</li> <li>The council has a well established three stage corporate complaints process.</li> </ul>

Principle	Description of Governance Mechanisms	Assurances received
<p><b>4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b></p>	<ul style="list-style-type: none"> <li>The decision making framework and scheme of delegated authority to officers are contained within the constitution and reviewed regularly. They make sure the committee and decision making processes are open, transparent and free from bias and conflict of interests.</li> <li>Senior officers (including the Section 151 Officer and the Monitoring officer) support Members in the policy and decision making process by providing assessments and advice. The implementation of decisions is made in a manner that promotes the council's vision and values.</li> <li>Committee work programme – this is programme listing the decisions that will be made during the municipal year either by the committee or full Council. Further detailed in the document is the intended date of decision, a is brief description of the decision requested and the lead officer.</li> <li>Under the new committee system the Performance and Contract Management Committee provide a crucial scrutiny role. The committee can; <ul style="list-style-type: none"> <li>make referrals to the relevant commissioning theme committee requesting further information or a more detailed commissioning review, if there is a particular area/aspect of concern over service performance against the Corporate Plan.</li> <li>receive and scrutinise contract variations and change requests in respect of external delivery units.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Publication of reports, decisions and committee procedure rules set out in the constitution.</li> <li>Monthly publication of theme committee work programmes</li> <li>Scrutiny and reporting on performance via the Performance and Contract Monitoring Committee</li> <li>Audit Committee Annual report which is ratified by Full Council .</li> <li>Annual review of the Risk Management Framework.</li> <li>Maintenance and monitoring of the Corporate Risk Register.</li> </ul>

cases where users of services report that they feel...  
 1. increase... for children...  
 2. for children...  
 3. reduce the...  
 becoming the subject of a...  
 Protection Plan for the second...  
 subsequent time to 12%

**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...

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Principle	Description of Governance Mechanisms	Assurances received
<p><b>4. Taking informed and transparent decisions which are e subject to effective scrutiny and managing risk (continued)</b></p>	<ul style="list-style-type: none"> <li>Decisions previously made under Cabinet Member delegation are now instead considered by theme Committee – providing improved levels of scrutiny work through agenda focused, cross party Committee member.</li> <li>The new governance system has accorded Full Council a higher level of authority and democratic decision making responsibilities.</li> <li>The council's risk management process is fully integrated into service areas and major projects. It uses a proven risk management system to record risks on a central register and manages and monitors both risks that are threats and opportunities. Internal Audit review the quality of operational risk registers as part of their annual work plan and management can use the information to update the risk profile for their areas of responsibility.</li> <li>The risk management framework is reviewed and refreshed annually, approved by the Audit Committee and published on the Council's website. Regular reporting of strategic, major operational and major project risks takes place on a quarterly basis and is reported to the Performance and Contract Management Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Publication on the council's website of the Corporate Performance Indicators</li> <li>Legal, financial, governance, risk and equalities sections identified in Delegated and Committee reports. This contributes to Members being better informed prior to deciding on policy and decision making. This also raises the awareness and increases Member and officer understanding of risk and the risk management process.</li> <li>Internal Audit continue to review and report on Risk Management arrangements and provide a statement on the adequacy of risk management arrangements across the council.</li> </ul>

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2. vulnerable

3. tion orders time spent

4. oster carers

cases where users of agencies report that they feel

increase for child for ad decision to 75% reduces the becoming the subject of Protection Plan for the second subsequent time to 12% increase the percentage of children

**Time who were within 12 months placed for ad**

in 2011/12 to support early inter

**How we will achieve this object**

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Principle	Description of Governance Mechanisms	Assurances received
<p>4. Taking informed and transparent decisions which are e subject to effective scrutiny and managing risk (continued)</p>	<ul style="list-style-type: none"> <li>The council seeks to identify, assess and respond to all strategic risks that may affect the achievement of the corporate plan outcomes, adopting a response based on the nature of the risk. Risks may be tolerated where there are sufficient assurances that they have been properly identified, assessed and will be appropriately managed, and that the potential benefits accruing to the community justify that level of risk.</li> <li>Directors and Heads of Service are ultimately responsible for managing risks within their own services.</li> <li>The council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their annual audit letter provides a summary of the activity undertaken during the year.</li> <li>The Audit Committee provides independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. Appointed to the Committee are two independent members.</li> <li>The Assurance Assistant Director is the Lead officer supporting the Audit Committee.</li> </ul>	<ul style="list-style-type: none"> <li>External audit annual letter</li> </ul>

cases where users of agencies report that they feel...

1. increase for child... for ad... decision to 75%... reduces the... becoming the subject of a Child Protection Plan for the second subsequent time to 12%... increase the percentage of children...

2. **How we will achieve this objective**  
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To achieve this we will:

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Principle	Description of Governance Mechanisms	Assurances received
<p><b>5. Developing the capacity of Members and officers to be effective</b></p>	<ul style="list-style-type: none"> <li>Member Development sessions are held to brief Members on relevant areas of legislation on key areas and issues covering areas such as planning, safeguarding, growth and regeneration, new contracts, etc.</li> <li>The Management Academy is for approximately 200 of the council's managers. Its aim is to provide a range of learning and development solutions, and to build on managers' current skills, knowledge and behaviour.</li> <li>Leadership Programme</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>New committee systems means that ALL members are given the opportunity to be involved in decision making.</li> </ul>	<ul style="list-style-type: none"> <li>Member training and development .</li> <li>Establishment of the Management Academy and Leadership Programme.</li> <li>Individual staff learning and development plans.</li> <li>Annual Staff Survey helps the organisation understand where possible changes can be made.</li> </ul>

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Principle	Description of Governance Mechanisms	Assurances received
<p><b>6. Engaging with local people and stakeholders</b></p>	<ul style="list-style-type: none"> <li>The council is committed to engaging and consulting with citizens about its 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 being the umbrella organisation for community and voluntary groups in Barnet. The council has a Citizens' Panel, which is statistically representative of the population of Barnet, and provides an opportunity for residents participate on how they feel about issues. The Panel acts a sounding-board for future policies and service decisions.</li> <li>This year the council consulted widely on i the combined package of the Corporate Plan; Commissioning Priorities; and budget to 2020. using a series of consultative workshops and an online survey.</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>Business Planning Consultation 2015-19/20 Findings</li> </ul>



Principle	Description of Governance Mechanisms	Assurances received
<p><b>6. Engaging with local people and stakeholders</b></p>	<ul style="list-style-type: none"> <li>The Resident's Perception Survey (a survey with over 2000 residents from across the borough) is currently conducted twice a year to help inform our new performance management system more regularly.</li> <li>The outcome and results of all consultations are published on the website and Barnet First.</li> <li>Last year the council updated its 2010 Consultation and Engagement Strategy which commits to publishing a Consultation Forward Plan and an Annual Report. Public Participation and 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. It puts in place arrangements designed to encourage individuals from all sections of the community to (i) engage with (ii) contribute to (iii) participate, in the work of the council 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 Assurance SCB. 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>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 Adults and Communities Delivery Unit Annual Complaints Report</li> </ul>



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#### 4. Review of Effectiveness

- The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Chief Internal Auditor's annual report, any comments made by the council's external auditors and any other review agencies and inspectorates..
- 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.
- 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, for which an update has also been included detailing on our progress to improve governance regarding those issues. Where issues have not been sufficiently progressed they have been included within our governance issues for 2015-16.

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## Governance Issues – progress during 2014-15

The table below describes the governance issues identified during this review period 2013-14 and the progress made against these during 2014-15.

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2015-16
<p><b><u>Business Continuity and Resilience:</u></b></p> <p>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	The council now has Business Continuity Strategy which introduces a corporate approach to business continuity. The Business Continuity Management Team (BCMT) meets quarterly to monitor the organisations BC arrangements and identify new risks or a change in the risk profile as appropriate. Additionally the standard incident reporting procedure around incidents ensures that lessons learnt are captured and acted upon. If a significant risk arises it is escalated via CIMB for appropriate action.	No
<p><b><u>Embedding New Committee System:</u></b></p> <p>The new committee system went live on 2 June 2014 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. It is acknowledged that the Terms of reference of each committee and the revised constitution will take some time to bed in and become operationally effective and efficient. Work is underway to review the implementation process.</p>	Head of Governance	Prior to the implementation of the committees system, Directors and Lead Commissioners worked with the Governance Service to develop planned programmes of committee work for the 2014/15 municipal year. Work programmes were added to and refined throughout the municipal year to reflect new items of business and amendments to reflect changing circumstances. Systems of briefing meetings with both of the main political groups were established, enabling the development of working relationships. Cross-party committees have been agreeing the majority of business which falls within their remits. A committee system project is scheduled to take place during 2015 to review the operation of the system and refine as appropriate.	Yes

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## Governance Issues – progress during 2014-15 (continued)

Key Improvement Area	Lead Officer	Update on Position	Carry forward for 2015-16
<p><b><u>Roles and Responsibilities for the Commissioning Council</u></b></p> <p>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 the supports the Commissioning model will be considered.</p>	<p>Strategic Director for Commissioning</p>	<p>In September 2014 the Chief Executive consulted on a new structure for the Strategic Commissioning Board and the senior tier within the Commissioning Group to create more commissioning capacity and to provide for a more integrated commissioning approach across the council and with its local partners.</p> <p>The requirement to further strengthen the commissioning functions resulted in new Commissioning Portfolios being created, led by four Commissioning Directors. The purpose of the Commissioning Director role is to provide clear accountability, capacity and subject matter expertise for the delivery of outcomes in line with Member priorities and in conjunction with partners and stakeholders. The council adopted the Commissioning Director arrangements in January. With the Strategic Commissioning Board, the senior tier within the Commissioning Group structure agreed; a process was put in place to ensure suitable support to Commissioning Directors to deliver the Commissioning Plans set by Members through theme committees. The new structure went live on 1 April 2015. In terms of governance and supporting the setting of outcomes and how this translates into successful delivery, there has been a significant amount of work to develop commissioning plans, establish priorities and translating these into management agreements with the Delivery Units.</p>	<p>No</p>

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## Governance Issues progress during 2014-15 (continued)

Key Improvement Area	Lead Officer	Update on Position	Carry Forward for 2015-16
<p><b><u>Contract Management Framework</u></b></p> <p>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. Depending on the classification a different approach to the management of the contract and the level of information required will be used. Over the course of the year a contract management framework will be designed with a view implementation across Delivery Units and within the Commissioning Group.</p>	Commercial and Customer Services Director	<p>A new contract framework has been developed and is in place. It has been publicised and is used by Delivery Units across the council.</p> <p>This framework is currently being audited by Internal Audit and any improvements recommended will be added.</p>	No
<p><b><u>Change Management:</u></b></p> <p>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. Further the importance of managing and communicating change with employees so they are aware of what's happening in the council is recognised</p>	Strategic Commissioning Board	<p>Communication emerged as the most commented on theme in the staff survey. Following co-operative working within the Delivery Units a number of changes have taken place both corporately and Delivery Unit level; notably</p> <ul style="list-style-type: none"> <li>As part of the smarter working programme each Delivery Unit has a representative in the form a Change Manger who attends bi-monthly meetings run by the Smarter working project team. The Change Manager is also appointed to the Transformation Change Management Board.</li> </ul>	Yes

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## Governance Issues - progress during 2014-15 (continued)

Key Improvement Area	Lead Officer	Update on Position	Carry Forward for 2015-16
<p><b><u>Change Management (continued)</u></b></p> <p>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>		<ul style="list-style-type: none"> <li>In development is the Organisational Development Strategy (OD) which aims to support the Corporate Plan and deliver its objectives. It will set out the 'how' as an organisation we work to               <ul style="list-style-type: none"> <li>deliver the priorities of the council.</li> <li>ensure that all staff whether employed directly or through partner organisations feel part of Team Barnet</li> <li>staff are supported to give of their best</li> <li>reflect smarter working practices.</li> </ul> </li> <li>Barnet Staff Voice email account launched to encourage staff to ask questions and feedback.</li> <li>Briefings on the council's plan for the future were ran by the Chief Executive.</li> <li>Regular updates and newsletters for all staff have been introduced through Barnet Staff Voice.</li> <li>Along with the council-wide 'Our Stars Awards' there are Delivery Unit-specific awards schemes. Eg Adults and Families joint staff awards ceremony for those who have become accredited. Family Services asked staff at their forum what they were proud of and shared results with all staff</li> <li>Adult and Communities offered secondment opportunities for staff to be involved in delivering changes from the Care Act.</li> <li>Street scene staff have been engaged with transformation process and design of BAU service changes, including briefing sessions on restructure, sessions to gather staff input, collecting FAQs, shadowing staff while working, weekly drop-in sessions, targeted work to continue the integrate two workforces (refuse).</li> <li>Valuing staff health and well-being by implementing a Healthy Workplace Month.</li> </ul>	

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## 5. Governance Issues for 2015-16

The table below describes the governance issues identified during this review period 2014-15 to carry forward for monitoring within 2015-16

Key Improvement Area	Lead Officer	Reporting thorough	Expected Delivery of Actions
<p><b>Human Resources</b></p> <p>The Following actions have been put in place to address configuration and data issues with HR CORE:</p> <p><b>a) Strategic support to service areas</b></p> <p>The council delivered a wide range of workforce changes during 2014/15, and in delivery of the Corporate Plan and MTFS through 2020 there will be further workforce changes. It is imperative that CSG HR provide sustainable and effective strategic HR capacity. To achieve this, CSG will put in place four new Business Partners by October 2015.</p> <p>In post new HR Director and new Operations Director ( who both started in June 2015) to give new leadership impetus to the service.</p>	<p>Chief Operating Officer</p> <p>Senior Responsible Officer - HR</p>	<p>Workforce Board</p>	<p>30 October 2015</p>
<p><b>HR operations, system and data</b></p> <p><b>b)</b> The establishment lists across the Council are all due to be signed off by Delivery Unit (DU) Directors 20 July 2015. At that point the establishment data in the system will be clean. Customer and Support Group (CSG) will also be putting in place a formal change process in order to capture any movements in the establishment (starters/leavers etc) so that the data remains clean. At the point this process is introduced the onus falls to the DUs to keep the data clean, as data is owned by the business not HR.</p> <p>This will be reviewed quarterly by the Workforce Board</p>			<p>20 July 2015</p>

## 5. Governance Issues for 2015-16

The table below describes the governance issues identified during this review period 2014-15 to carry forward for monitoring within 2015-16

Key Improvement Area	Lead Officer	Reporting thorough	Expected Delivery of Actions
<p><b>Human Resource – continued</b></p> <p>c) The council and CSG have identified a number of areas for operational HR improvement, including making accurate and effective absence reporting available to senior managers; ensuring DBS checks and HPCC registrations are reflected in the Core HR system and kept up to date; incorporating additional personal information into the system; and that managers and employees using the self-service systems have the right skills and knowledge of processes to completed this effective. CSG are addressing this through an improvement plan</p>	<p>Chief Operating Officer</p> <p>Senior Responsible Officer - HR</p>	<p>Workforce Board</p>	<p>30 October 2015</p>
<p><b>d) Payroll</b></p> <p>The council has set high thresholds for payroll accuracy. The council and CSG will be reviewing and testing the adequacy of payroll controls. Firstly, the Director of Payroll has outlined a plan for all the payroll centres, using an enhanced control framework that has been developed in conjunction with KPMG and will be subject to external audit, improving controls and reducing potential error. The council will also undertake an audit of Payroll during 2015/16.</p>		<p>Workforce Board and Audit Committee</p>	<p>Q2 November 2015 / Q3 February 2016</p>

## 5. Governance Issues for 2015-16

The table below describes the governance issues identified during this review period 2014-15 to carry forward for monitoring within 2015-16

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p><b><u>Review of the New Committee System</u></b></p> <p>The council will undertake a review to assess the effectiveness of the committee system of decision making and governance brought into place in June 2014. The review will recommend amendments which will streamline and improve the current arrangements while ensuring the system delivers timely decisions to be made in accordance with the law and in an open, transparent and democratic way whilst providing value for money. A review of the constitution will be incorporated into this project. The outcome of the review will be reported to the Constitution, Ethics and Probity Committee and Full Council</p>	<p>Assurance Director Head of Governance</p>	<p>Constitution, Ethics and Probity Committee - 16 November 2015 Full Council – 8 December 2015</p>	<p>May 2016</p>

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## 5. Governance Issues for 2015-16

The table below describes the governance issues identified during this review period 2014-15 to carry forward for monitoring within 2015-16

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p><b><u>Information Management – Data Management :</u></b></p> <p>Although there is a retention policy it is not well used. An aspect of the information strategy is to address this and currently there is a lot of enabling work to support this work stream as outlined below:</p> <p><b>Off-site records management:</b></p> <p>In preparation to move to an off-site paper records management provider, information was indexed to understand and classify (high level) the information we hold. The contract is now live and the new provider will provide disposal services based on a corporate retention schedule to be provided by October 2015.</p> <p><b>Information Audit:</b></p> <p>A comprehensive information audit has been undertaken and produced the start of an information asset register. The information asset register will provide structure and ownership to information holdings enabling a two way dialog between information asset owners and the information management team. This will provide another mechanism for reviewing and validating the current records retention policy to make sure it accurately reflects information holdings.</p>	<p>Chief Operating Officer</p> <p>Head of Information Management</p>		

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## 5. Governance Issues for 2015-16

The table below describes the governance issues identified during this review period 2014-15 to carry forward for monitoring within 2015-16

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
<p><b><u>Information Management – Data Management (continued)</u></b></p> <p><b>Information Management Strategy</b> – is expected to be approved in July 2015. The implementation roadmap will deliver technologies, like an Electronic Document &amp; Records Management system( EDRMS), that will improve our records retention and destruction processes.</p>	<p>Chief Operating Officer</p> <p>Head of Information Management</p>		

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# Appendix A: Published sources of Assurance

- Code of Corporate Governance
- Corporate Plan 2015-20
- Quarterly Performance Reports 2014-15
- Internal Audit, Risk Management and CAFT Annual Plan 2014-15
- Internal Audit Annual Report 2014-15
- Pay Policy 2014-15
- CAFT Annual Report 2014-15
- Audit Committee Annual Report 2014-15
- Audit Committee Terms of Reference and workplan
- Statement of Accounts and Medium Term Financial Strategy
- Committee minutes, agendas and reports 2014-15
- CSG and Re Commercial Contracts
- Equalities Annual Report (Draft)
- Consultation Forward Plan and Annual Report (Draft)

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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: \_\_\_\_\_

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**Audit Committee  
30th July 2015**

<b>Title</b>	<b>External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2014/15</b>
<b>Report of</b>	Chief Operating Officer and Director of Finance
<b>Wards</b>	All
<b>Date added to Forward Plan</b>	1 April 2014
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A – ISA 260 report 2014/15 Appendix B – Audited Statement of Accounts 2014/15
<b>Officer Contact Details</b>	Paul Thorogood – Assistant Director, CSG Finance Service Paul.Thorogood@capita.co.uk

**Summary**

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.

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. The final report of the auditors will be provided at the meeting along with the final set of financial statements. The salient points are noted below.

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 2015.

Grant Thornton were presented with the draft financial statements on 29 May 2015 and

accompanying working papers on 8 June 2015 and recognised that the finance team worked with their audit team effectively throughout the course of the audit to progress testing and respond to audit queries.

Grant Thornton have not identified any adjustments affecting the Council's financial position. They have identified two reclassifications and a number of minor disclosure changes, none of which changed the financial results previously reported in the draft financial statements (published on 31st May 2015) or the outturn reported to the Performance and Contract Management Committee on 26th May 2015.

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.
- Assurance was gained that the introduction of a new accounting system did not cause any balances to be materially misstated.

Grant Thornton are presenting their Audit Findings Report to the Council's Pension Fund Committee on 24th July 2015. 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. To assist Members in reviewing the external auditor's comments the audited Statement of Accounts 2014/15 is attached to this report

## **Recommendations**

- |   |
|---|
| <b>1. That the Committee approve the audited Statement of Accounts 2014/15 and they be signed by the Chairman and the Chief Operating Officer/Director of Finance on behalf of the Council.</b> |
| <b>2. That the matters raised by the external auditor relating to detailed aspects of the 2014/15 accounts audit be noted.</b>  |
| <b>3. That the officer response to matters raised by the external auditor be noted.</b>   |
| <b>4. That the Committee consider whether there are any areas on which they require additional information or action.</b>   |

### **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

### **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 "Where services are delivered efficiently to get value for the taxpayer".

#### **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 2015.

### **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 review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council' and 'To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts'.

### **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**

N/A

## **6. BACKGROUND PAPERS**

- 6.1 None



# The Audit Findings for London Borough of Barnet

# DRAFT

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.

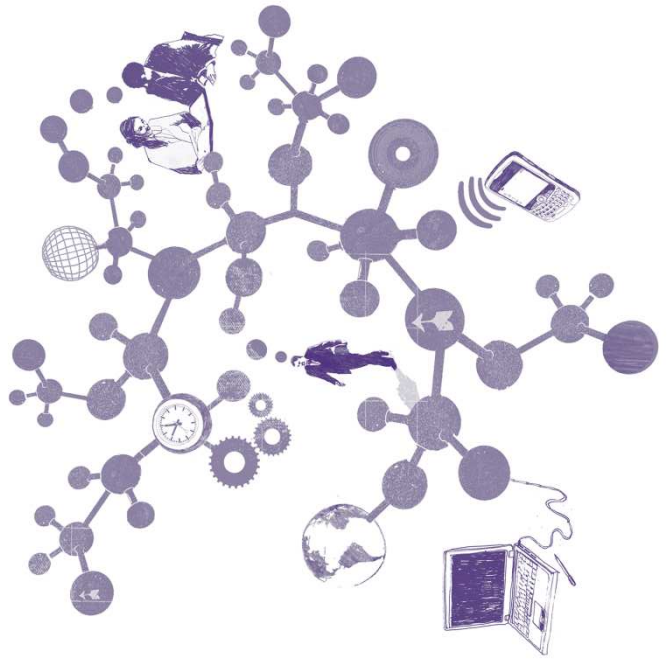
**Year ended 31 March 2015**

July 2015

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July 2015

Dear Sirs

**Audit Findings for London Borough of Barnet for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of London Borough of Barnet, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

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

Yours sincerely

Paul Hughes  
Engagement Lead

**Chartered Accountants**

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## 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 (the Council) group and Council financial statements for the year ended 31 March 2015. 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 UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the group and Council's financial statements present a true and fair view of the financial position and 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. 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

Following discussions with the finance team at the Council, we have altered our planned audit approach which was communicated to you in our Audit Plan dated 13 April 2015. Our approach now includes the review of the consolidated group financial statements.

Our audit is underway and we are continuing to undertake our work in the following areas:

- review of the group financial statements and consolidation process
- completion of the final stages of our audit testing across the Council's financial statements
- initial DWP certification testing
- completion of 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
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

### Key issues arising from our audit

#### Financial statements opinion

Subject to no material unresolved issues arising from completion of our work, we anticipate providing an unqualified opinion in respect of the financial statements.

At the time of writing, we have not identified any adjustments affecting the group and Council's reported financial position. The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £92,442 and currently this remains unchanged.

We have identified a number of minor amendments to improve the presentation of the financial statements.

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

## Executive summary

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

- Following discussions with the finance team at the Council, it was agreed that group financial statements would be produced. This was on the basis of revised technical guidance in relation to materiality, alongside the increasing complexity within the group structure that the Council anticipates in future years. At the time of writing, our review of the group financial statements and the consolidation process is yet to be completed, but we will update the Audit Committee at the meeting on 30 July.
- As in the prior year, our review of asset valuations has identified that the Council has a different interpretation of the 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.
- Following updates to the Code there have been changes to the requirements around the recognition of school land and buildings on local authority balance sheets. The Council has completed a review of all schools which has confirmed that the existing accounting treatment remains appropriate. Our review of the work performed by the Council has not identified any issues with its approach.
- We have reported on detail on the Pension Fund audit within the separate Audit Findings Report presented to the Pension Fund Committee. Our audit of the Pension Fund has not identified any significant adjustments to the financial statements, but we have included a number of control issues for management to consider.

- We are in the process of completing the initial Department of Work and Pensions certification testing across all benefit types. We will inform the Audit Committee at the meeting on 30 July with regard to any required 40+ testing that we will be required to complete as part of our grant certification review.
- The Council has introduced a new ledger system from 1 April 2014 following the move from SAP to Integra which is hosted by Capita. Our IT experts have completed a review of the controls in place over the system with no significant issues being identified. In addition, we have completed a line by line reconciliation to ensure that the closing trial balance per the SAP system agrees to the opening trial balance per the Integra system. No issues were noted as part of this review.

### **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 three 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**

#### **Roles and responsibilities**

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.

### **Findings**

Our work has not identified any significant control weaknesses, but we draw your attention to some minor control issues in relation to journals and IT highlighted in section 2 of this report.

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.

### **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 with the Council's Chief Financial 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 and other staff during our audit.

**Grant Thornton UK LLP**  
July 2015

## 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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 30 April 2015. We also set out any adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

### **Changes to Audit Plan**

Following discussions with the finance team at the Council, we have altered our planned audit approach as previously communicated to you. Our approach now includes the review of the consolidated group financial statements. The decision to produce consolidated statements was based on revised technical guidance in relation to materiality, alongside the increasing complexity within the group structure that the Council anticipates in future years.

### **Audit opinion**

Subject to no material unresolved issues arising from completion of our work, we anticipate that we will provide the Council with an unmodified opinion. Our proposed audit opinion 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 (UK&I) 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 (UK&amp;I) 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 significant transactions</li> </ul>	<p>As at the time of writing, 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 (UK&amp;I) 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 significant transactions</li> </ul>	<p>At the time of writing, 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. We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3.	<p><b>Risk of new accounting system producing balances that are materially misstated</b></p>	<p>Throughout the course of the audit we have performed the following:</p> <ul style="list-style-type: none"> <li>• testing of the completeness of data migration to the new system, including reconciling the opening and closing trial balances</li> <li>• documenting our understanding of the controls put in place by management in relation to the new system</li> <li>• review of subsystem reconciliations</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the introduction of the new accounting system at the Council. Our review of the controls in place has identified a small number of minor recommendations which have been raised with officers.</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 related to core activities (e.g. supplies) 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 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 unrecorded liabilities testing</li> <li>We have completed cut-off testing</li> </ul> <p>In addition, we have:</p> <ul style="list-style-type: none"> <li>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>Reviewed and tested a sample of items included within the year end creditors balance</li> </ul>	<p>We are still completing the final areas of our audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risks 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 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 the reconciliation of the payroll subsidiary system to the general ledger</li> <li>We have completed a trend analysis over monthly payroll payments</li> </ul> <p>In addition, we have:</p> <ul style="list-style-type: none"> <li>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>Reviewed senior management remuneration and disclosures</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

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>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 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> </ul>	<p>We are still completing our testing of the initial cases across all award types but, at the time of writing, our audit work has not identified any significant issues in relation to the risks identified.</p>

## Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.



Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Barnet Group	Yes	Targeted	No specific risks identified	Specific targeted procedures to be performed by the audit team on the material balances.	Our audit work is yet to be completed and will be reported to the Audit Committee at the meeting on 30 July.
Barnet Holdings	No	Analytical	No specific risks identified	Desktop review performed by the audit team	Our audit work is yet to be completed and will be reported to the Audit Committee at the meeting on 30 July.

## Significant findings arising from the Group audit

Our audit work is yet to be completed and any significant findings will be reported to the Audit Committee at the meeting on 30 July.

## 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>(green)</b>
<b>Estimates and judgements</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 life of capital equipment</li> <li>pension fund valuations</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 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>As part of the audit we used the work of an expert (PwC), commissioned by the Audit Commission, to assess the work of the Council's actuary (Barnett Waddingham). We have not identified any issues from the completion of this review.</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>(amber)</b>

### Assessment

-  Inappropriate accounting policy  Accounting policy subject to interpretation  Accounting policy appropriate and disclosures sufficient

## Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements - local authority maintained schools premises</b>	<p>As per the Statement of Accounts, from 2014/15, CIPFA/LASAAC is of the view that local authority maintained schools are capable of being treated as separate entities for control purposes. This brings the school as an entity within the scope of the control criteria in IFRS 10.</p> <p>As a consequence, schools transactions, including income, expenditure, assets, liabilities and reserves will be recognised in the Council's single entity accounts where applicable.</p> <p>Income, expenditure, assets (excluding non-current assets), liabilities and reserves will all be consolidated into the single entity financial accounts of the Council as these transactions are deemed to be within the control of the local maintained school as entities within themselves. In regards to non-current assets, the approach adopted will be to consider, on a school by school basis, whether the local maintained school controls the non-current assets (including land, property, plant, equipment and playing fields) to identify whether 'control' exists to ascertain if consolidation is required.</p>	<p>The Council has completed a review of all schools which has confirmed that the existing accounting treatment remains appropriate. Our review of the work performed by the Council has not identified any issues with its approach.</p>	<p> (green)</p>
<b>Going concern</b>	<p>The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p>	<p> (green)</p>
<b>Other accounting policies</b>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	<p> (green)</p>

### Assessment

-  Inappropriate accounting policy  Accounting policy subject to interpretation  Accounting policy appropriate and disclosures sufficient

## 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>	<p>We have discussed the risk of fraud with the Council's management including consideration of the Council's counter-fraud work programme. We have noted the fraud investigations the Council has undertaken during the year, details of which it has reported to the Audit Committee. We do not consider that the frauds identified in 2014/15 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 the Chair of the Audit Committee and other Council officers, including the Chief Operating Officer. No other issues have been identified during the course of our audit procedures.</p>
<p><b>2. Matters in relation to laws and regulations</b></p>	<p>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</p>
<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>	<p>Our review found no non-trivial omissions in the financial statements.</p>
<p><b>5. Matters in relation to related parties</b></p>	<p>We are not aware of any related party transactions which have not been disclosed in the financial statements.</p>
<p><b>6. Confirmation requests from third parties</b></p>	<p>We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. These have subsequently been returned with positive confirmation.</p>
<p><b>7. Annual Governance Statement</b></p>	<p>We have recently received the Council's Annual Governance Statement and will review this to confirm it complies with the requirements of 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. We will report any issues to the Audit Committee at the meeting on 30 July.</p>

## 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 that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● (deficiency)	<b>Journal authorisation:</b> Our testing of journals identified that the authorisation process for journals did not include the requirement for journals to be authorized on the Integra system	The Council should include a requirement for all journals to be authorised on Integra in order to ensure a clearly documented journal approval on the system
2.	● (deficiency)	<b>IT controls:</b> As part of our review of IT controls, we identified a small number of minor points in relation to the Integra system. These primarily related to access controls in place. We have reported these points to Council officers	The Council should ensure that the points raised in relation to the Integra system are resolved going forward

### Assessment

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

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.

## Adjusted misstatements

At the time of writing, no significant adjustments to the draft financial statements have been identified as a result of the audit procedures.



## Unadjusted misstatements

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

## Misclassifications & disclosure changes

As at the time of writing, the table below provides details of misclassification and disclosure changes identified during the audit which are to be made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	2,160	Debtors / Creditors	A debtor with the Pension Scheme had been incorrectly posted within the pension contributions creditor account, which was therefore netting off against the creditor balance. It was agreed with Council officers that this should be reclassified as a debtor
2 Disclosure	-	Financial Statements	There were a small number of minor presentational issues that were identified during the course of our audit. These are to be amended in the final set of financial statements.

## 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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

### 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 three 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	2014/15 Assessment
Key indicators of financial performance	 Green
Financial planning	 Green
Financial governance	 Green
Financial control	 Green

## Value for Money

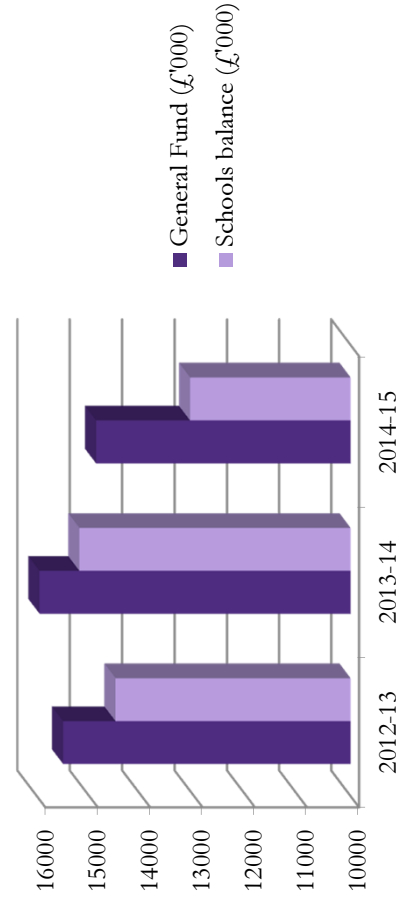
### Key indicators of financial performance

#### 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, despite cutting Council Tax by 1% in 2014/15.

The Council has reported a service overspend of £1,079k for the year. This has reduced the General Fund balance from £15,950k as at 31 March 2014 to £14,871k as at 31 March 2015, which is broadly in line with the £15m minimum level for the General Fund balance (equivalent to just over 5% of the Council's expenditure budget) as set by the s151 Officer. Schools balances as at 31 March 2015 were £13,079k (£15,189k as at 31 March 2014). Although there has been a decrease of £2,110k, the Schools balance still remains in a healthy position.

The graph below shows the year on year balances across the General Fund and Schools balance.



### Financial planning

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 £35,366k, set against an overdraft of £16,880k. In addition, the Council was holding £171,171k in short term deposits.

Workforce indicators shows a slight decline in performance against the sickness indicator, with the average number of sickness days has increasing from 7.2 days in 2013/14 to 8.1 days in 2014/15. Whilst this remains above the Council's 6 day target, it is below the benchmarking level of 9 days.

Review of performance reports shows that the Council has managed cost pressures during the year to ensure that the budget has been met.

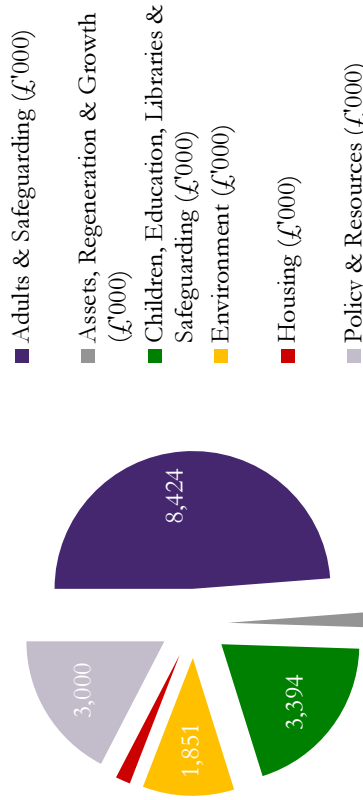
### Financial planning:

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 2015, including the medium term financial strategy (MTFS) for 2015/16 to 2019/20. This plan has been prepared on the basis of a 1% reduction in Council Tax for 2015/16, Council Tax freeze for the year 2016/17 and 2% increase from 2017/18 onwards.

## Value for Money

The 2015/16 budget sets out an expected budget gap of £73.5m for 2016-2020. Of the £73.5m, the Council has identified savings of £51.9m, leaving a gap of £21.9m. The remaining gap will be allocated in the new financial year to Theme Committees so they may develop further proposals which will be subject to further consultation.

The total budget gap for 2015/16 has been identified as £15,749k. Savings of £17,269k (net of pressures of £1,520k) have been identified 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. The savings of £17,269k 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. 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 broadly be in line with 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 that was carried out in 2014 and updated in 2015. 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 £73.5m 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 £51.9m. 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

### 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 2014/15 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 2015/16 and 2016/17. In addition to this, the Council has continued to focus on 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.

### 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 2014/15 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.

## Value for Money

### 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	2014/15 Assessment
Prioritising resources	 <b>Green</b>
Improving efficiency and productivity	 <b>Green</b>

### Prioritising resources

The Council has robust arrangements in place to ensure that resources are prioritised. The detailed findings from the Priorities and Spending review has helped to inform the forward looking budget for 2016-2020.

The Council held a consultation aimed to set a new approach to business planning and engagement by consulting on the combined package of the Corporate Plan, Commissioning Priorities and budget. In particular it aimed to:

- create a stronger link between strategy, priorities and resources
- place a stronger emphasis on commissioning as a driver of the business planning process
- focus on how the Council will use its resources to achieve its commissioning plans.

The Council has undertaken a range of consultation to inform the development of the Corporate Plan strategic priorities and 5 year Commissioning Plans, along with indicative savings proposals to inform the MIFS.

### Improving efficiency and productivity

The Council plans to continue to drive out efficiencies across the system, to achieve better outcomes with fewer resources. This includes a focus on workforce productivity; bearing down on contract and procurement costs; and using assets more effectively.



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

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

## Fees, non-audit services and independence

We confirm below our final fees charged for the audit and the provision of audit related services.

### Fees

	Per Audit plan £	Actual fees £
Council audit	226,700	226,700
Grant certification on behalf of Audit Commission (i)	27,080	TBC
<b>Total audit fees (ii)</b>	<b>253,780</b>	<b>TBC</b>

- (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. 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 Financial Reporting Council'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.

### Fees for other services

Service	Fees £
<b>Audit related services</b> Certification of the Teachers' Pensions claim	4,829

## 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 (UK&I) 260, as well as other (UK&I) 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		✓
Matters in relation to the Group audit	✓	✓

# Appendices

## Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	<p><b>Journal authorisation:</b> The Council should include a requirement for all journals to be authorised on Integra in order to ensure a clearly documented journal approval on the system</p>	Medium		
2.	<p><b>IT controls:</b> The Council should ensure that the points raised in relation to the Integra system are resolved going forward</p>	Medium		

## Appendix B: Audit opinion

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

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARNET

We have audited the financial statements of London Borough of Barnet for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of London Borough of Barnet, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group's explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Barnet as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

#### Opinion on other matters

In our opinion, the information given in the explanatory forewords for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Appendix B: Audit opinion (continued)

### Matters on which we report by exception

- We are required to report to you if:
- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
  - we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
  - we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
  - we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, London Borough of Barnet put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion. *[ Whilst no objections to the accounts from local government electors have yet been submitted, we would have to update the certificate if any are received ]*



## Appendix C: 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 Group Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the group financial statements of London Borough of Barnet and its subsidiary undertakings as shown in Appendix I to this letter, for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

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:

#### Group financial Statements

- We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code") which give a true and fair view in accordance therewith.
- We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group financial statements.
- The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the group or parent Council has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

## Appendix C: Letter of Representation (continued)

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.

- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv We believe that the Group and Council 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 Group or Council's ability to continue as a going concern need to be made in the financial statements.

### Information Provided

- xv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the group and parent Council 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 group and parent Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:
  - 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.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.
- xxi 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 group and parent Council financial statements.
- xxii We have disclosed to you the identity of all the group's and the parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

## Appendix C: Letter of Representation (continued)

### Annual Governance Statement

xxiv 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 was minuted by the Council's Audit Committee at its meeting on 30 July 2015.



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# Statement of Accounts

for the year ended

**31 March 2015**

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# Explanatory Foreword

## An Introduction to the Statement of Accounts

The Statement of Accounts for the London Borough of Barnet provides a picture of the council's financial position at 31 March 2015 and a summary of its income and expenditure in 2014/15. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards.

The Accounts will be approved by the Audit Committee on 30th July 2015 and the Independent Auditor's Report to Members of Barnet Council will assess whether the accounts provide a true and fair view of the council's financial position.

The accounts are published in full on the council's website at:

[http://www.barnet.gov.uk/info/10067/statement\\_of\\_accounts/62/statement\\_of\\_accounts](http://www.barnet.gov.uk/info/10067/statement_of_accounts/62/statement_of_accounts)

## Review of the Year

The Corporate Plan 2010-2015 set out three strategic objectives:

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

During 2014/15, nearly 3 out of 4 (73%) of the stretching targets against which success of the Corporate Plan is measured were achieved. Barnet was above the national benchmark in 83% of the services reported by the Local Government Association.

To support growth, development and success the council has brought back into use 130 vacant properties and facilitated building of 398 new affordable homes. This year has also seen £97m of Government support secured for a new station at Brent Cross and regeneration schemes are set to provide an additional 20,000 new homes and 30,000 jobs over the coming years. The council has also prevented 832 instances of homelessness and helped 392 households to find homes in the private rented sector. These successes have kept the number of households in emergency temporary accommodation below target during a challenging year.

The proportion of residents claiming Job Seekers Allowance decreased further to 1.6% in Barnet against a London backdrop of 2.1%, helped by having the 4<sup>th</sup> highest rate of engagement of 16-18 year olds in education, employment and training in the country.

To support families and individuals that need it, the council has focused on reducing the attainment gap between children eligible for Free School Meals and their peers. Barnet's troubled families team have turned around all 705 families who requested support in phase 1 of the programme and the team was selected to be an early starter for the expanded programme from September 2014. Schools have also received £116m over the last 5 years to ensure the Borough has enough high quality places and continues to achieve results in the top 10% of schools for GCSE performance.

Over the year the council has provided real- savings for residents through cutting Council Tax by 1% in 2014/15, with further plans to freeze Council Tax up to 2016/17, saving households nearly £300 a year. Satisfaction of residents has improved with nearly 9 out of 10 (88%) residents satisfied with Barnet as a place to live - 6% above the national average.

The council and its partners have continued to deliver quality services to residents and businesses. The council's Building Control service, provided by the Re joint-venture, received the Local Authority Building Control Bricks and Partnership Award in October 2014. Recycling, reuse and composting of residents' waste increased to 38%, from 33%, following the change in collections in October 2013. Barnet remains a safe place to live with burglary and robbery down 25% and 54% respectively compared to 2011/12.

The council's new website went live on 1 March 2015, including a new My Account facility to let residents view the status of multiple service accounts, track the status of environmental problems they've reported and

## Explanatory Foreword

conduct web-based transactions without having to re-enter their personal details. The council has also been named as one of 16 local authority 'Open Data Champions'.

In addition to the progress against the Corporate Plan targets, 85% of the key services across the council had met their performance targets at the end of 2014/15.

### Financial Performance

The council managed a net budget of £286.412m during 2014/15, from which savings totalling £18.292m were achieved – 96% of those planned for the year.

The actual expenditure of the council is subject to regular financial and operational monitoring and reported publically to the Performance and Contract Management Committee. The year-end financial position was reported to the Performance and Contract Monitoring Committee in May 2015.

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=7873&Ver=4>

The 2014/15 revenue outturn resulted in a 0.4% over spend of £1.079m as set below:

2014/15	Budget	Actual	(Under)/ overspend
Delivery Unit	£'000	£'000	£'000
Adults and Communities	90,746	93,218	2,472
Assurance	4,060	4,186	126
Children's Education	7,211	7,211	-
Children's Family Service (inc DSG)	50,436	50,505	69
Commissioning Group	7,760	7,760	-
Streetscene	15,357	15,399	42
Commercial - Infrastructure and Parking	(878)	(1,126)	(248)
Public Health	14,335	14,335	-
HB Public Law	1,952	1,883	(69)
Housing needs resources	4,833	5,170	337
Re	1,039	1,257	218
CSG	23,341	23,341	-
<b>Services Net Expenditure for the year</b>	<b>220,192</b>	<b>223,139</b>	<b>2,947</b>
Central Expenses (including reserves/ funding)	66,220	64,352	(1,868)
<b>Council's budget and outturn for the year</b>	<b>286,412</b>	<b>287,491</b>	<b>1,079</b>
<b>Financed by</b>			
Council Tax		(144,833)	
Grant income		(77,253)	
Business Rates		(51,070)	
Public Health		(14,335)	
<b>Total Financing</b>		<b>(287,491)</b>	

During the course of the financial year services have been proactively managing their financial positions, balancing the competing challenges of delivering savings and managing increasing levels of demand.

Two main areas of financial concern for the council have been highlighted during the course of the year:

1. Adults and Communities have experienced an increase in demand for Adult Social Care services, exacerbated by the needs of existing clients becoming more complex due to an aging population. This is coupled with the fact that clients who used to pay for 100% of their own care now have depleted funds and therefore become the financial responsibility of the council for their care needs. At the same time, during the course of the year we have seen an increase in the number of ordinary residents and clients



## Explanatory Foreword

who have been placed in Barnet by another borough (and following a claim become the responsibility of Barnet's Adult Social Care service) resulting in £0.800m of increased expenditure.

- Similar to Adults and Communities, Housing Needs Resources has seen an increase in demand during the course of the year for emergency temporary accommodation. In addition, there has been an increase in the rental market price for accommodation which, despite £0.916m of additional funding being allocated to the service, has led to a £0.337m overspend.

Despite the overspend of £1.079m, the council's final position illustrates the robust management of finances during these difficult economic and demographic conditions. The overspend will result in a reduction of general fund balances from £15.950m to £14.871m. However this is still broadly in line with the £15m balance as set by the Section 151 Officer to allow for in year volatility in spend.

The outturn is adjusted in the financial statements for a number of factors mainly due to accounting adjustments required by statute or reporting standards, in order to allow the accounts to be comparable against other local authorities and public sector bodies. The full detail of these adjustments is contained within Note 29 of the accounts, however a summary of the adjustments is listed below.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Council's outturn for the year</b>	<b>287,491</b>	<b>292,864</b>
Less Revaluations and Pension costs charged to services	(56,200)	(67,385)
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>231,291</b>	<b>225,479</b>
Plus Loss on transfer of Schools to Academies	-	22,702
Plus Other operating expenditure	4,255	10,448
less Net Interest received or plus paid on investments and loans	(2,526)	16,485
Less Council Tax, Business Rates and Grant Income (inc. capital)	(325,462)	(325,690)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(92,442)</b>	<b>(50,576)</b>
(Surplus)/Deficit on revaluation of non-current assets	(8,164)	(17,610)
(Gains) or Losses on the pension fund	88,315	10,053
<b>Total Comprehensive Income and Expenditure surplus</b>	<b>(12,291)</b>	<b>(58,133)</b>

The council spent £78.057m in 2014/15 on its capital programme, which is summarised in the table below. The in-year underspend of £24.465m will be profiled and subsequently spent in 2015/16.

	<b>2013/14</b>	<b>2014/15</b>	<b>Variance</b>
	<b>Actual</b>	<b>Actual</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Portfolio and Funding</b>			
Adults and Communities	2,570	956	(1,614)
Children's Family Services	1,925	1,240	(685)
Children's Education and Skills	34,501	31,183	(3,318)
Commissioning Group	2,210	1,308	(902)
Parking	90	-	(90)
Street Scene	3,083	2,525	(558)
Re Delivery Unit	30,169	15,272	(14,897)
The Barnet Group	155	1	(154)
Housing Revenue Account	27,819	25,572	(2,247)
<b>Total Expenditure</b>	<b>102,522</b>	<b>78,057</b>	<b>(24,465)</b>
<b>Financed by</b>			
Grants & Other Contributions		32,519	
Borrowing		8,516	
HRA Revenue/Major Repairs Allowance		24,555	
Reserves		2,268	
Revenue		6,679	
Capital Receipts		3,520	
<b>Total Resources</b>		<b>78,057</b>	

## Explanatory Foreword

Capital expenditure has focused on the following:-

- The schools expansion programme to meet the increased demand for school placements. In 2014/15 the council delivered 360 new school placements (Reception and year 7) through the opening of Milbrook primary school in Mill Hill and the expansion of a number of other schools including St Mary's and St Johns.
- The council continued to invest in the highway and footway programme of improvements along with the Decent Homes programme as planned.

The council is holding £114.219m of General Fund reserves at the end of 2014/15. This is an increase of £23.004m since last year. The increase is largely due to funding held to finance future capital commitments (£13.350m) and other reserves held for specific purposes such as The Dedicated Schools Grant, Housing Benefit and the improvements to street lighting.

The council's long term assets have increased by £68.731m, current assets by £39.045m, offset by an increase in long and short term liabilities of £95.485m. The increase in long term assets is due largely to increases in the valuations for council housing stock and investment properties. The current assets are as a result of increased cash and cash equivalents, and the liabilities as a result of the Pension scheme following the annual actuarial valuation review.

### Looking forward for the council

Through the setting of a five-year Corporate Plan, supported by the medium-term financial strategy, the council has sought to give the borough the best footing during a dynamic period for local government. Through setting these long-reaching and innovative plans, the council has provided certainty and plans for the future to allow it to focus resources on delivering services required by local residents. For the forthcoming year, the council needs to go further to ensure that residents continue to receive the quality of service that they expect and that the borough continues to prosper by ensuring Barnet is a place:

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

### Conclusion

As indicated earlier, the published accounts of the council form a complex, technical document and I therefore hope that the summary accounts also published provide a clearer view of the council's financial position for the year ended 31 March 2015.

Should you require further information about the accounting statements please contact the Finance Team at the London Borough of Barnet at: 1<sup>st</sup> Floor Building 4, North London Business Centre, Oakleigh Road South, Barnet, N11 1NP, or email [inspectionofaccounts@barnet.gov.uk](mailto:inspectionofaccounts@barnet.gov.uk)

With 5 year plans now in place the prospects for the future look more certain, albeit challenges still remain. The council will continue to work hard to ensure high quality services at the lowest possible cost are delivered to residents and businesses.

*John Hooton, Chief Operating Officer and Director of Finance (Section 151 Officer)*

## Statement of Responsibilities

### The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the London Borough of Barnet, that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of Barnet Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2015 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2015.



John Hooton  
Chief Operating Officer and Director of Finance (Section 151 Officer)

### Approval of Accounts

In accordance with the Accounts and Audit (England) Regulations 2011, I certify that the Statement of Accounts was approved by the Audit Committee

Chair of Audit Committee

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARNET**

### **Opinion on the Authority financial statements**

We have audited the financial statements of London Borough of Barnet for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of London Borough of Barnet, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group's explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:  
give a true and fair view of the financial position of London Borough of Barnet as at 31 March 2015 and of its expenditure and income for the year then ended;  
give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and  
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the explanatory forewords for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's

arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, London Borough of Barnet put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion. [ Whilst no objections to the accounts from local government electors have yet been submitted, we would have to update the certificate if any are received

Paul Hughes  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House  
Melton Street  
London  
NW1 2EP  
Date:

## Accounting Statements

### Movement in Reserves Statement (MIRS)

This statement shows the movement on the different reserves held by the authority, analysed into usable and unusable reserves and shows the increase or decrease in the net worth of the council. It provides an explanation of the changes in, and movements between, reserve accounts to increase or reduce the resources available to the council. It shows how the council's total Comprehensive Income and Expenditure is allocated to the council's reserves. The Surplus or (Deficit) on the Provision of Services, Other Comprehensive Income and Expenditure and Total Comprehensive Income and Expenditure are shown in more detail on the face of the Comprehensive Income and Expenditure Statement.

#### Movements in Reserves 2014/15

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	31,140	91,624	14,831	24,326	10,921	64,788	237,630	416,364	653,994
Surplus on provision of services	18,663	-	73,779	-	-	-	92,442	-	92,442
Other comprehensive expenditure and income	-	-	-	-	-	-	-	(80,151)	(80,151)
<b>Total comprehensive income and expenditure</b>	18,663	-	73,779	-	-	-	92,442	(80,151)	12,291
Adjustments between accounting basis and funding basis under regulations	1,929	3,479	(73,668)	17,797	7,009	11,494	(31,960)	31,960	-
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	20,592	3,479	111	17,797	7,009	11,494	60,482	(48,191)	12,291
Transfer to / from earmarked reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
Increase / (decrease) in year	(3,189)	24,531	111	21,276	7,009	10,744	60,482	(48,191)	12,291
<b>Balance at 31 March 2015</b>	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285

#### Movements in Reserves 2013/14

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000 *	£'000	£'000 *	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2013	30,592	75,513	16,072	21,227	6,637	58,728	208,769	387,092	595,861
Surplus on provision of services	17,179	-	33,397	-	-	-	50,576	-	50,576
Other comprehensive expenditure and income	-	-	-	-	-	-	-	7,557	7,557
<b>Total comprehensive income and expenditure</b>	17,179	-	33,397	-	-	-	50,576	7,557	58,133
Adjustments between accounting basis and funding basis under regulations	(520)	-	(34,638)	3,099	4,284	6,060	(21,715)	21,715	-
<b>Net increase / (decrease) before transfers to earmarked reserves</b>	16,659	-	(1,241)	3,099	4,284	6,060	28,861	29,272	58,133
Transfer to / from earmarked reserves	(16,111)	16,111	-	-	-	-	-	-	-
Increase / (decrease) in year	548	16,111	(1,241)	3,099	4,284	6,060	28,861	29,272	58,133
<b>Balance at 31 March 2014</b>	31,140	91,624	14,831	24,326	10,921	64,788	237,630	416,364	653,994

## Accounting Statements

### Comprehensive Income and Expenditure Statement

This statement summarises the income and expenditure made by the council in providing services during 2014/15. The statement also shows how the council's services are funded through council tax, business rates, government grants and fees and charges made by the council for its services.

Comprehensive Income and Expenditure Statement	Note	2014/15		2013/14			
		Gross expenditure £'000	Gross income £'000	Net expenditure £'000	Gross income £'000	Net expenditure £'000	
Central services to the public		2,805	(2,616)	189	3,762	(3,872)	(110)
Cultural & Related Services		18,497	(3,610)	14,887	18,266	(3,295)	14,971
Environmental & Regulatory Services		39,555	(9,220)	30,335	36,812	(7,801)	29,011
Planning Services		11,996	(22,006)	(10,010)	7,772	(19,914)	(12,142)
Public Health		14,370	-	14,370	13,160	-	13,160
Children's and education services		336,608	(233,402)	103,206	302,624	(232,389)	70,235
Highways and transport services		46,310	(17,783)	28,527	55,797	(17,591)	38,206
Housing services		279,968	(344,349)	(64,381)	312,215	(347,271)	(35,056)
Adult social services		130,221	(28,972)	101,249	126,843	(26,555)	100,288
Corporate and democratic core costs		13,883	(1,376)	12,507	9,193	(2,857)	6,336
Non distributed costs		832	(420)	412	964	(384)	580
<b>Surplus on Continuing Operations</b>		895,045	(663,754)	231,291	887,408	(661,929)	225,479
Other Operating Expenditure	9	5,061	(806)	4,255	33,150	-	33,150
Financing and Investment Income & Expenditure	10	22,317	(24,843)	(2,526)	20,839	(4,354)	16,485
Taxation and Non-Specific Grant Income	11	-	(325,462)	(325,462)	-	(325,690)	(325,690)
<b>Surplus on Provision of Services</b>				<b>(92,442)</b>			<b>(50,576)</b>
(Surplus) / Deficit on revaluation of non-current assets				(8,164)			(17,610)
Remeasurement of the net defined benefit liability	45			88,315			10,053
<b>Other Comprehensive Income and Expenditure</b>				<b>80,151</b>			<b>(7,557)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(12,291)</b>			<b>(58,133)</b>



## Accounting Statements

### Balance Sheet

The Balance Sheet provides a summary of what the council owns and owes together with the council's reserves, as set out in the Movement of Reserves Statement, as at 31 March 2015. Only usable reserves are available to support the delivery of the Council's services to residents. Details of the Usable Reserves can be seen in the Movement in Reserves Statement.

	Note	31 March 2015 £'000	31 March 2014 £'000	31 March 2014 £'000
Property plant & equipment	12	1,119,193		1,091,924
Heritage Assets	12	1,080		1,100
Investment properties	12	101,264		68,304
Intangible assets	12	7,200		1,792
Long term debtors	16	825		913
Long term investments	16	23,090		19,888
<b>Total long term assets</b>			1,252,652	1,183,921
Inventories	17	612		663
Short term investments	16	33,241		25,034
Short term debtors *	19	94,200		107,463
Assets held for sale	12	350		398
Cash and cash equivalents	21	206,537		160,177
<b>Total Current Assets</b>		334,940		293,735
Short term borrowing	16	(2,777)		-
Short term creditors	22	(90,437)		(93,828)
Cash and cash equivalents	21	(16,880)		(22,423)
Provisions	23	(7,691)		(4,765)
<b>Total Current Liabilities</b>		(117,785)		(121,016)
Long term borrowing	16	(304,735)		(306,116)
Provisions	23	(5,753)		(5,750)
Pension Scheme	45	(476,254)		(373,665)
Long term Lease	41	(16,780)		(17,115)
<b>Total Long Term Liabilities</b>		(803,522)		(702,646)
<b>Net Assets</b>		<b>666,285</b>		<b>653,994</b>
Usable reserves	24	298,112		237,630
Unusable reserves	25	368,173		416,364
<b>Total Reserves</b>		<b>666,285</b>		<b>653,994</b>

## Accounting Statements

### Cash Flow Statement

This shows the way cash has been generated or spent through capital and revenue transactions during the year and classifies the council's cash inflows and outflows between operating, investing and financing activities. Operating activities reflect the day to day income from grants and taxation together with expenditure on services provide by the council. Investing activities summarises the expenditure made to support future activities for example capital expenditure on housing and schools. Financing activities demonstrate how the council has managed its borrowings to fund its operating and investing activities.

	Note	2014/15		2013/14	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services		92,442		50,576	
Adjustment to surplus or deficit on the provision of services for noncash movements	26	21,954		35,031	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(73,776)		(63,722)	
<b>Net Cash flows from operating activities</b>			40,620		21,885
<b>Net Cash flows from Investing Activities</b>	27		8,708		1,731
<b>Net Cash flows from Financing Activities</b>	28		2,575		(1,168)
<b>Net increase or decrease in cash and cash equivalents</b>			51,903		22,448
<b>Cash and cash equivalents at the beginning of the reporting period</b>			137,754		115,306
<b>Cash and cash equivalents at the end of the reporting period</b>	21		189,657		137,754

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2014/15 and its position at the year end of 31 March 2015. The London Borough of Barnet is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

The accounts of the council are prepared on an accruals basis in accordance with the Code of Accounting Practice. This means that sums due to and from the council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Such amounts are included as part of the Receivables and Payables figures on the Balance Sheet.

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where NNDR and Council tax have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## Notes to the Accounts

### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that have a maturity date of less than three months at the Balance Sheet date. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

### iv. Exceptional Items

When items of income and expense are material their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

### v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## vii. Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The basis used to estimate the accrual is three fold:

- Employees that work 'Term Time Only', mainly teachers – a percentage based on how many holidays fall in the financial year is applied to annual salary, employer's national insurance contribution and employer's pension contribution.
- Non-teaching staff leave – holiday remaining at year end (to a maximum of 5 days, as per council's policy) is applied to annual salary, employer's national insurance contribution and employer's pension contribution.
- Non-teaching staff eligible for flexi contract – worst case scenario (+10hrs) will be assumed for all staff eligible for flexi contract and applied to their annual salary, employer's national insurance and employer's pension contribution.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-Employment Benefits

Employees of the council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Department for Education (DfE)
- The Local Government Pensions Scheme (LGPS)

## Notes to the Accounts

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

### Defined benefit schemes

The attributable assets of the LGPS scheme are measured at fair value and include current assets and investments. The attributable liabilities are measured on an actuarial basis using the projected unit method. Scheme liabilities are discounted at the AA corporate bond rate. The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The change in the defined benefit asset or liability is shown in the income and expenditure account and analysed into the following components:

- service cost comprising both current and past service cost and net interest on the net defined benefit liability. The increase in liabilities as a result of years of service earned this year (current service cost) and the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (past service cost). The current and past service cost is charged to the 'surplus on provision of services' line within the comprehensive income and expenditure statement. Services are charged on a pro-rata apportionment based on the amount paid by each service to the pension fund. Net interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises in the passage of time, charged to the comprehensive income and expenditure statement against the 'financing and investment income and expenditure' line.
- re-measurements comprising the return on plan assets excluding amounts included in net interest on the net defined benefit liability charged to the Pension Reserve and actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pension Reserve.
- contributions paid to the pension fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

### Defined contribution schemes

The teacher's scheme, whilst being a defined benefit scheme is treated as a defined contribution scheme as explained above. This means that the pension costs reported for any year is equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

### Accounting for Retirement Benefits within HRA

Day to day housing management is carried out by Barnet Homes therefore Barnet's HRA employs very few staff directly. The cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund cannot be justified. For this reason

## Notes to the Accounts

although the HRA has been reported on an IAS19 basis, no attempt has been made to show a separate liability related to defined benefit provision.

### Pension reserve

The pension reserve is the financial accounting mechanism to ensure that IAS19 has no impact on council tax; this is where the re-measurement of the net defined benefit liability is shown. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

Where the payments made for the year do not match the change in the council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is removed by an appropriation to or from the pension's reserve, which equals the net change in the pension's liability recognised in the Comprehensive Income and Expenditure Statement.

### viii. Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### ix. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 20143/154 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain. The definition of the financial instrument is: "Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity".

The term "financial instrument" covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

The council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The amortised cost is derived by taking the amount of the instrument at its inception, deducting the value of cash repayments made in year and adding on the interest charged / credited to the Comprehensive Income and Expenditure Statement. However, the Code requires

## Notes to the Accounts

that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

Premiums paid on the early settlement of debt are also classified as Financial Instruments. Regulations allow such premiums to be charged to general fund balances over the number of years equal to that which was remaining on the original loan, or to charge such premiums over a shorter time frame if desired. The council's policy is to spread the premium over the term that was remaining on the original loan which gave rise to the premium. The council provides further information on its Financial Instruments in the Notes to the Core Statements.

### x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Authority has elected to charge a Community Infrastructure Levy. The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The Community Infrastructure Levy is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. The Community Infrastructure Levy charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.



### xi. Heritage Assets

The council's heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The council's collections of heritage assets are accounted for as follows:

#### Property Heritage Assets

These are held on the Balance Sheet at value and are revalued every five years as part of the council's rolling programme of revaluations.

#### Mayor's Regalia and Silverware

These assets are held at insurance valuation and are valued every 3 years.

#### Heritage Assets not held on the Balance Sheet

The remaining heritage assets are not recognised on the Balance Sheet because cost information is not readily available and the council considers that obtaining valuations for these items would involve a disproportionate cost in comparison to the benefits to the users of the financial statements.

#### General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. The collection of heritage assets is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation. The heritage assets are deemed to have indeterminate lives and a high residual value; hence the council does not consider it appropriate to charge depreciation.

### xii. Intangible Assets

These are assets that do not have a physical form but which are identifiable and provide the council with rights to future economic benefits. The council carries just one type of intangible asset on its balance sheet, being the purchase of software licences. The policy is to amortise cost of the asset to revenue over its economic life, to reflect the pattern of consumption or benefits.

### xiii. Interests in Subsidiaries

The council has controlling interests in The Barnet Group Ltd (which includes Your Choice Barnet Ltd and Barnet Homes Ltd), Barnet Holdings Ltd, Regional Enterprises Ltd and The Inglis

## Notes to the Accounts

Consortium. These entities have the nature of subsidiaries and / or Join Ventures and the council is therefore required to prepare group accounts, unless the overall impact on the Group Accounts is not material.

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into Group Accounts. The situation has been reviewed for 2014/15 in consultation with Auditors and the decision was that group accounts were not required for 2014/15 on the grounds of materiality. A further review was undertaken once the final accounts for 2014/15 were available resulting in no change to the decision made in February 2015.

From 2014/15, CIPFA/LASAAC is of the view that local authority maintained schools are capable of being treated as separate entities for control purposes. This brings the school as an entity within the scope of the control criteria in IFRS 10.

As a consequence, schools transactions, including income, expenditure, assets, liabilities and reserves will be recognised in the Council's single entity accounts where applicable.

Income, expenditure, assets (excluding non-current assets), liabilities and reserves will all be consolidated into the single entity financial accounts of the Council as these transactions are deemed to be within the control of the local maintained school as entities within themselves. In regards to non-current assets, the approach adopted will be to consider, on a school by school basis, whether the local maintained school controls the non-current assets (including land, property, plant, equipment and playing fields) to identify whether 'control' exists to ascertain if consolidation is required.

### **xiv. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement with the value of works and services received under the contract during the financial year.

### **xv. Investment Property**

Investment properties are those that are used solely to earn rentals and / or for capital appreciations. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued on a 5-year cycle according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Receipts Reserve.

## Notes to the Accounts

### xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings element are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Council as Lessee

##### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

# Notes to the Accounts

## The Council as Lessor

### Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice

## Notes to the Accounts

2014/15 (SeRCOP). The costs are recharged through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc.) in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### xviii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Any expenditure on an asset that is under £50k is considered non-enhancing and is treated as revenue expenditure.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

## Notes to the Accounts

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUVSH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of fair value. Examples of specialist assets include: schools, leisure centres, crematorium and cemeteries prior to their being run on a more commercial basis.

The DRC method of valuation provides the current cost of replacing an asset with its Modern Equivalent Asset (MEA) less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The London Borough of Barnet, where possible, has used direct evidence from its own capital programmes to determine the MEA cost basis for specialist assets. Where this evidence is not available, Building Cost Information Service construction cost figures have been used.

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools and academies. Community and foundation schools are treated on balance sheet based on the risks and rewards the council is deemed to have, and voluntary aided schools and academies are not treated on balance sheet. This is under constant review and is updated in line with guidance from CIPFA.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The freehold and leasehold properties that comprise the council's property portfolio are subject to a 5 year rolling programme of revaluation, although Top 10 properties, all schools and all DRC's are valued every year, which is 80% of the council's portfolio. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The Revaluation Reserve contains

## Notes to the Accounts

revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- infrastructure, vehicles, plant, furniture and equipment – straight line allocation over its useful life;
- Council dwellings – Major repairs allowance (MRA) used as a proxy for depreciation.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Notes to the Accounts

### Componentisation

Under IFRS, each asset owned or leased by the council is divided up into significant component parts. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life. Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge.

Any component parts of an asset are de-recognised when the component is replaced, even if the original component had not been recognised separately for depreciation purposes. If it is not practical to determine the carrying amount of the replaced components, the cost of the new component is indexed back and then adjusted for depreciation. This is used as a reasonable proxy.

Assets less than £50k will not be considered for componentisation (on the basis of materiality). Assets will only have componentisation applied from 1 April 2010 when they have been revalued, enhanced or acquired. Until one of these events has occurred an asset will not need to be componentised. Componentisation affects all assets recognised under IAS16, IAS17 and IFRIC12.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to



## Notes to the Accounts

be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **xix. Private Finance Initiative (PFI)**

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services, are passed to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contract for no additional charge, the council carries the assets used under the contracts of its Balance Sheet as part of Property, Plant and Equipment. The council has one PFI contract for the maintenance of street lighting in the borough.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding balance sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the balance sheet liability towards PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## Notes to the Accounts

### xx. Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential (the settlement must be probable), and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

There is a specific Provision for Insurance which reflects the council's liability for events that have occurred as at the balance sheet date but where the timing of the payment is dependent upon the settlement process. The council's policy is to base the Insurance Provision on a valuation by an Independent Actuary.

A full breakdown of the council's Provisions as at Balance Sheet date is disclosed in Notes to the Core Statements.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **xxi. Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

All applications for specific reserves are subject to approval by the Chief Operating Officer and Director of Finance. Specific reserves are discretionary not mandatory. The council discloses a full breakdown of the council's specific reserves as at the Balance Sheet date in the Notes to the Core Statements.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

### **xxii. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples include Home Improvement Grants and expenditure on Voluntary Aided School land & buildings. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **xxiii. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **xxiv. Collection Fund**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). In its capacity as a billing authority an authority acts as an agent: it collects and distributes Council Tax and Income on behalf of the major preceptors and itself.

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year.

Local Authorities are required to show Business Rate Supplements (BRS) transactions on the face of the Collection Fund, this is in line with the 2013/14 Code of Practice.

From the year commencing 1 April 2013, in its capacity as a billing authority, the Council no longer acts solely as an agent for non-domestic rates on behalf of Central Government. The Council now

## Notes to the Accounts

collects and distributes NNDR income not only on behalf of Central Government, but on behalf of itself and major preceptors.

### xxv. Minimum Revenue Provision

Statute requires the authority to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP). Under capital accounting arrangements, the council's services are charged depreciation to reflect the consumption of capital assets used. The depreciation charge is treated as the council's revenue provision and any variation from the statutory minimum is transferred between the capital adjustment account and the income and expenditure account.

The MRP is calculated in accordance with the 2013/14 MRP Policy Statement agreed by Council on 05 March 2013 and CLG Guidance on MRP. The Council's Policy is to:

- Continue to charge 4% on capital expenditure incurred before 1 April 2008 and on future supported capital expenditure (Option 1 of Government guidance)
- Capital expenditure incurred on or after 1 April 2008 and funded by prudential borrowing will be repaid based on the useful asset life of the asset using equal annual instalments (Option 3 of Government guidance)

For PFI the council's policy is to charge MRP equal to the difference between lease payments and the finance charge.

Following a review of the adjustment factor, the long term debtor, housing factor and premium adjustment will be treated differently. This will result in a back dated adjustment of £9.193m and an on-going saving of £0.919m per annum.

### xxvi. Significant Management Judgement in Applying Accounting Policies and Estimation Uncertainty

The only significant estimations in the accounts relate to:

#### Bad debt

Bad debt is the extent to which an original amount of money owed to the council is impaired (no longer recoverable). The council's policy for estimating the provision required for bad debt is to firstly consider any specific debts which are regarded as being individually significant, e.g. bankruptcy of a company that owes a significant amount of money to the council. The remaining debt is then divided into the following groups:

- Tenants
- Council Tax
- Business Rates
- Other Local Authorities
- Sundry (trade) Receivables

## Notes to the Accounts

Each group has particular characteristics with regards to the debtor's propensity to pay the amount due. An assessment of impairment of debt for each group is then undertaken at the balance sheet date, based on historical loss experience but adjusted to reflect the current economic climate. The provision for bad debt is then estimated on this basis and the amount is reflected in the balance sheet carrying figure for Receivables. A movement on the outstanding debt of 1-2% has been considered and deemed to not material effect the provision.

### Useful lives of depreciable assets

Estimated useful lives and obsolescence levels are reviewed as part of the asset revaluation exercises or where, in the interim, there has been an enhancement to an asset that has extended its useful operational life

Asset Category	Maximum Years Estimated Useful Life
Land & Building	50
Schools	50
PFI street lights	25
Vehicles, Plant & Equipment	20
Intangibles	10
Infrastructure	30

### Fair value of financial instruments

The council's financial instruments are carried on the balance sheet at amortised cost. However, the Code requires that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

### Other

- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the Care Provider have not been received until after the end of the financial year.
- Pension Fund - estimates are made based on the triennial review which was undertaken in 2013.
- Property valuations - some estimates are made based on market forces.
- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2014/153/14.

### xxvii Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase which ends on 31 March 2014. Phase 2 of the scheme commenced on 01 April 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a

## Notes to the Accounts

liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### 2. Accounting Standards Issued, Not Adopted

The Code of Practice requires that the authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question.

These amendments relate to:

- The requirements of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board in effect for accounting periods commencing on the 1 January 2014 (as adopted by the EU) apply unless specifically adapted by the Code. This is with the exception of IFRS13 *Fair Value Measurement* as the adoption of this standard has been deferred into the 2015/16 Code.
- IFRS 10 Consolidated Financial Statements
- IAS32 Financial Instruments : Presentation

It is anticipated that details of the disclosure requirements for most of these changes will be included in the Code of Practice issued for 2015/16

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council is deemed to control the services provided under the agreement for street lighting and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the street lights are recognised as Property, Plant and Equipment on the council's Balance Sheet.
- The council has deposits in one Icelandic bank, Glitnir, which is in administration. The deposits being held on the council's balance sheet are held in Icelandic Kroner in an escrow account. The timing of the release of the funds is subject to the lifting of the Icelandic Government's restrictions on the export of foreign currency.

### 4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

## Notes to the Accounts

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, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differs from assumptions
Pensions Liability	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 projected to increase, charges in retirement ages, mortality rates and expected returns of pension funds.	The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2014/15 the council's actuaries advised that the net pension liability has increased by £102.59 million.
Asset Lives	Assets are depreciated over their estimated useful lives which are dependant on assumptions on the level of repairs and maintenance, technical obsolescence or unplanned failure. The reductions being experienced in central government funding may restrict the extent of investment in maintenance and repairs and so reduce asset lives or, conversely force the council to operate assets beyond their planned use so creating uncertainty in the useful lives assigned to assets.	If the assumptions around asset lives are reduced depreciation charges will need to be revised and the carrying value of the asset will fall or rise. The estimated impact of all assets having their useful lives reduced by one year would be an increase in the annual depreciation costs of £7.848 million. The impact of this change would not be required to be reflected in the level of Council Tax charge.
Debts	The Council has a substantial amount of debts outstanding at the year end against which a provision for bad debt has been made. However the continuing economic climate and changes in welfare benefits could give rise to a greater level of non-payment of the council's charges.	To mitigate the risk of increasing non-payment and subsequent bad debt additional reserves have been set aside to protect the council against this risk.

### 5. Material Items of Income and Expenditure

There were no material items of income or expenditure to report for 2014/15.

### 6. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2015 there have been no material events which would require an adjustment to the financial statements. A further review of post balance sheet events will be conducted prior to the approval of the accounts.

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2014</b>	31,140	91,624	14,831	24,326	10,921	64,788	237,630	416,364	653,993
<b>Movement in reserves during 2014/15</b>									
Surplus on provision of services	18,663	-	73,779	-	-	-	92,442	-	92,442
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(80,151)	(80,151)
Total Comprehensive Income and Expenditure	18,663	-	73,779	-	-	-	92,442	(80,151)	12,291
<b>Adjustments involving the Capital Adjustment Account:</b>									
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:									
Charges for depreciation and impairment of non current assets	26,674	-	20,180	-	-	-	46,854	(46,854)	-
Revaluation losses on Property Plant and Equipment (charged to SDPS)	(3,256)	-	(63,350)	-	-	-	(66,606)	66,606	-
Movements in the Market value of Investment Properties	(14,253)	-	-	-	-	-	(14,253)	14,253	-
Amortisation of Intangible assets	659	-	-	-	-	-	659	(659)	-
Capital Grants and contributions applied	(17,912)	-	-	-	-	-	(17,912)	17,912	-
Revenue Expenditure Funded From Capital Under Statute	32,396	-	-	-	-	-	32,396	(32,396)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-
<b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Statutory provision for the financing of capital investment	(713)	-	-	-	-	-	(713)	713	-
Capital expenditure charged against the General Fund and HRA balances	(6,628)	-	-	-	-	-	(6,628)	6,628	-
<b>Adjustments involving the Capital Grants Unapplied Account:</b>									
Capital Grants and contributions unapplied credited to CIES	(29,557)	-	-	-	-	29,557	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	(18,063)	(18,063)	18,063	-
<b>Adjustments involving the Capital Receipts Reserve:</b>									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(556)	3,479	(2,394)	22,827	-	-	23,356	(23,356)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,268)	-	-	(3,520)	-	-	(5,788)	5,788	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,582	-	-	(1,582)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	72	-	-	72	(72)	-
<b>Adjustments involving the Major Repairs Reserve:</b>									
Reversal of Major Repairs Allowance credited to the HRA	(49)	-	(28,109)	-	28,158	-	(21,149)	21,149	-
Use of the Major Repairs reserve to finance new capital expenditure	-	-	-	-	(21,149)	-	(21,149)	21,149	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>									
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	5	-	5	-	-	-	10	(10)	-
<b>Adjustments involving the Pension Reserve:</b>									
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement	36,218	-	-	-	-	-	36,218	(36,218)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,944)	-	-	-	-	-	(21,944)	21,944	-
<b>Adjustments involving the Collection Fund Adjustment Account:</b>									
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	2,463	-	-	-	-	-	2,463	(2,463)	-
<b>Adjustments involving the Accumulated Absences Account:</b>									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(932)	-	-	-	-	-	(932)	932	-
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>									
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	1,929	3,479	(73,668)	17,797	7,009	11,494	(31,960)	31,960	-
Transfer to / from Earmarked Reserves	20,592	3,479	111	17,797	7,009	11,494	60,482	(48,191)	12,291
<b>Increase / Decrease in Year</b>	(23,781)	21,052	-	3,479	-	(750)	-	(48,191)	12,291
<b>Balance at 31 March 2015 carried forward</b>	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285

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## Notes to the Accounts

### Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Useable Reserves	Unusable Reserves	Total Authority Reserves			
<b>Balance at 31 March 2013</b>	30,692	75,513	16,072	21,227	6,637	58,728	208,769	387,092	595,861			
<b>Movement in reserves during 2013/14</b>												
Surplus on provision of services*	17,179	-	33,397	-	-	-	50,576	-	50,576			
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	7,557	7,557			
Total Comprehensive Income and Expenditure	17,179	-	33,397	-	-	-	50,576	7,557	58,133			

#### Movement in reserves during 2013/14

Surplus on provision of services\*  
Other Comprehensive Expenditure and Income  
Total Comprehensive Income and Expenditure

#### Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation and impairment of non current assets

Revaluation losses on Property Plant and Equipment (charged to SDPS)\*

Movements in the Market value of investment Properties

Amortisation of Intangible assets

Capital Grants and contributions applied

Revenue Expenditure Funded From Capital Under Statute

Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES

Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement

Statutory provision for the financing of capital investment

Capital expenditure charged against the General Fund and HRA balances

Application of grants to capital financing transferred to the Capital Adjustment Account

Capital Grants and contributions unapplied credited to CIES

Application of grants to capital financing transferred to the Capital Adjustment Account

Adjustments involving the Capital Receipts Reserve:

Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES

Use of the Capital Receipts Reserve to finance new capital expenditure

Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool

Transfer from Deferred Capital Receipts Reserve upon receipt of cash

Adjustments involving the Major Repairs Reserve:

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs reserve to finance new capital expenditure

Adjustments involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements

Adjustments involving the Pension Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement

Employer's pensions contributions and direct payments to pensioners payable in the year

Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements

Adjustment involving the Accumulated Absences Account:

Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

Adjustments between accounting basis & funding basis under regulations

Net Increase / Decrease before Transfers to Earmarked Reserves

Transfer to / from Earmarked Reserves

Increase / Decrease in Year

Balance at 31 March 2014 carried forward

\*Re-stated

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	30,692	75,513	16,072	21,227	6,637	58,728	208,769	387,092	595,861			
	17,179	-	33,397	-	-	-	50,576	-	50,576			
	-	-	-	-	-	-	-	7,557	7,557			
	17,179	-	33,397	-	-	-	50,576	7,557	58,133			
	25,378	-	19,404	-	-	-	44,782	(44,782)	-			
	(9,484)	-	(26,869)	-	-	-	(36,353)	36,353	-			
	(866)	-	-	-	-	-	(866)	866	-			
	866	-	-	-	-	-	866	(866)	-			
	(22,324)	-	-	-	-	-	(22,324)	22,324	-			
	28,224	-	-	-	-	-	28,224	(28,224)	-			
	30,423	-	470	-	-	-	30,893	(30,893)	-			
	(6,978)	-	-	-	-	-	(6,978)	6,978	-			
	(11,430)	-	-	-	-	-	(11,430)	11,430	-			
	(20,384)	-	-	-	-	20,384	-	-	-			
	-	-	-	-	-	(14,324)	(14,324)	14,324	-			
	(2,258)	-	(62)	21,014	-	-	18,694	(18,694)	-			
	-	-	-	(16,567)	-	-	(16,567)	16,567	-			
	1,532	-	-	(1,532)	-	-	-	-	-			
	-	-	-	184	-	-	184	(184)	-			
	-	-	(27,366)	-	-	-	-	-	-			
	(2)	-	(215)	-	-	-	(217)	217	-			
	6,787	-	-	-	-	-	6,787	(6,787)	-			
	(21,030)	-	-	-	-	-	(21,030)	21,030	-			
	1,292	-	-	-	-	-	1,292	(1,292)	-			
	(266)	-	-	-	-	-	(266)	266	-			
	(520)	-	(34,638)	3,099	4,284	6,060	(21,715)	21,715	-			
	16,659	-	(1,241)	3,099	4,284	6,060	28,861	29,272	58,133			
	548	16,111	(1,241)	3,099	4,284	6,060	28,861	29,272	58,133			
	31,140	91,624	14,831	24,326	10,921	64,788	237,630	416,364	653,994			

## Notes to the Accounts

### 8. Transfers to / from Earmarked Reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives that would not be able to proceed unless money had previously been set aside.

The movement on the council's earmarked reserves during the year is shown below:

	Reserve b/fwd at 01/04/2013	In year related Expenditure	Written back in year	New Reserves Raised	Reserve b/fwd at 31/03/2014	In year related Expenditure	Written back in year	New Reserves Raised	Reserve c/fwd at 31/03/2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central - Capital (i)	191	(111)	-	-	80	(1,735)	-	3,111	1,456
Central - Financing (ii)	2,836	(244)	-	-	2,592	-	-	-	2,592
Central - Infrastructure (iii)	14,956	-	-	7,609	22,565	(533)	-	12,507	34,539
Central - Risk (iv)	16,267	(8,224)	-	7,457	15,500	(4,885)	-	1,653	12,268
Central - Service Development (v)	6,517	(3,251)	-	6,311	9,577	(13,578)	-	11,945	7,944
Central - Transformation (vi)	13,544	(5,156)	-	2,905	11,293	(7,213)	-	11,000	15,080
Service - Other (vii)	20,793	(8,645)	-	17,460	29,608	(13,604)	-	24,336	40,340
Sub Total General Fund Earmarked	75,104	(25,631)	-	41,742	91,215	(41,548)	-	64,552	114,219
Special Parking Account (SPA)	409	-	-	-	409	-	-	1,527	1,936
Total Earmarked Reserves	75,513	(25,631)	-	41,742	91,624	(41,548)	-	66,079	116,155

- i) Capital - to fund future capital expenditure
- ii) Financing - financing the effective management of the medium term financial strategy
- iii) Infrastructure - the new homes bonus will be set aside in this reserve to fund the cost of infrastructure in Barnet
- iv) Risk – to manage litigation and other corporate risks not otherwise recognised
- v) Service development - to fund new commissions and service transformation proposals
- vi) Transformation – to fund the transformation programme to change, protect and improve council services
- vii) Service –other. Including: Dedicated Schools grant (DSG) – balances in respect of delegated schools budgets. Changes in Benefit subsidy – to cover anticipated costs in respect of Department of Works and Pensions enforced changes to Benefits administration. Street lighting scheme – improvements to management.

### 9. Other Operating Expenditure

	2014/15 £'000	2013/14 £'000
Precepts and levies	1,450	1,488
Trading operations	2,028	810
Contribution to government housing pool	1,583	1,532
(Gain) / loss on disposal *	(806)	29,320
Total	<b>4,255</b>	<b>33,150</b>

\* No schools transferred to Academy status in 2014/15 (2013/14 £22.702m transferred in respect of 4 schools).

## Notes to the Accounts

### 10. Financing and Investment Income and Expenditure

	2014/15 £'000	2013/14 £'000
Interest and Investment Income	(4,122)	(4,354)
Net interest on the net defined benefit liability	15,980	15,083
Interest payable and similar charges	6,337	5,343
Movement in investment property valuation	(20,721)	413
Total	<b>(2,526)</b>	16,485

### 11. Taxation and Non-Specific Grant Income

	2014/15 £'000	2013/14 £'000
Demand on Collection Fund	(173,909)	(171,793)
Revenue grant support	(65,247)	(77,121)
Business Rates Related	(19,004)	(17,435)
Non-specific grants	(19,949)	(18,514)
Public Health Grant	(14,335)	(13,799)
Capital grants unapplied	(22,908)	(8,368)
Capital grants applied	(10,112)	(18,660)
Total	<b>(325,462)</b>	(325,690)

### 12. Movement of Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale

The Principal Valuation Manager, Judith Ellis MRICS, values the Council's freehold property portfolio in accordance with the statements of asset valuation practice and the guidance notes of the Royal Institute of Chartered Surveyors (RICS). The valuation basis for each of the asset categories included in the council's balance sheet is detailed in the accounting policies.

The valuation date for council dwellings was 31 March 2015. Where applicable the valuation date for all other assets was 01 April 2014. This date was used as directed by the RICS, to allow sufficient time to collect and assess valuation information.

Consideration has been given by the Principal Valuation Manager as to whether there have been any significant adverse changes in the statutory or regulatory environment during the accounting period which could have affected the above valuations with the conclusion that there has not been any such change.

From 2014/15, local authority maintained schools are capable of being treated as separate entities for control purposes. As a consequence, schools, assets, will be recognised in the Council's single entity accounts where applicable.

For 2014/15 each school has been considered on a school by school basis, to establish whether the school controls the non-current assets (including land, property, plant, equipment and playing fields). As a result all Community and Foundation schools have been included in the balance sheet.

At 31 March 2015, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years, budgeted to cost £20.702m (£25.627m in 2013/14\*).

\*re-stated for missing highways and Education commitments

## Notes to the Accounts

### Movement of Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2014/15

	Property, Plant and Equipment										Total PPE £'000	Heritage Assets £'000	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	Total Assets £'000
	Council House Dwellings £'000	Other land and Buildings £'000	Schools £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus assets under construction £'000	Assets £'000	£'000	£'000						
<b>Value of assets at 31 March 2014</b>	652,133	163,692	207,036	55,766	162,213	336	16,595	44,270	1,302,041	1,112	68,306	7,759	398	1,379,616		
Reclassifications	-	(19,522)	-	(73)	-	(10)	-	-	(19,605)	-	19,605	-	-	-		
Additions from AUC	25,572	1,959	32,259	3,298	5,415	-	-	(74,569)	(6,066)	-	-	6,066	-	-		
Additions	-	-	-	-	417	-	-	45,661	46,078	-	-	-	-	46,078		
Revaluation increases recognised in the Revaluation Reserve	1,359	-	2,016	-	-	-	1,725	-	5,100	-	-	-	-	5,100		
Revaluation decreases recognised in the Revaluation Reserve	(31)	(2,040)	(11,798)	-	-	-	-	-	(13,869)	(28)	-	-	-	(13,897)		
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	565	2,821	-	-	-	-	-	3,386	-	22,258	-	-	25,644		
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(3,821)	(2,410)	(4,999)	-	-	(10)	-	-	(11,240)	-	(1,772)	-	-	(13,012)		
Derecognition - Disposals	(16,115)	(120)	-	-	-	-	-	-	(16,235)	-	(7,131)	-	(48)	(23,414)		
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Value of assets at 31 March 2015</b>	659,097	142,124	227,335	58,991	168,045	316	18,320	15,362	1,289,590	1,084	101,266	13,825	350	1,406,115		
<b>Accumulated Depreciation at 31 March 2014</b>	(67,343)	(18,744)	(9,881)	(36,358)	(77,735)	-	(56)	-	(210,117)	(12)	(2)	(5,967)	-	(216,098)		
Reclassifications	-	211	-	25	-	-	-	-	236	-	(236)	-	-	-		
Writeback of depreciation on revaluation	67,343	7,065	9,716	-	-	-	-	-	84,124	8	236	-	-	84,368		
Derecognition - Disposals	-	55	-	-	-	-	-	-	55	-	-	-	-	55		
Derecognition - Other	-	-	-	-	-	-	(29)	-	(44,695)	-	-	(658)	-	(45,353)		
Depreciation charge	(19,003)	(4,241)	(7,203)	(3,361)	(10,858)	-	-	-	(44,695)	-	-	-	-	(45,353)		
	(19,003)	(15,654)	(7,368)	(39,694)	(88,593)	-	(85)	-	(170,397)	(4)	(2)	(6,625)	-	(177,028)		
<b>Net book value of Asset at 31 March 2014</b>	584,790	144,948	197,155	19,408	84,478	336	16,539	44,270	1,091,924	1,100	68,304	1,792	398	1,163,518		
<b>Net book value of Asset at 31 March 2015</b>	640,094	126,470	219,967	19,297	79,452	316	18,235	15,362	1,119,193	1,080	101,264	7,200	350	1,229,087		

## Notes to the Accounts

### Movement of Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2013/14\*

	Property, Plant and Equipment										Total PPE £'000	Heritage Assets £'000	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	Total Assets £'000
	Council House Dwellings	Other land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under construction	£'000	£'000						
<b>Value of assets at 31 March 2013</b>	610,322	171,176	225,768	43,553	151,982	369	14,142	22,019	1,239,331	1,069	67,733	7,758	16,191	1,332,082		
Reclassifications	-	(3,453)	-	-	-	-	9,999	-	6,546	-	4,882	-	(11,428)	-		
Additions from AUC	27,134	945	2,358	12,507	9,826	-	-	(52,966)	(196)	-	-	196	-	-		
Additions	-	-	-	-	405	-	-	75,217	75,622	-	-	-	-	75,622		
Revaluation increases recognised in the Revaluation Reserve	17	1,410	2,359	-	-	-	100	-	3,886	43	-	-	605	4,534		
Revaluation decreases recognised in the Revaluation Reserve	(3)	(9,556)	(185)	-	-	-	(103)	-	(9,847)	-	-	-	(480)	(10,327)		
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	26,870	4,167	4,849	-	-	-	-	-	35,886	-	4,072	-	-	39,958		
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	(97)	-	(33)	(54)	-	(184)	-	(4,648)	(195)	-	(5,027)		
Derecognition - Disposals	(12,207)	(640)	(28,113)	(197)	-	-	(7,489)	-	(48,646)	-	(3,733)	-	(4,490)	(56,869)		
Derecognition - Other	-	(357)	-	-	-	-	-	-	(357)	-	-	-	-	(357)		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Value of assets at 31 March 2014</b>	652,133	163,692	207,036	55,766	162,213	336	16,595	44,270	1,302,041	1,112	68,306	7,759	398	1,379,616		
<b>Accumulated Depreciation at 31 March 2013</b>	(48,537)	(20,131)	(25,650)	(34,218)	(67,104)	-	(5)	-	(195,645)	(12)	(1,452)	(5,103)	(860)	(203,072)		
Reclassifications	-	(838)	-	-	-	-	(22)	-	(860)	-	-	-	860	-		
Writeback of depreciation on revaluation	151	5,816	17,345	91	-	-	-	-	23,403	-	160	-	-	23,563		
Derecognition - Disposals	-	156	5,682	157	-	-	-	-	5,995	-	1,290	-	-	7,285		
Derecognition - Other	-	357	-	-	-	-	-	-	357	-	-	-	-	357		
Depreciation charge	(18,957)	(4,104)	(7,258)	(2,388)	(10,631)	-	(29)	-	(43,367)	-	-	(864)	-	(44,231)		
	(67,343)	(18,744)	(9,881)	(36,358)	(77,735)	-	(56)	-	(210,117)	(12)	(2)	(5,967)	-	(216,098)		
<b>Net book value of Asset at 31 March 2013</b>	561,785	151,044	200,118	9,337	84,879	369	14,138	22,019	1,043,689	1,057	66,279	2,655	15,333	1,129,013		
<b>Net book value of Asset at 31 March 2014</b>	584,790	144,948	197,155	19,408	84,478	336	16,539	44,270	1,091,924	1,100	68,304	1,792	398	1,163,518		

\*13/14 has been restated to correctly show impairment movements against the asset value and not in the accumulated depreciation as stated previously. One school was also previously included in Other Land and Buildings and has been corrected.

## Notes to the Accounts

### 13. Heritage Assets

The council's heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the council's history and local area.

Movement on Heritage Asset balances are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

### 14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

<b>Investment Properties</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	(2,797)	(2,865)
Direct operating expenses arising from investment property	-	-
Net (gain) / loss	<u>(2,797)</u>	<u>(2,865)</u>

Movements in the fair value of investment properties are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

### 15. Intangible Assets

The council accounts for its software as intangible assets, unless the software is an integral part of a particular IT system in which case it is accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets have been internally generated. Movements on Intangible Asset balances are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

### 16. Financial Instruments

#### Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan portfolio at year end consisted of PWLB and market debt. Under the 2014/15 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

#### Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

## Notes to the Accounts

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit or Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds, call/notice accounts. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (i.e. Trade Debtors) are classified as Loans and Receivables. These have been measured at cost on the Balance Sheet.

Balances in money market funds and call accounts at 31 March 2015 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council does not have any investments required to be measured at Fair Value through Profit or Loss.

### Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach.

### Financial Instruments - Balances

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long Term 31/03/2015 £'000	Long Term 31/03/2014 £'000	Current 31/03/2015 £'000	Current 31/03/2014 £'000
Borrowing	304,735	306,116	2,777	-
Trade Creditors	-	-	40,342	48,704
Bank Overdraft	-	-	16,880	22,423
PFI/Finance Lease Liabilities	16,780	17,115	334	295
<b>Total Financial Liabilities at amortised cost</b>	<b>321,515</b>	<b>323,231</b>	<b>60,333</b>	<b>71,422</b>
Loans	825	913	-	-
Receivables	23,090	19,888	327,215	266,629
<b>Total Financial Assets</b>	<b>23,915</b>	<b>20,801</b>	<b>327,215</b>	<b>266,629</b>

## Notes to the Accounts

The following table reflects the composition of investments and debt recorded on the Balance Sheet:

	Long Term 31/03/2015 £'000	Long Term 31/03/2014 £'000	Current 31/03/2015 £'000	Current 31/03/2014 £'000
<b>Borrowing:</b>				
Nominal Amount	304,080	304,080	-	-
Accrued Interest	-	1,419	2,777	-
Unamortised Discounts/(Premiums) on Modified Loan(s)	655	617	-	-
<b>Total Borrowings as per Balance Sheet</b>	<b>304,735</b>	<b>306,116</b>	<b>2,777</b>	<b>-</b>
<b>Investments:</b>				
Nominal Amount	22,953	19,799	203,700	160,100
Accrued Interest	137	89	712	221
<b>Total Investments as per Balance Sheet</b>	<b>23,090</b>	<b>19,888</b>	<b>204,412</b>	<b>160,321</b>

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2014/15.

Current Investments includes £171.171m which appears on the balance sheet under cash and cash equivalents being investments repayable within 90 days. The balance of £33.241m is shown as short term investments.

### Soft Loans – Balances

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The Code of Practice sets out specific accounting and disclosure requirements for soft loans. The Council does not have any soft loans.

### Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total 2014/15 £'000
Interest payable and similar charges	(11,705)	-	(11,705)
Interest Income	-	1,497	1,497
<b>Net gain/(loss) for the year</b>	<b>(11,705)</b>	<b>1,497</b>	<b>(10,208)</b>

### Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, a Council is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.



## Notes to the Accounts

The Council's long term loans are carried in the Balance Sheet at amortised cost. Investments consist of loan and receivables which are carried on the Balance Sheet at amortised cost.

The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2014 and 31 March 2015 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council wrote to the lender. Due to no response, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, call/notice account deposits and Money Market Fund (MMF) investments. The maturity dates of these investments i.e. trade debtors and creditors, were all within 12 months of the Balance Sheet date. In the case of short term instruments and deferred liabilities (PFI, finance leases, etc) the Council deems the carrying amount to be a reasonable approximation of the fair value.

Short term instruments and deferred liabilities	Carrying Amount		Fair Value	
	31/03/2015	31/03/2015	31/03/2014	31/03/2014
	£'000	£'000	£'000	£'000
<b>Financial Liabilities:</b>				
Borrowing	307,512	413,558	306,116	340,198
Deferred Liabilities	13,444	13,444	10,515	10,515
Trade Payables (Creditors)	42,502	42,502	48,704	48,704
<b>Total Financial Liabilities</b>	<b>363,458</b>	<b>469,504</b>	<b>365,335</b>	<b>399,417</b>
<b>Financial Assets:</b>				
Long Term Investments	23,090	23,090	19,888	19,882
Short Term Deposits	171,171	171,171	135,287	135,287
Short Term Investments	33,241	33,241	25,034	25,050
Trade Receivables (Debtors)	87,437	87,437	81,418	81,418
<b>Total Financial Assets</b>	<b>314,939</b>	<b>314,939</b>	<b>261,627</b>	<b>261,637</b>

### Financial Liabilities

The fair value of long-term liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

## Notes to the Accounts

### Financial Assets

The fair value for long term investments at the Balance Sheet date includes £2.942m representing the outstanding investment in Icelandic banks.

### 17. Inventories

The council's inventories at 31 March are shown below:

	2014/15 £'000	2013/14 £'000
Works in progress	-	-
Stock	612	663
<b>Total</b>	<b>612</b>	<b>663</b>

### 18. Construction Contracts

At 31 March 2015 the council had one construction contract in progress: the construction of a free school for the Department for Education (DfE). The value of work completed has been established using a stage of completion methodology based on architects' certificates obtained at year end. The amounts received from the DfE at 31 March 2015 were as follows:

	2014/15 Department of Education £'000	2013/14 Department of Education £'000
Costs incurred to date	60	633
Revenue recognised:		
- before 1st April 2014	(1)	(263)
- before 1st April 2015	(59)	(370)
Profit / (loss)	-	-
Advances received	-	(1)
Comprising- works to be carried out	-	1

### 19. Debtors

An analysis of the council's debtors as at 31 March is as follows:

	2014/15 £'000	2013/14 £'000
Central Government Bodies	10,759	28,648
Other Local Authorities	475	2,205
Public Corporations and Trading Funds	596	225
NHS bodies	99	1,659
Bodies External to General Government	87,437	81,418
Payments in Advance	27,489	30,114
Sub total	126,855	144,269
Less: provision for bad debts	(32,655)	(36,806)
Net total	<b>94,200</b>	<b>107,463</b>

## Notes to the Accounts

The following approach was taken with regards to estimating the provision for bad debts. In this context, provision for bad debts means the extent to which the original amount of debt is impaired (recovery could be doubtful). The council will still continue to pursue these debts. The council's debtors were considered collectively for impairment, as there was no individual debtor that was considered to be individually significant. Total debtors were then divided into the following subgroup:

- Tenants
- Council Tax
- Other local authorities and public bodies
- Sundry (trade) debtors

Historical data shows that each of these sub-groups has different characteristics as to the debtors' propensity to pay all amounts due. An assessment of impairment of debtors of each sub group was undertaken at the balance sheet date based primarily on historical loss experience and adjusted to reflect the current economic climate and the council's debt management procedures. There are currently no debts past due which are not impaired.

### 20. Assets Held for Sale

Movements in the assets held for sale are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

### 21. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	2014/15 £'000	2013/14 £'000
Cash	35,366	24,890
Short term deposits	171,171	135,287
Amount disclosed in Current Assets	206,537	160,177
Overdraft: disclosed in Current liabilities	(16,880)	(22,423)
<b>Total</b>	<b>189,657</b>	<b>137,754</b>

Excluded from Cash and cash equivalents is £1.253m held on behalf of third parties and is not available to support the council's operations.//////////

### 22. Creditors

An analysis of the council's creditors as at 31 March is as follows:

	2014/15 £'000	2013/14 £'000
Central Government Bodies	23,451	29,353
Other Local Authorities	5,299	2,501
Public Corporations and Trading Funds	8,924	2,693
NHS bodies	-	1,813
Bodies External to General Government	40,342	48,704
Receipts in Advance	10,261	8,764
<b>Creditor total</b>	<b>88,277</b>	<b>93,828</b>

## Notes to the Accounts

### 23. Provisions

Provisions are amounts of money set aside to meet liabilities that have arisen from past events and which are likely to result in the future transfer of economic benefit to a third party. However, the precise amount and timing of such a transfer is uncertain. Provisions are included as expenditure within the net cost of services within the Comprehensive Income and Expenditure Statement and are split between current and long term on the balance sheet.

	Note	As at 1/04/2013 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 1/04/2014 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31/03/2015 £'000
Carbon Reduction Commitment		383	(368)	-	358	373	(373)	-	-	-
Grants to Voluntary Sector	i)	106	(80)	-	79	105	(71)	(12)	61	83
Housing & Property	ii)	319	(2)	(62)	1	256	-	-	-	256
Insurance	iii)	9,174	(180)	(144)	-	8,850	-	-	-	8,850
Legal	iv)	304	(220)	-	-	84	(29)	-	794	849
Services Provision Related	v)	402	(402)	-	795	795	(376)	-	347	766
Redundancy costs		492	(491)	(1)	52	52	(52)	-	-	-
Business Rates Appeals	vi)	-	-	-	-	-	-	-	2,640	2,640
<b>Total</b>		<b>11,180</b>	<b>(1,743)</b>	<b>(207)</b>	<b>1,285</b>	<b>10,515</b>	<b>(901)</b>	<b>(12)</b>	<b>3,842</b>	<b>13,444</b>
						Short Term	4,765		Short Term	7,691
						Long term	5,750		Long term	5,753

- i) Grants to Voluntary Sector - Awards, or proportions of awards, to voluntary and community groups from the corporate grants budget in previous years remain outstanding pending compliance with special conditions in each case.
- ii) Housing & Property - Relates predominately to the North London Business Park due to extra space taken on the ground floor in prior years.
- iii) Insurance - Provision is for liabilities that have occurred but where the timing of the payment is dependent upon the claim settlement process. The provision reflects 100% of the council's ultimate projected liabilities.
- iv) Legal - This provision is to cover the potential liability of an on-going legal case.
- v) Service Provision – The majority of items relate to residential care- ordinary residents cases.
- vi) Business Rates - Provision is to cover settlement of previous and potential appeals by rate payers

### 24. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement.

## Notes to the Accounts

### 25. Unusable Reserves

Movements in the council's unusable reserves are detailed below:

	Revaluation Reserve*	Capital Adjustment Account*	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Compensated Absences Adjustment	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
<b>Balance at 31 March 2014</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Movement in reserves during 2014/15</b>	130,844	655,664	(536)	9,382	(373,665)	(5,508)	183	416,364	653,994
Surplus / (Deficit) on provision of services	-	-	-	-	-	-	-	-	92,442
Other Comprehensive Expenditure and Income	8,164	-	-	-	(88,315)	-	-	(80,151)	(80,151)
<b>Total Comprehensive Income and Expenditure</b>	<b>8,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,315)</b>	<b>-</b>	<b>-</b>	<b>(80,151)</b>	<b>12,291</b>
Adjustments between accounting basis & funding basis under regulations	(4,594)	52,441	(10)	(2,463)	(14,274)	932	(72)	31,960	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>3,570</b>	<b>52,441</b>	<b>(10)</b>	<b>(2,463)</b>	<b>(102,589)</b>	<b>932</b>	<b>(72)</b>	<b>(48,191)</b>	<b>12,291</b>
Transfer to / from Earmarked Reserves	-	-	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>3,570</b>	<b>52,441</b>	<b>(10)</b>	<b>(2,463)</b>	<b>(102,589)</b>	<b>932</b>	<b>(72)</b>	<b>(48,191)</b>	<b>12,291</b>
Balance at 31 March 2015 carried forward	134,414	708,105	(546)	6,919	(476,254)	(4,576)	111	368,173	666,285

	Revaluation Reserve*	Capital Adjustment Account*	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Compensated Absences Adjustment	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
<b>Balance at 31 March 2013</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Movement in reserves during 2013/14</b>	136,399	624,034	(753)	10,674	(377,855)	(5,774)	367	387,092	595,861
Surplus / (Deficit) on provision of services	17,610	-	-	-	(10,053)	-	-	7,557	50,576
Other Comprehensive Expenditure and Income	17,610	-	-	-	(10,053)	-	-	7,557	7,557
<b>Total Comprehensive Income and Expenditure</b>	<b>(23,165)</b>	<b>31,630</b>	<b>217</b>	<b>(1,292)</b>	<b>14,243</b>	<b>266</b>	<b>(184)</b>	<b>21,715</b>	<b>-</b>
Adjustments between accounting basis & funding basis under regulations	(5,555)	31,630	217	(1,292)	4,190	266	(184)	29,272	58,133
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(5,555)</b>	<b>31,630</b>	<b>217</b>	<b>(1,292)</b>	<b>4,190</b>	<b>266</b>	<b>(184)</b>	<b>29,272</b>	<b>-</b>
Transfer to / from Earmarked Reserves	-	-	-	-	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>130,844</b>	<b>655,664</b>	<b>(536)</b>	<b>9,382</b>	<b>(373,665)</b>	<b>(5,508)</b>	<b>183</b>	<b>416,364</b>	<b>653,994</b>

\*Restated for a prior period impairment reversal error where impairments were overstated.

## Notes to the Accounts

### Revaluation Reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

The revaluation reserve has been restated for 2013/14. The restatement relates to impairment reversals that were made in 2008/09 which were incorrectly reversed therefore leading to the Capital adjustment account being overstated and the Revaluation reserve understated. The correction of £28.122m has been made to the opening balance in 2013/14.

### Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the accounts, apart from those involving the revaluation reserve.

The Capital adjustment account has been restated please see details in Revaluation Reserve above.

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General

## Notes to the Accounts

Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The unamortised debt premium relates to a penalty imposed on the council by a lender several years ago when a debt was paid off early. This premium is to be written down to revenue over a number of financial years equal to the unexpired term of the original loan instrument.

### Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require that benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

### Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

### Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the general fund from the Collection Fund.

### Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

## Notes to the Accounts

### 26. Operating Activities

#### Net Cash Flows from Operating Activities

	2014/15		2013/14	
	£'000	£'000	£'000	£'000
Net Surplus on the Provision of Services		92,442		50,576
<b>Adjust net surplus on the provision of services for non cash movements</b>				
Depreciation	46,699		36,579	
Impairment and downward valuations	(65,396)			
Amortisation	659		866	
(Increase)/Decrease in Creditors	(2,404)		799	
(Increase)/Decrease in Debtors	14,643		(35,870)	
(Increase)/Decrease in Inventories	51		(69)	
Movement in Pension Liability	14,274		(14,243)	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	23,356		49,584	
Other non-cash items charged to the net surplus or deficit on the provision of services	(9,928)		(2,615)	
		21,954		35,031
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>				
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(26,307)		(21,015)	
Any other item of which the cash affects are investing or financing cashflow	(47,469)		(42,707)	
		(73,776)		(63,722)
Net Cash Flows from Operating Activities		40,620		21,885

#### Operating activities within the cash flow statement include the following cash flows interest

	2014/15		2013/14	
	£'000	£'000	£'000	£'000
Ordinary interest received	1,325		1,488	
Interest charge for year	(7,733)		(5,174)	
Interest Paid		(6,408)		(3,686)



## Notes to the Accounts

### 27. Investing Activities

Cash Flows from Investing Activities	2014/15		2013/14	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment Purchased	(53,747)		(98,467)	
Purchase of short term investments	(38,241)		-	
Purchase of long term investments			(15,088)	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	26,379		20,425	
Proceeds from short term investments	26,832		52,209	
Other Receipts from Investing Activities	47,485		42,652	
<b>Total Cash Flows from Investing Activities</b>		<u>8,708</u>		<u>1,731</u>

### 28. Financing Activities

Cash Flows from Financing Activities	2014/15		2013/14	
	£'000	£'000	£'000	£'000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(296)		(261)	
Other payments/receipts for financing activities	2,871		(907)	
<b>Total Cash Flows from Financing Activities</b>		<u>2,575</u>		<u>(1,168)</u>

### 29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the council's Cabinet Resources Committee on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year in directorates.

## Notes to the Accounts

Directorate	2014/15		
	Budget	Actual	(Under)/ Overspend
	£'000	£'000	£'000
Adults and Communities	90,746	93,218	2,472
Assurance	4,060	4,186	126
Children's Education	7,211	7,211	-
Children's Family Service (inc DSG)	50,436	50,505	69
Commissioning Group	7,760	7,760	-
Streetscene	15,357	15,399	42
Commercial - Infrastructure and Parking	(878)	(1,126)	(248)
Public Health	14,335	14,335	-
HB Public Law	1,952	1,883	(69)
Housing needs resources	4,833	5,170	337
Re	1,039	1,257	218
CSG	23,341	23,341	-
<b>Services (Under)/Overspend</b>	<b>220,192</b>	<b>223,139</b>	<b>2,947</b>
Central Expenses (including reserves/ funding)	66,220	64,352	(1,868)
<b>Total Expenditure</b>	<b>286,412</b>	<b>287,491</b>	<b>1,079</b>
Schools Services contribution			2,110
<b>Movement on General Fund (MiRS)</b>			<b>3,189</b>

School balances at 31 March 2015 were £13.079m (£15.189m as 31 March 2014). This is a decrease in the schools balances of £2.110m which combined with the outturn decrease in the General Fund of £1.079m shown in the table above gives the overall decrease of £3.189m as seen in the Movement in reserves Statement.

## Notes to the Accounts

### Subjective Analysis by Directorate 2014/15

Directorate	Adults and Communities	Assurance	Children's Education	Children's Family Service (inc DSG)	Commissioning Group	Streetscene	Public Health	HB Public Law	Commercial Infrastructure and Parking	Housing needs resources	Re	CSG	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>	31,587	973	12,654	226,555	257,256	7,479	-	773	14,727	15,840	25,043	18,436	2,612	613,935
Grants, Fees and Charges	31,587	973	12,654	226,555	257,256	7,479	-	773	14,727	15,840	25,043	18,436	2,612	613,935
<b>Expenditure</b>														
Employment Costs	18,861	3,743	10,757	31,083	9,274	15,889	32	-	1,210	-	30	12	3,573	94,464
Other Service Costs	105,944	1,416	9,108	245,977	255,742	6,989	14,303	2,656	12,391	21,010	26,270	41,765	63,391	806,962
	124,805	5,159	19,865	277,060	265,016	22,878	14,335	2,656	13,601	21,010	26,300	41,777	66,964	901,426
<b>Out turn reported to Management</b>	<b>93,218</b>	<b>4,186</b>	<b>7,211</b>	<b>50,505</b>	<b>7,760</b>	<b>15,399</b>	<b>14,335</b>	<b>1,883</b>	<b>(1,126)</b>	<b>5,170</b>	<b>1,257</b>	<b>23,341</b>	<b>64,352</b>	<b>287,491</b>
Recharges	4,816	(705)	5,201	10,692	(5,273)	3,368	130	(1,883)	238	469	1,926	(19,008)	29	-
IAS 19	(143)	(28)	(96)	(1,210)	(71)	(144)	-	-	(15)	-	-	-	1,707	-
Capital charges	3,897	19	-	36,783	-	2,159	-	-	1,837	129	15,563	(18,167)	(42,220)	-
<b>Directorate Outturn</b>	<b>101,788</b>	<b>3,472</b>	<b>12,316</b>	<b>96,770</b>	<b>2,416</b>	<b>20,782</b>	<b>14,465</b>	<b>-</b>	<b>934</b>	<b>5,768</b>	<b>18,746</b>	<b>(13,834)</b>	<b>23,868</b>	<b>287,491</b>

### Directorate Income and Expenditure 2013/14

Directorate	Adults and Communities	Assurance	Children's Education	Children's Family Service (inc DSG)	Commissioning Group	Streetscene	Public Health	HB Public Law	Commercial Infrastructure and Parking	Housing needs resources	Re	CSG	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>	28,562	221	29,829	219,583	257,524	21,127	-	939	-	19,519	20,195	14,427	4,203	616,129
Grants, Fees and Charges	28,562	221	29,829	219,583	257,524	21,127	-	939	-	19,519	20,195	14,427	4,203	616,129
<b>Expenditure</b>														
Employment Costs	19,042	3,540	160,985	32,291	6,891	14,633	247	2	-	25	5,936	9,757	3,595	256,944
Other Service Costs	107,039	728	(121,779)	237,819	258,638	21,562	13,531	3,076	-	23,529	17,294	29,243	61,369	652,049
	126,081	4,268	39,206	270,110	265,529	36,195	13,778	3,078	-	23,554	23,230	39,000	64,964	908,993
<b>Out turn reported to Management</b>	<b>97,519</b>	<b>4,047</b>	<b>9,377</b>	<b>50,527</b>	<b>8,005</b>	<b>15,068</b>	<b>13,778</b>	<b>2,139</b>	<b>-</b>	<b>4,035</b>	<b>3,035</b>	<b>24,573</b>	<b>60,761</b>	<b>292,864</b>
Recharges	5,731	(9)	3,983	12,627	(6,284)	6,050	213	(2,139)	-	518	2,999	(23,607)	18	-
IAS 19	(3,342)	(726)	(10,366)	(7,798)	(1,276)	(2,884)	-	-	-	(3)	(1,279)	(1,637)	29,311	-
Capital charges	2,415	26	105	29,975	145	4,005	-	-	-	129	13,876	3,390	(54,066)	-
<b>Directorate Outturn</b>	<b>102,323</b>	<b>3,338</b>	<b>2,999</b>	<b>85,331</b>	<b>590</b>	<b>22,239</b>	<b>13,991</b>	<b>-</b>	<b>-</b>	<b>4,679</b>	<b>18,631</b>	<b>2,719</b>	<b>36,024</b>	<b>292,864</b>

## Notes to the Accounts

### Reconciliation to Subjective Analysis 2014/15

	Directorate Analysis	Services not in Analysis (HRA)	Amounts not reported to Cabinet	Amounts not included in CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	613,935	69,234	-	-	-	683,169	-	683,169
Depreciation, Amortisation and Impairment	-	-	(19,013)	-	-	(19,013)	8,164	(10,849)
Interest and Investment Income	-	1,522	19,603	-	-	21,125	4,122	25,247
Income from Council Tax	-	-	-	-	-	-	325,462	325,462
<b>Income</b>	<b>613,935</b>	<b>70,756</b>	<b>590</b>	<b>-</b>	<b>-</b>	<b>685,281</b>	<b>337,748</b>	<b>1,023,029</b>
Employment Costs	94,464	157	-	-	-	94,621	88,315	182,936
Other Service Costs	806,962	51,027	(112,083)	-	-	745,906	1,596	747,502
Depreciation, Amortisation and Impairment	-	19,572	56,473	-	-	76,045	-	76,045
Gain/Loss on disposal of non current assets	-	-	-	-	-	-	4,255	4,255
<b>Expenditure</b>	<b>901,426</b>	<b>70,756</b>	<b>(55,610)</b>	<b>-</b>	<b>-</b>	<b>916,572</b>	<b>94,166</b>	<b>1,010,738</b>
<b>Total comprehensive Income and Expenditure</b>	<b>(287,491)</b>	<b>-</b>	<b>56,200</b>	<b>-</b>	<b>-</b>	<b>(231,291)</b>	<b>243,582</b>	<b>12,291</b>

### Reconciliation to Subjective Analysis 2013/14

	Directorate Analysis	Services not in Analysis (HRA)	Amounts not reported to Cabinet	Amounts not included in CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	616,129	67,621	-	-	-	683,750	-	683,750
Depreciation, Amortisation and Impairment	-	-	(36,991)	-	-	(36,991)	17,610	(19,381)
Interest and Investment Income	-	-	15,169	-	-	15,169	4,355	19,524
Income from Council Tax	-	-	-	-	-	-	325,690	325,690
<b>Income</b>	<b>616,129</b>	<b>67,621</b>	<b>(21,822)</b>	<b>-</b>	<b>-</b>	<b>661,928</b>	<b>347,655</b>	<b>1,009,583</b>
Employment Costs	256,944	500	-	-	-	257,444	10,053	267,497
Other Service Costs	652,049	46,977	(107,321)	-	-	591,705	20,839	612,544
Depreciation, Amortisation and Impairment	-	20,144	18,114	-	-	38,258	-	38,258
Gain/Loss on disposal of non current assets	-	-	-	-	-	-	33,151	33,151
<b>Expenditure</b>	<b>908,993</b>	<b>67,621</b>	<b>(89,207)</b>	<b>-</b>	<b>-</b>	<b>887,407</b>	<b>64,043</b>	<b>951,450</b>
<b>Total comprehensive Income and Expenditure</b>	<b>(292,864)</b>	<b>-</b>	<b>67,385</b>	<b>-</b>	<b>-</b>	<b>(225,479)</b>	<b>283,612</b>	<b>58,133</b>

## Notes to the Accounts

### Reconciliation of outturn reported to Council and the Total Comprehensive Income and Expenditure Statement

<b>Reconciliation to CIES</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Outturn reported to Council</b>	<b>287,491</b>	292,864
Settlement of HRA self-financing		
Revaluations and Pension costs charged to services	<b>(56,200)</b>	(67,385)
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>231,291</b>	225,479
Loss on transfer of Schools to Academies	-	22,702
Other operating expenditure	<b>4,255</b>	10,448
Net Interest received or paid on investments and loans	<b>(2,526)</b>	16,485
Council Tax, Business Rates and Grant Income	<b>(325,462)</b>	(325,690)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(92,442)</b>	(50,576)
(Surplus)/Deficit on revaluation of non-current assets	<b>(8,164)</b>	(17,610)
(Gains) or Losses on the pension fund	<b>88,315</b>	10,053
<b>Total Comprehensive Income and Expenditure</b>	<b>(12,291)</b>	(58,133)

### 30. Acquired and Discontinued Operations

The only operation acquired in 2014/15 was in respect of Public Health services to the community. This is operated as a Shared Service with the London Borough of Harrow with the London Borough of Harrow discharging Barnet's relevant functions through the Service in accordance with Section 101 of the 1972 Act and of the Local Government (arrangements for the discharge of functions) (England) Regulations 2000.

There are no discontinued operations.

### 31. Trading Operations

A number of operations that the council undertakes are technically classified as trading operations. This is where the client can choose who provides the service and is not obliged to use the council run trading undertaking. Most of the council's trading operations provide services on an internal basis only to other parts of the Council and the accounts of those undertakings are shown below.

## Notes to the Accounts

2014/15	Income £000	Internal Expenditure recharges £000	Trading surplus/( deficit) £000
Catering	8,698	(2,052)	(1,919)
Transport	488	7,226	(110)
Other		(161)	(161)
<b>Total</b>	<b>9,186</b>	<b>5,013</b>	<b>(2,190)</b>

2013/14	Income £000	Internal Expenditure recharges £000	Trading surplus/( deficit) £000
Catering	7,287	(1,480)	(1,460)
Transport	515	7,624	(166)
Other	-	644	-
<b>Total</b>	<b>7,802</b>	<b>(6,788)</b>	<b>(1,626)</b>

### 32. Pooled Budgets

The Authority has five pooled budget arrangements with Barnet Clinical Commissioning Group (CCG).

The arrangements are for the provision of community equipment services; provision of learning disability services; to support people with Learning Disabilities who have been living in long stay NHS accommodation to be re-settled to live within the local community; and to develop a approach to commissioning preventative services to reduce duplication, maximise outcomes and improve health and social care outcomes for service users and for Speech and Language Therapy.

As part of the changes to the NHS brought about by the Health and Social Care Act 2012, Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) ceased to exist on 31 March 2013. The responsibilities previously held by the NHS Barnet were transferred to Barnet Clinical Commissioning Group (Barnet CCG).

#### Section 75 agreement in respect of Community Equipment Services

	2014/15			2013/14		
	Total £'000	Barnet £'000	Barnet CCG £'000	Total £'000	Barnet £'000	NHS Barnet £'000
Equipment, servicing and repairs	2,214	1,143	1,071	2,072	1,203	869
Contract management (including delivery, collection and storage)	563	344	219	711	443	268
	<b>2,777</b>	<b>1,487</b>	<b>1,290</b>	<b>2,783</b>	<b>1,646</b>	<b>1,137</b>

## Notes to the Accounts

### Section 75 agreement in respect of Learning Disabilities Services

	2014/15			2013/14		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Social Work Team (Staff & Non-staff budget)	2,786	1,164	1,622	2,171	872	1,299
Head of Service contribution	80	40	40	94	47	47
Transition Team (Staff & non-staff budget)	189	189		322	322	-
Accommodation & IT support	227		227	225		225
	<b>3,282</b>	<b>1,393</b>	<b>1,889</b>	<b>2,812</b>	<b>1,241</b>	<b>1,571</b>

### Section 75 agreement in respect of Learning Disability Services for the campus re-provision programme.

	2014/15			2013/14		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Campus re-provision services	1,546	800	746	1,602	825	777
	<b>1,546</b>	<b>800</b>	<b>746</b>	<b>1,602</b>	<b>825</b>	<b>777</b>

### Section 75 agreement in respect of Voluntary Services Commissioning within a Prevention Framework

	2014/15			2013/14		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third Party Contract payments	2,504	1,772	732	2,436	1,704	732
	<b>2,504</b>	<b>1,772</b>	<b>732</b>	<b>2,436</b>	<b>1,704</b>	<b>732</b>

### Section 75 agreement in respect of the provision of OT services in relation to Speech and Language Therapy

	2014/15			2013/14		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third Party Contract payments	1,999	349	1,650	451	168	283
	<b>1,999</b>	<b>349</b>	<b>1,650</b>	<b>451</b>	<b>168</b>	<b>283</b>

## Notes to the Accounts

### 33. Members' Allowances

	2014/15 £'000	2013/14 £'000
Member Allowances	1,143	1,108
Member Expenses	63	34
	1,206	1,142

### 34. Officers' Remuneration

The number of employees who received taxable remuneration in excess of £50,000, excluding employer's pension contributions for the year (including Teachers) was:

Remuneration band	2014/15 Total Number of Employees	2013/14 Total Number of Employees *
£50,000 - £54,999	95	137
£55,000 - £59,999	69	66
£60,000 - £64,999	46	83
£65,000 - £69,999	39	23
£70,000 - £74,999	21	32
£75,000 - £79,999	16	6
£80,000 - £84,999	18	6
£85,000 - £89,999	11	3
£90,000 - £94,999	10	13
£95,000 - £99,999	4	1
£100,000 - £104,999	3	3
£105,000 - £109,999	3	2
£110,000 - £114,999	4	3
£115,000 - £119,999	2	-
£120,000 - £124,999	1	2
£125,000 - £129,999	1	-
£130,000 - £134,999	1	1
£140,000 - £144,999	0	-
£150,000 >	4	3
Total	348	384

\*Re-stated



## Notes to the Accounts

### Senior Officers 2014/5

Senior Officers are defined as all those whose salary is £0.150m or above, the following statutory posts; Head of Paid service, Director of Children's service, Director of Adults social service, Chief Education officer and the Section 151 officer, and any office that reports directly to the Head of Paid Service whose salary is more than £0.050m.

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / Allowances	Pension Contributions	Total Remuneration
		£	£	£	£
Chief Executive - Mr Andrew Travers		187,613	-	48,545	236,158
Chief Operating Officer - Mr Chris Naylor	(i)	132,053	-	34,162	166,215
Deputy Chief Operating Officer and Chief Operating Officer - Mr John Hooton	(ii)	110,925	2,486	29,346	142,757
Strategic Director for Communities / Strategic Director for Commissioning Ms Kate Kennally	(iii)	156,703	-	40,548	197,251
Adults and Communities Director / Commissioning Director (Adults and Health) - Mrs Dawn Wakeling	(iv)	129,453	-	33,497	162,950
Strategic Director for Growth and Environment	(v)	134,870	-	34,898	169,768
Education and Skills Director - Mr Ian Harrison		113,846	-	29,458	143,304
Assurance Director	(vi)	80,397	-	13,422	93,819
Interim Assurance Director	(vii)	62,400	-	-	62,400
		<b>1,108,260</b>	<b>2,486</b>	<b>263,876</b>	<b>1,374,622</b>

- (i) Mr Chris Naylor was an employee at LB Barnet until 31st January 2015.
- (ii) Mr John Hooton was the Deputy Chief Operating Officer at LB Barnet to 18th March 2015, he was then appointed Chief Operating Officer until 31st March 2015.
- (iii) Ms Kate Kennally was the Strategic Director for Communities at LB Barnet to 4th January 2015, she was then appointed Strategic Director for Commissioning until 31st March 2015.
- (iv) Mrs Dawn Wakeling was the Adults and Communities Director at LB Barnet to 4th January 2015, she was then appointed Commissioning Director (Adults and Health) until 31st March 2015.
- (v) This employee left the employment of LB Barnet on 31st March 2015.
- (vi) This employee left the employment of LB Barnet on 9th January 2015.
- (vii) This figures represents the fee paid in respect of interim appointments until 31st March 2015.

The Council operates a Public Health service in conjunction with the London Borough of Harrow. The Public Health Director is directly employed by the London Borough of Harrow and as such does not appear specifically in these accounts.

Senior Officers 2013/14:

## Notes to the Accounts

Post Title and Name	Note	Salary (including fees & allowances) £	Expenses / Allowances £	Pension Contributions £	Total Remuneration £
Chief Executive - Mr Andrew Travers	(i)	187,613	-	46,528	234,141
Chief Operating Officer - Mr Chris Naylor		158,586	122	39,299	198,007
Strategic Director for Growth and Environment	(ii)	134,870	-	33,448	168,318
Strategic Director for Communities - Ms Kate Kennally	(iii)	158,464	-	38,240	196,704
Adults and Communities Director		124,870	-	30,968	155,838
Education and Skills Director (from 04 September 2013)		65,461	-	16,234	81,695
Deputy Chief Operating Officer		108,846	-	27,230	136,076
Assurance Director		103,846	-	25,978	129,824
		<b>1,042,556</b>	<b>122</b>	<b>257,925</b>	<b>1,300,603</b>

- (i) Interim Chief Executive to 15th July. Permanent from 16th July  
(ii) Post designation changed as at 01 January 2014 - previously Director for Place  
(iii) Post designation changed as at 01 January 2014 - previously Director for People

The number of exit packages, all compulsory redundancies, with total cost per band, is set out in the table below.

	2014/15 Exit packages by band Number	2014/15 Exit packages by band £'000	2013/14 Exit packages by band Number	2013/14 Exit packages by band £'000
£nil to £20,000	80	548	14	120
£20,001 to £40,000	7	219	3	75
£40,001 to £60,000	1	43	3	133
£60,001 to £80,000	-	-	1	74
£80,001 to £100,000	-	-	1	95
	<b>88</b>	<b>810</b>	<b>22</b>	<b>497</b>

The exit packages relate predominately to the Children's family service and Schools

### 35. Audit Costs

The cost to the council of external audit and inspection fees are as follows:

	2014/15 £'000	2013/14 £'000
Fees payable to Grant Thornton UK LLP, the council's appointed external auditors for:		
-Audit and inspection fee	226	224
-Certification of grant claims and returns	27	32
- Pension Fund audit	21	21
	<b>274</b>	<b>277</b>

The Audit costs do not include any cost incurred as a result of the objections to the accounts

## Notes to the Accounts

### 36. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2008.

The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares..

	2014/15 £'000	2013/14 £'000
Final DSG for year	204,118	200,684
Brought forward from previous year	1,344	2,083
	<b>205,462</b>	<b>202,767</b>

Details of the deployment of DSG received are as follows:

	2014/15			2013/14		
	Agreed Budget Distribution £'000	Actual Central Expenditure £'000	C-Fwd to 2015/16 £'000	Agreed Budget Distribution £'000	Actual Central Expenditure £'000	C-Fwd to 2014/15 £'000
Schools	170,494	(168,505)	1,989	157,849	(158,999)	(1,150)
High Needs	38,184	(36,034)	2,150	34,830	(33,911)	919
Early Years	1,254	(1,710)	(456)	4,299	(2,882)	1,417
Central Expenditure	3,533	(3,705)	(172)	3,718	(3,559)	159
	<b>213,465</b>	<b>(209,954)</b>	<b>3,511</b>	<b>200,696</b>	<b>(199,351)</b>	<b>1,345</b>

### 37. Grant Income

The grants and contributions credited to the taxation and non-specific grant income line on the CIES are disclosed in Note 11 of the Core statements. The council credited the following grants, contributions to services in the comprehensive income and expenditure statement:

	2014/15 £'000	2013/14 £'000
<b>Credited to services</b>		
Education (excluding DSG)	22,327	17,084
DSG	204,367	200,684
Community Care and Other Social Services	700	736
Asylum Seekers	760	463
Other	5,666	7,532
	<b>233,820</b>	<b>226,499</b>

The council has received a number of grants and contributions that have conditions attached to them. As long as the council intends to use the capital grant in accordance with the

## Notes to the Accounts

condition, the income is to be shown in the CIES and then moved to the Capital Grants Unapplied Account via the Movement in Reserves Statement.

### Capital Grants Unapplied

	2014/15	2013/14
	£'000	£'000
S106	23,565	17,646
Grants and Contributions	51,967	47,142
Total	<b>75,532</b>	64,788

### 38. Related Parties

The council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence, or to be controlled or influenced by, the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the power to limit another party's ability to bargain freely with it.

Central government has effective control over the general operations of the council. It is responsible for the statutory framework within which the council operates, provides the majority of its funding, in the form of grants, and prescribes the terms of many of the transactions that the council has with other parties e.g. housing benefits. Grant income is shown in note 37.

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in note 33. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the council participate in and are members of a variety of other public bodies and community groups. The council has well established mechanisms and procedures for preventing undue influence. Part of these mechanisms is the disclosure of interests in the register of members' interest. In addition, every year members are asked to complete a Declaration of any Related Party Transactions. In financial year 2014/15 several members declared that they had acted as Trustees for local Voluntary Organisations and as School Governors. The Council paid grants totalling £2.596m (£1.690m in 2013/14) to voluntary organisations in which eleven members (nine members in 2013/14) had positions on the governing body. The council paid £38.788m (£29.723m in 2013/14) to schools in which Twenty five members (seventeen members in 2013/14) had positions on the governing body.

The council has a number of significant transactions with other local authorities and local health authorities. The Council has pooled budget arrangements in place with the National Health Service details of which are in note 32. In addition the Council places pupils into neighbouring authorities' schools, the expenditure for which is included within the Children's and Education service line of the income and expenditure account. In 2014/15 investments in line with the council's investment policy were placed with other local authorities for £63.5m as at the financial year end.

Every year all chief officers are required to complete a related party transactions declaration. For the financial year 2014/15 two officers were also directors for companies where transactions of £78.3m took place (Barnet Group Ltd and Inglis Consortium).

## Notes to the Accounts

The Pension Fund accounts are set out in Section 6 of these Statements. In 2014/15 the council's employer's contributions to the Fund was £19.387m (£19.314m in 2013/14). The council's member's contributions to the Fund were £4.710 (£5.109m in 2013/14). The Council charged the Fund £0.609m (£0.632m in 2013/14) for its administration.

The London Borough of Barnet (the reporting authority) has two subsidiary companies:

- The Barnet Group Ltd
- Barnet (Holdings) Ltd

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd. and is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of Adult Social Care Services and Housing Management Services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of Adult Social Care Services and Housing Management Services respectively. As a result, The Barnet Group Ltd receives a management fee from The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2015 were £10.196m and £1.883m respectively.

The Barnet Group Ltd had a board consisting of nine members, of which two are Members of the council.

The reported (profit)/losses for the subsidiaries mentioned above were:

	2014/15	2013/14
	£'000	£'000
Barnet Group Ltd	17	30
Barnet Homes Ltd	9,363	1,435
Your Choice (Barnet) Ltd	1,118	1,019

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd. who own 49% of the share capital in the joint venture in Regional Enterprise Ltd. The joint venture is owned with Capita Ltd. The London Borough of Barnet contracts with Regional Enterprise Ltd for the provision of development and regulatory services in the Borough. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

The London Borough of Barnet (the reporting authority) has a 13.9% share in the Inglis Consortium Ltd which is a joint venture with VSM Estates Ltd and Annington Property Ltd. The London Borough of Barnet is in receipt of income from the Inglis Consortium Ltd and the Mill Hill Depot is due to be transferred to the joint venture in 2015/16. The Chief Operating Officer and Director of Finance and Strategic Director of Growth and Environment both sit on the Board of the Inglis Consortium Ltd. The council's profit share for 2014/15 as recorded in the accounts was £3.479m (2013/14 £2.641m).

The London Borough of Barnet is required to prepare Group Accounts consolidating its subsidiaries where they have a material interest in the subsidiaries. However, the interest in the subsidiaries is not considered material as the size of the subsidiaries is relatively small

## Notes to the Accounts

compared to that of the London Borough of Barnet. Therefore group accounts have not been produced.

### 39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

<b>Capital Investment</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Adults and Communities	956	773
Children's Education	31,183	41,649
Children's Family Service	1,240	837
Commissioning Group	1,308	6,814
Street Scene	2,525	11,405
Housing Needs Resources	1	546
Re	15,272	14,016
CSG	-	241
Housing Revenue Account	25,572	26,965
	<b>78,057</b>	<b>103,246</b>

### Sources of Finance

	<b>Capital financed in 2014/15</b>	<b>Capital financed in 2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Capital receipts	3,520	16,567
General fund revenue contributions	6,679	15,035
Reserves	2,268	-
HRA revenue contributions/MRA	24,555	26,704
Contributions including S 106 receipts	5,286	4,922
Borrowing	8,516	11,233
Grants	27,233	28,785
	<b>78,057</b>	<b>103,246</b>

The total capital expenditure of £78.057m is made up of £46.078m additions (less the £0.417m of Infrastructure that relates to PFI) and the £32.396m of Revenue Expenditure Funded from Capital under Statute shown in note 7.

The Capital Financing Requirement as at the 31<sup>st</sup> March 2015 was £387.783m (at 31<sup>st</sup> March 2014 it was £393.891m).

### 40. Leases

Operating Leases.

The Council does not own all of the property, vehicles and other equipment that it uses. These items are held under Operating Leases.

## Notes to the Accounts

In the year 2014/15 the council paid £4.673m in respect of Operating leases and there are commitments in place of £34.254m for future years.

Properties are leased out and in 2014/15 this produced an income of £4.041m with £128.065m contracted for future years.

### Operating Lease Payments

	Vehicles, plant and equipment leased in	Property leased in	Property leased out
	£'000	£'000	£'000
2014/15	321	4,352	(4,041)
2015/16	32	3,316	(3,897)
2016/17- 2019/20	9	8,182	(8,447)
2020/21 to completion	-	22,715	(115,721)
<b>Total</b>	<b>362</b>	<b>38,565</b>	<b>(132,106)</b>

### 41. Private Finance Initiatives (PFI) and Similar Contracts

In April 2006 the council entered into a PFI contract to provide street lighting. This consisted of a Core Investment Programme (CIP) for 5 years followed by a post CIP Operating period of 20 years. The 25 year contract will expire in 2031/32.

At year end street lights that have been erected are recognised on the Council's balance sheet as infrastructure assets. Each year the CIP assets and corresponding liabilities are to be acknowledged.

Below is the movement in the carrying value of the assets recognised under the PFI arrangement:

#### PFI Street Lights

	2013/14	In Year Movement	2014/15
	£'000	£'000	£'000
Gross book value	25,496	418	25,914
Accumulated depreciation	(5,482)	(1,382)	(6,864)
<b>Net book value</b>	<b>20,014</b>	<b>(964)</b>	<b>19,050</b>

Below is the movement in the lease liability for the PFI arrangement:

	2013/14	In Year Movement	2014/15
	£'000	£'000	£'000
Lease liability	17,410	(296)	17,114

## Notes to the Accounts

Payments to be made under the PFI arrangement are as follows:

Years	Repayment of liability £'000	Interest £'000	Service charges £'000	Other charges £'000	Total £'000
2015/16	334	2,301	1,505	1,084	5,224
2016/17 - 2019/20	1,839	8,691	6,500	5,020	22,050
2020/21 - 2024/25	4,037	9,092	9,316	8,728	31,173
2025/26 - 2029/30	7,954	5,572	10,842	10,951	35,319
2030/31 - 2032/33	2,950	424	2,571	1,497	7,442
<b>Total Commitments</b>	<b>17,114</b>	<b>26,080</b>	<b>30,734</b>	<b>27,280</b>	<b>101,208</b>

If the assumptions around inflation were to vary by 2% it would result in a £1.5m increase/decrease in payments over the life of the arrangement.

### 42. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12, reconciling the movement over the year in the Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Asset balances.

The impairment reversals in 2014/15 were £73.603m and related to PPE asset class.

### 43. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £0.809m (£0.584m in 2013/14) of which £0.809m was payable to the employees and there is no affect on the pension strain.

### 44. Pension Schemes Accounted for as Defined Contribution Schemes

The Council contributes to the Department for Children, School's and Families Teacher's Pension Fund at a rate of 14.1% of pensionable pay. The amount paid in the year, £16.631m is included in the education service costs (2013/14 £17.135m).

Although this is a defined benefit scheme the nature of it is that the Council is unable to identify its share of the underlying assets and liabilities and so cannot report these. Contributions are set in relation to the current service period only.

The Council contributions to March 2015 for the Local Government Pension Scheme (LGPS) are 25.8% and expected contributions to March 2015 are 25.8%.

### 45. Defined Benefit Pension Schemes



## Notes to the Accounts

The Council has its own defined benefit local government pension scheme. This means that although these benefits will not actually be payable until employees retire, the Council has an obligation to make relevant payments at the time future entitlements are earned. The Council's contributions to pensions earned by employees in the year of account are included in the net cost of services. The net pension interest cost counts against net operating expenditure. Pension interest cost is the amount that current service cost increases as members of the scheme approach retirement. The actuary calculates this using the projected unit method. These are all notional costs calculated to show the Council's true liability change for the year in line with pension regulations.

A revised IAS 19 standard applies for accounting periods beginning on or after 1 January 2013. The new standard applies to the figures for the year to 31 March 2015.

The actuary's calculation of the net deficit on the pension fund is shown below\*. The change in the net value of the pension fund includes actuarial losses of £88.315m compared to £10.053m. These arise from the differences between actual events as they have turned out and assumptions that were made at the date of the earlier actuarial valuation, known as experience gains and losses as well as changes in actuarial assumptions.

### Movement of Pension Fund

	2014/15		2013/14	
	£'000	£'000	£'000	£'000
<b>Deficit at the beginning of the year</b>		<b>(373,665)</b>		<b>(377,856)</b>
<i>Net Cost of Services</i>				
Service Cost	(19,629)		8,929	
Administration expenses	(609)		(632)	
Net interest expense	(15,980)		(15,083)	
<b>Total Post employee Benefits charged to the Surplus or Deficit on the Provision of Services</b>		<b>(36,218)</b>		<b>(6,786)</b>
Return on plan assets (excluding the amount included in the net interest expense)	36,705		(4,776)	
Other Actuarial gain on assets	-		22,196	
Change in financial assumptions	(129,145)		(5,446)	
Change in demographic assumptions	-		317	
Experience loss on defined benefit obligation	4,125		(22,344)	
<b>Remeasurement of the net defined benefit liability*</b>		<b>(88,315)</b>		<b>(10,053)</b>
		<b>(498,198)</b>		<b>(394,695)</b>
Amount charged for pensions in the year		21,944		21,030
<b>Fund deficit at end of year</b>		<b>(476,254)</b>		<b>(373,665)</b>

### Pension Reserve

	2014/15		2013/14	
	£'000	£'000	£'000	£'000
<b>Balance at the beginning of the year</b>		<b>(373,665)</b>		<b>(377,856)</b>
Remeasurement of the net defined benefit liability	(88,315)		(10,053)	
Adjustments between accounting basis and funding basis under regulations	(14,274)		14,244	
<b>Balance at the end of the year</b>		<b>(476,254)</b>		<b>(373,665)</b>

## Notes to the Accounts

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Pension asset and liabilities recognised in the balance sheet	2014/15		2013/14	
	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	1,031,554		878,783	
Fair Value of Plan assets	(581,710)		(533,926)	
<b>Net Liability</b>		<b>449,844</b>		<b>344,857</b>
Present Value of Unfunded Obligation	26,410		28,808	
<b>Net Liability in Balance Sheet</b>		<b>476,254</b>		<b>373,665</b>

The movements in the Funded and unfunded obligation are explained in the Scheme Asset and Benefit Obligation Reconciliation table on the following page.

To ensure that the net figure in the accounts is the actual amount paid to the pension fund rather than a notional sum, the IAS 19 figure is reversed out of the general fund balance reconciliation statement and replaced with the actual figure.

Barnet as the administrating authority receives administration expenses that were £0.609m in 2014/15 (£0.632m in 2013/14).

The deficit is calculated by the assets minus the present value of funded obligation (liabilities). The increase in liabilities exceeded the increase in assets. The underlying assets and liabilities for retirement benefits attributable to the Council were:

Scheme assets and liabilities	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Estimated liabilities of the scheme	(720,595)	(849,881)	(932,387)	(907,591)	(1,057,964)
Estimated assets of the scheme	484,111	507,479	554,532	533,926	581,710
<b>Net Liability</b>	<b>(236,484)</b>	<b>(342,402)</b>	<b>(377,855)</b>	<b>(373,665)</b>	<b>(476,254)</b>

## Notes to the Accounts

### Reconciliation in the movements of the fair value of scheme assets

	2014/15	2013/14
	£'000	£'000
<b>Opening fair value of Scheme assets</b>	<b>533,926</b>	<b>554,532</b>
Interest on assets	23,257	22,482
Return on assets less interest	36,705	(4,776)
Other actuarial gains/(losses)	-	22,196
Administration expenses	(609)	(632)
Contributions by employer including unfunded	21,944	21,030
Contributions by scheme participants	3,166	5,110
Estimated benefit paid plus unfunded net of transfers in	(38,546)	(38,125)
Settlement prices received/(paid)	1,867	(47,891)
<b>Closing Fair Value of Scheme assets</b>	<b>581,710</b>	<b>533,926</b>

A reconciliation of the fair value of the scheme assets is below:

The estimated asset allocation for London Borough of Barnet as at 31 March 2015 is as follows:

### Scheme Asset and Benefit Obligation Reconciliation

	2014/15	2013/14
	£'000	£'000
<b>Opening Defined Benefit Obligation</b>	<b>907,591</b>	<b>932,387</b>
Current Service cost	18,985	21,707
Interest cost	39,237	37,565
Actuarial change in financial assumptions	129,145	5,446
Actuarial change in demographic assumptions	-	(317)
Experience loss/(gain) on defined benefit obligation	(4,125)	22,344
Liabilities assumed/(extinguished) on settlements	2,372	(79,382)
Estimated benefits paid net of transfers in	(36,829)	(36,556)
Past service costs, including curtailments	139	855
Contribution by Scheme participants	3,166	5,110
Unfunded pension payments	(1,717)	(1,568)
<b>Closing Defined Benefit Obligation</b>	<b>1,057,964</b>	<b>907,591</b>

### Employer Asset Share - Bid Value

	31/03/2015		31/03/2014	
	£'000	%	£'000	%
Equities	388,101	67	363,070	68
Other Bonds	187,703	32	165,517	31
Cash	5,906	1	5,339	1
	<b>581,710</b>	<b>100</b>	<b>533,926</b>	<b>100</b>

Basis for estimating assets and liabilities

## Notes to the Accounts

The liabilities have been assessed using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The actuaries have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA heavy tables allowing for medium cohort projection, with a minimum 1% improvement and a 90% scaling factor.

	31/03/2015		31/03/2014	
		Years		Years
<b>Assumed life expectancy from age 65 years:</b>				
Retiring today	<b>Males</b>	<b>22.1</b>	Males	22.0
	<b>Females</b>	<b>24.4</b>	Females	24.3
Retiring in 20 years	<b>Males</b>	<b>24.2</b>	Males	24.1
	<b>Females</b>	<b>26.8</b>	Females	26.7

It is assumed that members will exchange half of their commutable pension for cash at retirement, and active members will retire one year later than they are first able to do so without reduction.

### Financial Assumptions

	31/03/2015		31/03/2014	
	% pa	Real	% pa	Real
RPI increases	3.1	-	3.5	-
CPI increases	2.3	(0.8)	2.7	(0.8)
Salary increases	4.1	1.0	4.5	-
Pension increases	2.3	(0.8)	2.7	(0.8)
Discount rate	3.2	0.1	4.4	-

The figures are from the Barnett Waddingham IAS 19 Disclosures report, and these assumptions are set with reference to market conditions at 31 March 2015.

- The discount rate is the yield on the iboxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS 19.
- The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilts at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.4% to get the RPI assumption of 3.1%. 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. 2.3%.

The estimation of the defined obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on the reasonably possible changes of the assumptions occurring at the end of the reporting period.

## Notes to the Accounts

### Sensitivity Analysis

	2014/15		
	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,040,386	1,057,964	1,075,856
Projected Service Cost	22,952	23,461	23,982
Adjustment to long term salary increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,059,640	1,057,964	1,056,298
Projected Service Cost	23,472	23,461	23,450
Adjustment to pension increases and deferred revaluation*	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,074,320	1,057,964	1,041,882
Projected Service Cost	23,975	23,461	22,958
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	1,020,107	1,057,964	1,096,183
Projected Service Cost	22,647	23,461	24,282

\*This includes the effects on both the present value of the total obligation and on the projected service cost of a change of +/- 0.1% in our CPI assumption. This analysis assumes no other assumption changes and in particular, the salary increase assumption remains the same.

### Expected return on assets

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

### Expected return on assets

Expected return on assets

31/03/2015

% pa

3.2

### Expected return on assets

Expected return on assets

31/03/2014

% pa

4.4

Amounts for the Current and Previous Periods:

## Notes to the Accounts

Scheme history	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(720,595)	(849,881)	(932,387)	(907,591)	(1,057,964)
Scheme assets	484,111	507,479	554,532	533,926	581,710
Surplus (Deficit)	(236,484)	(342,402)	(377,855)	(373,665)	(476,254)
Experience adjustments on Scheme liabilities	64,522	(1,000)	(1,276)	(22,344)	(125,020)
Percentage of liabilities	9.0%	-0.1%	-0.1%	-2.46%	11.82%
Experience adjustments on Scheme assets	7,802	(7,167)	27,881	17,420	36,705
Percentage of assets	1.6%	1.4%	5.0%	3.3%	6.3%
Cumulative Actuarial Gains and (Losses)	5,263	(109,589)	(137,841)	(147,895)	(236,210)

Amounts recognised in the Income and Expenditure	2014/15	2013/14
	£'000	£'000
Service Cost	19,629	(8,929)
Net interest on the defined liability/(asset)	15,980	15,083
Administration expenses	609	632
<b>Total loss/(profit)</b>	<b>36,218</b>	<b>6,786</b>

Projections for the year to 31 March 2016	£'000
Service Cost	23,461
Net interest on the defined liability	14,931
Administration expense	663
<b>Total</b>	<b>39,055</b>
<b>Employer Contributions</b>	<b>19,446</b>

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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 Fund 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.

The employer currently participates in the London Borough of Barnet pool with 9 other employers in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their active payroll. The next re-allocation will be carried out at the 2016 valuation, should the employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool. The employers' contribution anticipated for the year to 31 March 2016 is £19.446m.

### 46. Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the Council's Control.

- The Council continues to be involved in litigation relating to search fees. An adverse finding would result in a call on Council resources which would need to be managed through consideration of earmarked reserves.
- The council is in dispute over the receipt of a capital payment from a developer, the outcome of which will not be known for a number of years.
- The outcome of an employment tribunal regarding whether holiday pay should include overtime is on-going. The result of which will determine whether the council has a historic liability. This is not a Barnet case but the outcome would set a precedent.

### 47. Contingent Assets

There are no contingent assets as at 31 March 2015.

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

#### Financial Instruments - Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- **Credit Risk:** The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- **Liquidity Risk:** The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.
- **Market Risk:** The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

#### Credit Risk

## Notes to the Accounts

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £25m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. The Council's current Treasury Management Strategy allows deposits to be placed for a maximum period of 2 years in specified investments and £100m total in non-specified investments, with a £40m total limit for investment duration of more than 364 days.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2014/15, approved by Council on 2 March 2014.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2015, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating	Credit Rating	Balance Invested as at 31 March 2015					Total
	Criteria Met When Investment Placed	Criteria Met on 31 March 2015						
	Yes/No	Yes/No	Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	>12 months and <24 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Other Local Authorities	Yes	Yes	-	15,135	13,101	20,140	15,137	63,513
Banks – UK	Yes	Yes	22,689	2,520	-	-	-	25,209
Banks – Non UK	Yes	Yes	5,014	14,384	-	-	-	19,398
<b>Total Banks</b>			<b>27,703</b>	<b>16,904</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,607</b>
Building Societies – UK	N/A	N/A	-	25,029	-	-	-	25,029
Money Market Funds	Yes	N/A	73,900	-	-	-	-	73,900
Call Accounts	Yes	Yes	12,500	-	-	-	-	12,500
<b>Total</b>			<b>114,103</b>	<b>57,068</b>	<b>13,101</b>	<b>20,140</b>	<b>15,137</b>	<b>219,549</b>

The above analysis shows that all deposits outstanding as at 31 March 2015 met the Council's credit rating criteria on the 31 March 2015. The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £2.941m.

### Trade Receivables

The following analysis summarises the Council's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e.



## Notes to the Accounts

council tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

Trade Receivables	Gross Debtors	Average % Default based on Previous Experience	Average % Default based on Previous Experience	Bad Debt Provision
	£'000			£'000
2014/15 Sundry Debtors	87,437	5%	5%	32,655
2013/14 Sundry Debtors	81,418	5%	5%	36,806

### Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31 March 2015 was as follows:

Maturity analysis		31 March 2015	% of total debt portfolio	31 March 2014	% of total debt portfolio
Years		£'000		£'000	
<b>Short Term Borrowing</b>	Less than 1 year	-	-	2,000	0.66
<b>Long Term Borrowing</b>	Over 1 but not over 2	-	-	-	-
	Over 2 but not over 5	-	-	-	-
	Over 5 but not over 10	2,000	0.66	2,000	0.66
	Over 10 but not over 15	20,516	6.75	20,516	6.74
	Over 15 but not over 20	70,516	23.19	70,516	23.19
	Over 20 but not over 25	42,516	13.98	42,516	13.98
	Over 25 but not over 30	86,032	28.29	65,516	21.55
	Over 30 but not over 35	-	-	20,516	6.75
	Over 35 but not over 40	29,500	9.70	-	-
	Over 40 but not over 45	-	-	27,500	9.04
	Over 45	53,000	17.43	53,000	17.43
<b>Total Long Term Borrowing</b>					
<b>Total Borrowing</b>		304,080	100.00	304,080	100.00

## Notes to the Accounts

<b>Loans and other long term liabilities outstanding (nominal value):</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£'000</b>	<b>£'000</b>
Public Works Loans Board	241,580	241,580
Market Debt	62,500	62,500
Temporary Borrowing	-	-
Deferred Liabilities – PFI and finance leases	17,114	17,410
Other	-	-
<b>Total</b>	<b>321,194</b>	<b>321,490</b>

### Market Risk

- Interest Rate Risk: The Council is exposed to risks arising from movements in March 2015, The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. At 31 March 2015, 100% of the debt portfolio was held in fixed rate instruments.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	739
Increase in government grant receivable for financing costs	-
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>-</b>
Share of overall impact debited/credited to HRA	96
Decrease in fair value of fixed rate investment assets	(1,456)
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings/liabilities*	(31,941)

\*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note. (Note 16)

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

- Price Risk:* The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).
- Foreign Exchange Risk:* The Council currently has approximately £2.9M in Icelandic Krona (ISK) remaining in escrow in Iceland. The Council is currently working with the LGA, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into foreign exchange.

## Notes to the Accounts

### Unusable Reserves

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements. The transactions reflected in the FIAA for 2014/15 are as follows:

	2014/15	2013/14
	£'000	£'000
<b>Financial Instrument Adjustment Account</b>		
Balance at 1 April	536	753
Effective Interest Rate Adjustment	10	9
HRA Adjustment	-	(226)
<b>Balance at 31 March</b>	<b>546</b>	<b>536</b>

## Housing Revenue Account

### HRA Income and Expenditure Statement

	2014/15		2013/14*
	£'000	£'000	£'000
<b>Income</b>			
Dwelling rents	53,356		53,306
Non-dwelling rents	1,595		1,638
Charges for service and facilities	7,744		7,218
<b>Total Income</b>		<b>62,695</b>	<b>62,162</b>
<b>Expenditure</b>			
Repairs and maintenance	7,706		7,858
Supervision and management	20,716		20,328
Rents, rates and other charges	83		75
Depreciation and impairment of fixed assets	(44,505)		(6,951)
Debt management costs	5		5
Increase in bad debt provision	763		481
Revenue expenditure funded from capital under statute	-		-
<b>Total Expenditure</b>		<b>(15,232)</b>	<b>21,796</b>
<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Account</b>		<b>77,927</b>	<b>40,366</b>
Gain/(loss) on sale of HRA non-current assets		2,394	(407)
Interest payable and similar charges		(6,691)	(6,689)
Interest and investment income		149	127
<b>Surplus/(deficit) for the year on HRA services</b>		<b>73,779</b>	<b>33,397</b>

### Movement on the HRA Statement

	2014/15	2013/14
	£'000	£'000
<b>Surplus/(deficit) for the year on the HRA Income and Expenditure Statement</b>	<b>73,779</b>	<b>33,397</b>
EIR interest costs on stepped loans	5	5
Amortisation of premium on early repayment of loans	-	(226)
Difference between and other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	-
Gain/(loss) on HRA fixed assets	(2,394)	
Transfer to Major Repairs Reserve	(8,573)	(7,955)
Transfer to Capital Adjustment Account	(62,706)	(26,462)
<b>Balance on HRA at end of current year</b>	<b>111</b>	<b>(1,241)</b>
<b>Balance on the HRA at end of previous year</b>	<b>14,831</b>	<b>16,072</b>
Surplus/(Deficit) for the year	111	(1,241)
<b>Housing Revenue Account balance carried forward</b>	<b>14,942</b>	<b>14,831</b>

\*Re-stated

# Housing Revenue Account

## Notes to the Housing Revenue Account

1, Number of Dwellings	2014/15 units	2013/14 units
Houses	3,433	3,485
Bungalows	179	179
Flats	5,292	5,384
Maisonettes	1,272	1,311
Hostels	61	72
Bedsits	26	28
	<b>10,263</b>	<b>10,459</b>

2. Value of HRA Assets	2014/15 £'000	2013/14 £'000
<b>Valuation for Social Housing use</b>		
Dwellings	640,094	584,789
Other land and buildings	49,738	49,026
	<b>689,832</b>	<b>633,815</b>

<b>Vacant Possession Valuation</b>	<b>2,525,000</b>	<b>2,310,000</b>
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The difference between vacant possession value and the balance sheet value represents the economic cost of providing council housing.

3. Major Repairs Reserve	2014/15 £'000	2013/14 £'000
Balance as at 1 April	(10,922)	(6,637)
Capital expenditure charged to reserve	21,149	23,082
Depreciation - dwellings	(19,008)	(18,957)
- non dwellings	(528)	(447)
Transfer to HRA - dwellings	5,892	6,090
- non-dwellings	-	-
Interest on balances	(49)	(7)
Voluntary Contribution	(14,465)	(14,046)
Balance as at 31 March	<b>(17,931)</b>	<b>(10,922)</b>

The major repairs allowance (MRA) represents the capital cost of keeping the council's dwelling stock in its current condition. Authorities have the flexibility to spend MRA resources outside of the financial year in which they are allocated, enabling the more efficient planning of works or repayment of debt. The Major Repairs Reserve (MRR) represents balances carried forward. Under the item 8 determination, local authorities have a five year transitional period to use the MRA, after which traditional depreciation methods are required.

## Housing Revenue Account

### 4. Capital Expenditure and Financing

	2014/15 £'000	2013/14 £'000
<b>Capital Expenditure</b>		
Dwellings	25,572	27,135
other Property	-	-
	<b>25,572</b>	<b>27,135</b>
<b>Financed by</b>		
Capital Receipts Reserve	1,017	360
Borrowing	-	71
Major Repairs reserve	21,149	23,082
Other contributions	3,406	3,622
	<b>25,572</b>	<b>27,135</b>

### 5. Capital Receipts from disposals

	2014/15 £'000	2013/14 £'000
Other	2,164	330
Dwellings	16,821	12,601
Paid over to "pool"	(1,583)	(1,533)
	<b>17,402</b>	<b>11,398</b>

The authority has to pay a portion of the receipts from the sale of council houses into a government housing pool on the basis that the original cost of the housing would have been partly paid by government grant. New guidance in 2012/13 has enabled local authorities to retain further amounts of right to buy receipts upon agreement with Department of Communities and Local Government (DCLG). These funds must be spent on the provision of new build dwellings.

### 6. Depreciation

	2014/15 £'000	2013/14 £'000
Dwellings	19,008	18,957
Other property	528	447
	<b>19,536</b>	<b>19,404</b>

The impairment charge relates to a downward valuation of shops, lease valuation and buybacks.

### 7. Impairments

	2014/15 £'000	2013/14* £'000
Dwellings	(62,705)	(26,869)
Other property	36	514
Investment Properties	(1,373)	
	<b>(64,042)</b>	<b>(26,355)</b>

\*Re-stated to include impairment reversals previously not separately identified

## Housing Revenue Account

<b>8.</b>	<b>Debt Premium amortised in year</b>	<b>2014/15</b> <b>£'000</b>	2013/14 £'000
		-	226

<b>9</b>	<b>Arrears</b>	<b>2014/15</b> <b>£'000</b>	2013/14 £'000
	Leaseholder service charges *	5,995	4,236
	less bad debt provision	(1,019)	(740)
		<b>4,976</b>	<b>3,496</b>
	Housing rents	3,722	2,596
	less bad debt provision	(1,404)	(1,026)
		<b>2,318</b>	<b>1,570</b>
	Commercial rents	903	260
	less bad debt provision	(140)	(36)
		<b>763</b>	<b>224</b>
		<b>8,057</b>	<b>5,290</b>

### 10. **Barnet Homes Limited**

The management of the council's housing stock is undertaken by Barnet Homes Limited, a subsidiary of Barnet Group Limited that is wholly owned by the authority.

### 11. **Accounting for pensions in the HRA**

As day to day housing management is carried out by Barnet Homes Limited, the HRA employs very few staff directly. Because of this, the cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund, cannot be justified. Therefore although the HRA has been reported on an IAS19 basis, no attempt has been made to show a separate liability related to the defined benefit position.

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Note	2014/15			2013/14		
		NNDR	Council Tax	Total	NNDR	Council Tax	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Council Tax	1	-	180,931	180,931	-	180,244	180,244
Council Tax Benefits		-	-	-	-	-	-
Business Rates Receivable	2	108,596	-	108,596	111,712	-	111,712
BRS Income		2,836	-	2,836	2,890	-	2,890
		<b>111,432</b>	<b>180,931</b>	<b>292,363</b>	<b>114,602</b>	<b>180,244</b>	<b>294,846</b>
<b>Disbursement</b>							
<b>Apportionment of Previous Years Surplus</b>							
- Central Government	3						
- London Borough of Barnet		8,162	(11,831)	(3,669)	-	(10,674)	(10,674)
- Greater London Authority		-	(3,220)	(3,220)	-	(2,941)	(2,941)
		<b>8,162</b>	<b>(15,051)</b>	<b>(6,889)</b>	<b>-</b>	<b>(13,615)</b>	<b>(13,615)</b>
<b>Precepts, Demands and Shares</b>							
- Central Government		55,493	-	55,493	56,013	-	56,013
- London Borough of Barnet		33,296	141,575	174,871	33,608	139,477	173,085
- Greater London Authority		22,197	38,410	60,607	22,405	37,964	60,369
- Crossrail		2,825	-	2,825	2,877	-	2,877
		<b>113,811</b>	<b>179,985</b>	<b>293,796</b>	<b>114,903</b>	<b>177,441</b>	<b>292,344</b>
<b>Charges to Collection Fund</b>							
- Cost of collection allowance		418	-	418	419	-	419
- Cost of collection allowance BRS		11	-	11	13	-	13
- Change in bad debt provision		(591)	(722)	(1,313)	2,725	1,367	4,092
- Change in provision for appeals		4,100	-	4,100	4,700	-	4,700
- Write off of uncollectable amounts	4	1,264	-	1,264	4	-	4
<b>Total disbursed</b>		<b>5,202</b>	<b>(722)</b>	<b>4,480</b>	<b>7,861</b>	<b>1,367</b>	<b>9,228</b>
Surplus/(deficit) for year		<b>(7,581)</b>	<b>1,668</b>	<b>(5,913)</b>	<b>(8,162)</b>	<b>1,436</b>	<b>(6,726)</b>
<b>Collection Fund Balances</b>							
London Borough of Barnet		(4,723)	11,642	6,919	(2,449)	11,831	9,382
Greater London Authority		-	3,576	3,576	-	3,220	3,220
		<b>(4,723)</b>	<b>15,218</b>	<b>10,495</b>	<b>(2,449)</b>	<b>15,051</b>	<b>12,602</b>

### 1. Council tax

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each valuation is allocated into one of eight bands on which individual council tax charges are calculated. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.



## Collection Fund

The standard charge is found by taking the amount of income required by the collection fund's two preceptors combined and dividing this by the council tax base. The amount of council tax required from a property in any tax band is the band D charge of £1,401.07 (2013/14 £1,416.20) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	Number of Band 'D' equivalents
A	0.67	1,169
B	0.78	3,928
C	0.89	15,776
D	1.00	23,704
E	1.22	29,337
F	1.44	23,675
G	1.67	23,374
H	2.00	7,419
MOD Contribution		81

**Tax Base**

**128,463**

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### 2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the year-end was £275,928,486 (2013/14 £282,693,795) and the national non-domestic rate multiplier for the year was 48.2p (2013/14 47.1p).

### 3. Collection fund surplus or deficit

The billing authority and preceptors share any council tax and NNDR surpluses or deficits in proportion to the precept requirement.

### 4. Council tax written off

Where persons have absconded owing council tax and, over several years, the money has proved irrecoverable, the arrears are prudently written out of the accounts to give a true picture of income it is reasonable to expect to receive. The arrears are still pursued.

## Group Accounts

### Group Movement in reserves Statement

#### Consolidated Movement in Reserves Statement 2014/15

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Authority Reserves
<b>Balance as at 31 March 2014</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Surplus / (Deficit) on provision of services	32,586	91,624	14,831	24,326	10,921	64,788	239,076	626,483
Other comprehensive expenditure and income	17,948	-	73,779	-	-	-	91,727	92,106
<b>Total comprehensive income and expenditure</b>	<b>17,948</b>	<b>-</b>	<b>73,779</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,727</b>	<b>3,083</b>
Adjustments between accounting basis and funding basis under regulations	3,480	3,479	(73,668)	17,797	7,009	11,494	(30,409)	-
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>21,428</b>	<b>3,479</b>	<b>111</b>	<b>17,797</b>	<b>7,009</b>	<b>11,494</b>	<b>61,318</b>	<b>3,083</b>
Transfer to / from earmarked reserves	(23,781)	21,052	-	3,479	-	(750)	-	-
<b>Increase / decrease in year</b>	<b>(2,353)</b>	<b>24,531</b>	<b>111</b>	<b>21,276</b>	<b>7,009</b>	<b>10,744</b>	<b>61,318</b>	<b>3,083</b>
<b>Balance at 31 March 2015</b>	<b>30,233</b>	<b>116,155</b>	<b>14,942</b>	<b>45,602</b>	<b>17,930</b>	<b>75,532</b>	<b>300,394</b>	<b>629,566</b>

#### Consolidated Movement in Reserves Statement 2013/14

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Authority Reserves
<b>Balance as at 31 March 2013</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Surplus / (Deficit) on provision of services	32,908	75,513	16,072	21,227	6,637	58,728	211,085	565,955
Other comprehensive expenditure and income	14,622	-	33,397	-	-	-	48,019	48,019
<b>Total comprehensive income and expenditure</b>	<b>14,622</b>	<b>-</b>	<b>33,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,019</b>	<b>12,510</b>
Adjustments between accounting basis and funding basis under regulations	1,167	-	(34,638)	3,099	4,284	6,060	(20,028)	-
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>15,789</b>	<b>-</b>	<b>(1,241)</b>	<b>3,099</b>	<b>4,284</b>	<b>6,060</b>	<b>27,991</b>	<b>60,528</b>
Transfer to / from earmarked reserves	(16,111)	16,111	-	-	-	-	-	-
<b>Increase / decrease in year</b>	<b>(322)</b>	<b>16,111</b>	<b>(1,241)</b>	<b>3,099</b>	<b>4,284</b>	<b>6,060</b>	<b>27,991</b>	<b>60,528</b>
<b>Balance at 31 March 2014</b>	<b>32,586</b>	<b>91,624</b>	<b>14,831</b>	<b>24,326</b>	<b>10,921</b>	<b>64,788</b>	<b>239,076</b>	<b>626,483</b>

### Statement of Accounts 2014/15

## Group Accounts

	2014/15			2013/14		
	Consolidated Gross expenditure £'000	Consolidated Gross income £'000	Net expenditure £'000	Consolidated Gross expenditure £'000	Consolidated Gross income £'000	Net expenditure £'000
Central services to the public	2,805	(2,616)	189	3,762	(3,872)	(110)
Cultural & Related Services	18,497	(3,610)	14,887	18,266	(3,295)	14,971
Environmental & Regulatory Services	39,555	(9,220)	30,335	36,812	(7,801)	29,011
Planning Services	11,996	(22,006)	(10,010)	7,772	(19,914)	(12,142)
Public Health	14,370	-	14,370	13,160	-	13,160
Children's and education services	336,608	(233,402)	103,206	302,624	(232,389)	70,235
Highways and transport services	46,310	(18,693)	27,617	55,797	(17,591)	38,206
Housing services	278,776	(343,208)	(64,432)	310,832	(344,649)	(33,817)
Adult social services	130,221	(28,972)	101,249	126,843	(26,555)	100,288
Corporate and democratic core costs	13,883	(1,376)	12,507	9,193	(2,857)	6,336
Non distributed costs	832	(420)	412	964	(384)	580
<b>Surplus on Continuing Operations</b>	<b>893,853</b>	<b>(663,523)</b>	<b>230,330</b>	<b>886,025</b>	<b>(659,307)</b>	<b>226,718</b>
Other Operating Expenditure	5,061	(806)	4,255	33,150	-	33,150
Financing and Investment Income & Expenditure	25,138	(26,018)	(880)	23,515	(5,731)	17,784
Taxation and Non-Specific Grant Income	31	(325,462)	(325,431)	19	(325,690)	(325,671)
<b>Surplus on Provision of Services</b>			<b>(92,106)</b>			<b>(48,019)</b>
(Surplus) / Deficit on revaluation of non-current assets			(8,164)			(17,610)
Remeasurement of the net defined benefit liability			97,189			5,100
<b>Other Comprehensive Income and Expenditure</b>			<b>89,025</b>			<b>(12,510)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(3,081)</b>			<b>(60,529)</b>

This shows the consolidated income and expenditure for the council and its subsidiary company Barnet Homes on its day-to-day activities.

## Statement of Accounts 2014/15

## Group Accounts

### Group Balance Sheet

	31 March 2015		31 March 2014	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	1,119,787		1,092,412	
Heritage Assets	1,080		1,100	
Investment Properties	101,264		68,304	
Intangible assets	9,020		3,176	
Long term debtors	825		913	
Long term investments	24,000		19,888	
<b>Total long term assets</b>		1,255,976		1,185,793
Inventories	612		663	
Short term investments	33,241		25,034	
Short term debtors	99,618		112,630	
Assets held for sale	350		398	
Cash and cash equivalents	215,469		163,902	
<b>Total Current Assets</b>		349,290		302,627
Short term Creditors	(105,707)		(102,952)	
Short term Borrowing	(2,777)		-	
Cash and cash equivalents	(16,880)		(22,423)	
Provisions	(7,691)		(4,765)	
<b>Total Current Liabilities</b>		(133,055)		(130,140)
Long term borrowing	(304,735)		(306,116)	
Provisions	(5,875)		(5,944)	
Pensions Scheme	(515,255)		(402,622)	
Long term lease	(16,780)		(17,115)	
<b>Total Long Term Liabilities</b>		(842,645)		(731,797)
<b>Net Assets</b>		<b>629,566</b>		<b>626,483</b>
Usable reserves	300,394		239,076	
Unusable reserves	329,172		387,407	
<b>Total Equity</b>		<b>629,566</b>		<b>626,483</b>

### Statement of Accounts 2014/15

## Group Accounts

### Group Cashflow Statement

This consolidated statement summarises the movement within the group both for capital and revenue purposes.

	2014/15		2013/14	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services	92,106	48,019		
Adjustment to surplus or deficit on the provision of services for noncash movements	29,244	33,095		
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(73,776)	(63,722)		
<b>Net Cash flows from operating activities</b>	<b>47,574</b>	<b>17,392</b>		
Net Cash flows from Investing Activities	6,961	1,030		
Net Cash flows from Financing Activities	2,575	(1,168)		
<b>Net increase or decrease in cash and cash equivalents</b>	<b>57,110</b>	<b>17,254</b>		
Cash and cash equivalents at the beginning of the reporting period	141,479	124,225		
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>198,589</b>	<b>141,479</b>		

### Statement of Accounts 2014/15

## Notes to group accounts

### 1. Introduction

For a variety of legal, regulatory and other reasons, Local authorities often choose (or are required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under its ultimate control. For this reason the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

The London Borough of Barnet (the reporting authority) has two subsidiary companies:

- The Barnet Group Ltd. The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The Barnet Group Ltd had a board consisting of nine members, of which two are Members of the council.
- Barnet Holdings Ltd. The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd. who own 49% of the share capital in the joint venture in Regional Enterprise Ltd. The joint venture is owned with Capita Ltd. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

### 2. Basis of consolidation

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (London Borough of Barnet) and its subsidiaries (the Barnet Group Ltd and Barnet Holdings) on a line by line basis. The accounts of Barnet Group Ltd and Barnet Holdings have been prepared using similar accounting policies and practices to that of the reporting authority. However some accounting policies and practices of both subsidiaries do differ in some respects from the authority's due to legislative requirements. Any material differences are highlighted within the accounts themselves.

### 3. The Barnet Group Ltd, a Local Authority Trading Company

#### i) Nature of the business

The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of Adult Social Care Services and Housing Management Services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of Adult Social Care Services and Housing Management Services respectively. As a result, The Barnet Group Ltd receives the management fee from The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies.

#### ii) Relationship with the authority

## Group Accounts

Under the Code of Practise, The Barnet Group Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of the Barnet Group Ltd with its own (single entity) accounts in order to form group accounts.

### iii) Financial performance

In 2014/15 the company made an operating surplus of £0.051million (£1.240m loss in 2013/14).

### iv) Transactions with the company

The authority paid and received from the company £54.541m and £2.279m in 2014/15 for the provision of housing management services and repair and maintenance works to housing stock (£51.165m and £3.927m in 2013/14) respectively. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2015 were £10.196m and £1.883m (£8.803m and £0.737m in 2013/14) respectively.

## 4. Barnet Holdings Ltd

### i) Nature of the business

The London Borough of Barnet contracts with Regional Enterprise Ltd for the provision of development and regulatory services in the Borough.

### ii) Relationship with the authority

Under the Code of Practise, Barnet Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of Barnet Holdings Ltd with its own (single entity) accounts in order to form group accounts. Barnet Holdings Ltd single entity accounts have been prepared under the equity method as the arrangement in place between Barnet Holdings Ltd and Capita Ltd in regards to Re have been deemed to be a joint venture.

### iii) Financial performance

In 2014/15 the company made an operating surplus of £0.910million.

### iv) Transactions with the company

In 2014/15 the authority paid £49 and received £0.910million in investment returns from the company.

## 5. Group cash flow statement

The group cash flow statement, prepared in accordance with the Code of Practise, forms part of the group statements. The group cash flow statement shows the movement of cash in and out of the group. However, cash flows relating internally to the group are eliminated as are any intra-group gains and losses. Only cash receipts and payments that flow to and from the group as a whole are included.

## Group Accounts

### 6. Pension Reserve

The London Borough of Barnet is required to prepare Group Accounts consolidating its subsidiaries where they have a material interest in the subsidiaries. The interest in the subsidiaries is only considered material due to the respective pension scheme/reserve of the subsidiaries. As such, the relative single entity pension funds and the consolidated group pension fund are highlighted below;

	2014/15 £'000	2013/14 £'000
<b>Single entity accounts</b>		
London Borough of Barnet	476,254	373,665
The Barnet Group Ltd	39,001	28,957
Barnet Holdings Ltd	-	-
<b>Total</b>	<b>515,255</b>	402,622
<b>Group accounts</b>		
Group	515,255	402,622



## Glossary

For the purpose of compiling the statement of accounts, the following definitions have been adopted:

### Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising
- (ii) selecting measurement bases for, and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

### Accounting standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

### Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

### Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

### Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, Plant and Equipment, assets which are held for use in the production or supply of goods and services, for rental to other, or for administrative purposes. These include items that were previously categorised in the following categories under UK GAAP:
  - Community assets, assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.
  - Council dwellings, these are owned by the council providing services to the communities. Such examples include leisure centres, libraries and museums.
  - Vehicles, these assets are used by the council for the direct delivery of services, such examples include dust carts.
  - Equipment, held by the local Authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.
  - Infrastructure assets, fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are highways and footpaths that cannot be transferred to another owner.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:
  - a) use in the production or supply of goods or services or for administrative purposes, or
  - b) sale in the ordinary course of operations.

If earning rentals were an outcome of a regeneration policy, for example, the properties concerned would be accounted for as property, plant and equipment rather than investment property. Social housing is delivering a service and shall be accounted for as property, plant and equipment.

## Glossary

- Non-operational assets, non-current assets held by an authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.
- Intangible assets, these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

### Associate company

An organisation is an associate of a parent local authority where the authority holds a long term, participatory interest and is in a position to exercise a significant but not dominant influence over that organisation.

### Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

### Benefits

Benefits can be received in the form of future economic benefits or in the form of service potential. Assets that are used to deliver goods and services in accordance with the reporting authority's objectives but which do not directly generate net cash inflows can be described as embodying 'service potential'. Assets that are used to generate net cash inflows can be described as embodying 'future economic benefits'.

### Billing authority

A local authority empowered to set and collect council tax, and manage the collection fund, on behalf of itself and local authorities in its area.

### Business Rate Supplement (BRS)

The Business Rate Supplements Act 2009 enables levying authorities – county councils, unitary district councils and, in London, the Greater London Authority - to levy a supplement on the business rate to support additional projects aimed at economic development of the area.

### Capital expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. It is not necessary for the asset to be owned by the authority e.g. renovation grants.

### Collection fund

The fund, administered by a billing authority, into which council taxes are paid, and from which payments were made to the general fund of billing and major precepting authorities. NNDR collected by a billing authority is also paid into the fund before being distributed to central government and local authorities.

### Community assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks and allotments.

### Corporate and democratic core

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above

## Glossary

those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### Deferred capital receipts

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time, such as payments from mortgages on the sale of council houses.

### Defined benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### Defined contribution scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current year and prior periods.

### Depreciation

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### Events after the balance sheet date (post balance sheet events)

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the statement of accounts is authorised for issue.

### Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

### General fund

The revenue fund of the authority, it shows income from and expenditure on the council's day to day activities.

### Government grants

The amounts of money the authority receives from the Government and inter-government agencies to help fund both general and specific activities.

### Heritage assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations. Examples of Heritage assets are historical buildings, archaeological sites, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

### Historic cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

### Housing revenue account (HRA)

The account which shows the income from and expenditure on the provision of council housing. Other services are charged to the general fund.

## Glossary

### **HRA subsidy**

Revenue funding paid to local authorities to make up any assumed deficit between income and expenditure in the HRA. HRA subsidy is based on the concept of the 'notional HRA'; local authorities are required to construct a notional account using the government's assumptions regarding levels of rents and expenditure on repairs and maintenance. Any deficit is the subsidy entitlement for the year, and if there is a notional surplus then the authority has a negative subsidy entitlement, and the surplus must be transferred to the government.

### **Impairment**

A reduction in the value of a non-current asset, greater than normal depreciation, below its carrying amount on the balance sheet.

### **Infrastructure assets**

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

### **Joint venture**

A joint venture is where a parent local authority holds an interest on a long term basis in an organisation and that organisation is jointly controlled by the local authority and one or more other entities under a contractual arrangement.

### **Leases**

These may be finance leases that transfer the risks and rewards of ownership of an asset to the authority. Alternatively they may be operating leases that are more akin to a hire agreement.

### **Liabilities**

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

### **Long-term contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **Major repairs allowance (MRA)**

The MRA is a government subsidy that was introduced to replace housing revenue account borrowing for repairs to maintain the housing stock to a good standard.

### **Major repairs reserve (MRR)**

This reserve is for capital expenditure on HRA assets.

### **Minimum revenue provision (MRP)**

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

### **National non-domestic rates (NNDR)**

The rates paid by businesses. These rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

### **Net book value**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation. The NBV should not be taken to represent a current market value.

## Glossary

### **New Support and Customer Services Organisation (NSCSO)**

The NSCSO project is part of the One Barnet programme. The project aims to reduce back office costs and improve customer service to residents.

### **Operational assets**

Non-current assets held and occupied, used and consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

### **Outturn**

Actual income and expenditure in a financial year.

### **Pension funds**

For the Local Government Pension Scheme, these are the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of the employee.

### **Prior period adjustments**

Those material adjustments applicable to prior years, arising from changes in accounting policies, or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Precept**

The amount of income demanded of the collection fund by an authority entitled to such income.

### **Preceptor**

An authority entitled to demand money of the collection fund. The preceptors on Barnet's collection fund are the council itself and the Greater London Authority.

### **Provisions**

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure; expenditure against a provision is therefore not charged to revenue as this would be double counting.

### **Prudential borrowing**

Borrowing by local authorities without government financial support, but in accordance with the CIPFA Prudential Code for local authority borrowing.

### **Prudential Code**

A professional code of practice prepared by CIPFA, for the prudential system introduced on 1 April 2004. Local authorities are required by legislation to have regard to the code.

### **Public Works Loan Board (PWLB)**

A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

### **Rateable value**

Assessment by the Inland Revenue of a property's value from which rates payable is calculated.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

REFCUS represents expenditure that may be classified under legislation as capital, but does not result in the creation of a fixed asset on the Balance Sheet.

### **Related parties**

Two or more parties are related parties when at any time during the financial period:

## Glossary

- (i) one party has direct or indirect control of the other; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iii) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

### Related party transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

### Reserves

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts, as against provisions, where it is not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

### Revenue support grant

A general grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and council tax. Revenue support grant is distributed as part of formula grant.

### Service Reporting Code of Practice (SeRCOP)

SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the code of practice on local authority accounting, by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Trading accounts
- Service expenditure analysis

### Subsidiary

An organisation is a subsidiary of a parent local authority if the authority has either a majority share in the organisation or exercises a dominant influence over it.

### Substance over form

There is a requirement that the substance (real effect on the authority) of a transaction is reported rather than just actual monetary movements (substance over form) at the time they happen. That is future liabilities or gains are recognised in the accounts when they are incurred rather than just when paid for or received.

This largely refers to assets where benefits or liabilities of ownership pass without legal title or they may endow future liabilities or gains. In Barnet's case for instance a lease agreement's transactions will show the actual amount paid or received in the year, but there is a liability for future payments or receipts for the life of the lease, these are recognised in the accounts.

### Useful life

The period over which the local authority will derive benefits from the use of fixed asset.



**Audit Committee  
30th July 2015**

<b>Title</b>	<b>Direct Debit Collections – April 2015</b>
<b>Report of</b>	Chief Operating Officer and Director of Finance
<b>Wards</b>	All
<b>Date added to Forward Plan</b>	30 April 2015
<b>Status</b>	Public
<b>Enclosures</b>	Not Applicable
<b>Officer Contact Details</b>	Paul Thorogood – Assistant Director, CSG Finance Service Paul.Thorogood@capita.co.uk

**Summary**

At the Audit Committee meeting on the 30<sup>th</sup> April 2015 the committee resolved to request information regarding the direct debit collection failure which occurred at the beginning of April 2015, and its impact on Barnet Homes for rental and leaseholder income.

There were three separate incidents that occurred which impacted on Barnet Homes at the beginning of the financial year. Even though these three incidents weren't directly related it is unfortunate that they have all impacted on housing tenants.

The three incidents were:

- The failure of the direct debit run for rental payments on the 1st April 2015 which had to be subsequently collected on the 20th April 2015
- Paypoint income transactions not passing through correctly from the cash management system to the rent and service charge system
- The Department for Work and Pensions (DWP) income transactions not passing through correctly from the cash management system to the rent and service charge system

The detail of each of these three incidents is set out within the body of the report.

## Recommendations

### 1. The Committee are asked to note the content of this report.

#### 1. WHY THIS REPORT IS NEEDED

1.1 At the Audit Committee held on the 30<sup>th</sup> April 2015 Members asked for a report to be brought to their next meeting regarding the direct debit failure which arose for Barnet Homes tenants at the beginning of the financial year.

#### 1.2 BACKGROUND INFORMATION

1.2.1 During April 2015, there were three separate incidents that occurred which impacted on the collection of income by Barnet Homes for tenants. Even though these three incidents aren't directly related it is unfortunate that they have all impacted on housing tenants who either pay rent or service charges.

1.2.2 The three incidents were:

- The failure of the direct debit run for rental payments on the 1st April 2015 which had to be subsequently collected on the 20th April 2015
- Paypoint income transactions not passing through correctly from the cash management system to the rent and service charge system
- The Department for Work and Pensions (DWP) income transactions not passing through correctly from the cash management system to the rent and service charge system

The detail of each of these incidents is set out in detail below.

#### 1.3 DIRECT DEBIT FAILURE

##### 1.3.1 The Incident

On 1st April 2015 rents were due to be collected from Barnet Homes tenants by direct debit. A small number of calls (estimate of seven) had been received on the day to advise that the collection had not happened.

The potential failure was raised by Barnet Homes to the Bank Project Team who were overseeing the transition from the Cooperative Bank to the Royal Bank of Scotland.

On reviewing the report available on the national BACS processing service portal there was no evidence of the failure and the full expected receipt could be seen in the Council's bank account. However it normally takes up to 48-96



hours for failures to be notified through the banking service. It was agreed that a watching brief would be maintained until there was evidence from the bank or BACS processing which showed there was a failure.

On the 2nd April 2015, the BACS processing report indicated that the majority of the file had failed and therefore the incident was escalated within the Council and urgent focus was given to finding the cause and seeking a resolution.

### **1.3.2 The Cause**

Through investigation with both the Cooperative Bank and the Royal Bank of Scotland it was identified that all the direct debits had been cancelled by BACS processing and therefore it was not possible to take advantage of the option to rerun the direct debit in line with the Direct Debit Guarantee. The guarantee allows for the legal collection of the income up to four working days after the date specified.

At the beginning of February 2015 the Sundry Debtor team went live with AUDDIS (the automated direct debit instruction service). This system enables the information to be submitted electronically into BACS processing and new mandates to be entered by staff over the phone, rather than the customer having to post a direct debit form back to the bank. This reduces the time for creating direct debits from ten days to four.

As part of this process the Service User Number (SUN) used by the service was transferred from a paper direct debit process to electronic (AUDDIS). The SUN number is unique and is used on the direct debit form. When a bank receives a mandate they enter the SUN number and the BACS process knows which bank account to pay any income or take expenditure from. As part of this transition there was a 30 day window during which time all existing direct debits needed to be resubmitted electronically through AUDDIS. This was completed for all sundry debtors.

At the end of the 30 day window all other direct debits were cancelled. It was not identified at the time that the SUN number was also being used by Barnet Homes as these are not sundry debtors. Unfortunately it was not possible for the Cooperative Bank to advise of the number of direct debits set up against this SUN number so the missed direct debit submissions were not identified.

Therefore this has been identified as the reason for the failure and was not related to the transition of bank accounts.

### **1.3.3 The Resolution at the Point of Failure**

The direct debit files submitted by Barnet Homes were taken and were manipulated to form an AUDDIS file and this was submitted to the BACS bureau service. The direct debits would have been available for collection after four working days; however in line with the Direct Debit Guarantee the earliest date for collection was 20th April 2015 as ten days' notice needed to be provided to tenants.

It was agreed with Barnet Homes that a letter would be sent to all tenants advising them of the failure and that the direct debit would be taken on the later date and offering them alternative payment options in the meantime. At the same time, Barnet Homes updated their call centre that a number of increased calls may be received and did not pursue non-payments.

The direct debit collection was run on the 20th April 2015.

#### **1.3.4 Ongoing Resolution**

An online form within the Council's finance system has been developed to enable Barnet Homes' staff to enter the details directly. This submits a daily file straight into BACS processing thereby reducing any time delay. On the back of the submission a report is produced by BACS confirming the successful submission. Training of this new form and roll out to Barnet Homes took place in April 2015.

### **1.4 PAYPOINT**

#### **1.4.1 The Incident**

Paypoint is the service provider used to take credit and debit card payments by Barnet Homes and a wider range of Council services.

On a daily basis a file is received from the Cooperative Bank as the partner for Paypoint into Axis as the Council's cash management system. Upon receipt of this file and a series of others, including all Council bank accounts, the system manipulates the files to produce files which are exported into a series of Council systems to update its records. Two such systems are QL and Saffron which are used by Barnet Homes for rent and service charge collection where Axis sends a file to update the rent and service charge accounts for tenants.

The processing of Axis is an automated system and therefore the focus is that on a daily basis it receives the necessary number of files and exports the correct number. It is the responsibility of the system owners who receive files from Axis to ensure they are accurate and meet their requirements.

As part of the banking change from the Cooperative Bank to the Royal Bank of Scotland some amendments were made by Capita Software Solutions on the Axis system as they are the owners of the software. During one of the testing cycles, it was identified that the Paypoint file once received was not processed correctly by the system.. Normally if this happens the file would fall into exceptions and be investigated on a daily basis by the Cashbook team, however the file didn't make it this far through the process. Once identified, the failure was corrected within the test system and subsequently retested and confirmed as working correctly before being moved into the live system.

On the morning of 16th April a call to the IT Helpdesk was placed by Revenue and Benefits which advised Paypoint transactions were not being posted to

their system correctly. The same issue was raised by Barnet Homes later during the day. The period affected was 1st April to 16th April 2015.

#### **1.4.2 The Resolution At The Point Of Failure**

Upon investigation it was identified, that despite fixing the problem in the Axis test system, the live system was mishandling the files for Paypoint. Capita Software Solutions resolved the matter within three hours of the call being raised and the correct backdated files passed on Friday 17th April and confirmed as being received and processed correctly.

#### **1.4.3 Ongoing Resolution**

The Axis system does not receive regular updates and therefore this should be an isolated incident with no further resolution required. However, it is important that all system owners (Barnet Homes and Revenue and Benefits) are aware of how they can identify from their own service systems if a failure has occurred.

### **1.5 DEPARTMENT FOR WORK AND PENSIONS**

#### **1.5.1 The Incident**

The Department for Work and Pensions submits a file once a month to the Council which is imported into the Axis system. This file contains the record of payments made to the Council by the Department for Work and Pensions in respect of tenants' rents.

Similar to the incident on Paypoint, the March file was not processed by Axis and failed to update the Barnet Homes rents system. This matter was resolved and the necessary correction files were provided on 16th April 2015.

#### **1.5.2 The Resolution At The Point Of Failure**

The resolution was provided by Capita Software Solutions as the owners of Axis which allowed the file to be successfully processed into the rents system.

#### **1.5.3 Ongoing Resolution**

The Axis system does not receive regular updates and therefore this should be an isolated incident with no further resolution required. However, it is important that all system owners (Barnet Homes and Revenue and Benefits) are aware of how they can identify from their own service systems if a failure has occurred.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 None

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

3.1 None

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

4.1 None

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

5.1 None

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

5.2.1 The collection of income by the Council through direct debit is the preferred collection method. The impact of the content of this report is being monitored by Barnet Homes and reported through their collection rates during the year.

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

5.3.1 Council Constitution, Responsibility for Functions, Annex A, sets out the terms of reference of the Audit Committee, including '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'.

#### **5.4 Risk Management**

5.4.1 The risk of potential failure did not form part of the risk register maintained by the Council; however there is always a risk that a small number of direct debits may fail on each run, for any particular debt types (Barnet Homes, sundry debt, Council Tax or Business Rates).

5.4.2 As detailed within the body of the report, since the occurrence of the failures the necessary steps have been taken to mitigate the future risk of reoccurrence by all parties involved.

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

5.5.1 None

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

5.6.1 None

**6. BACKGROUND PAPERS**

6.1 None

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**London Borough of Barnet  
Audit Committee Work  
Programme - 2015-16  
July 2015 - May 2016**

Contact: Kirstin Lambert 020 8359 2177 [kirstin.lambert@barnet.gov.uk](mailto:kirstin.lambert@barnet.gov.uk)

AGENDA ITEM 14

Subject	Decision requested	Report Of	Contributing Officer(s)
30 July 2015			
Internal Audit Annual Report and opinion 2014/15	To consider the Internal Audit Annual Report and opinion for 2014/15	Head of Internal Audit	
Internal Audit Quarterly Progress Report (including Exception Recommendations Report)	<p>To consider summaries of specific Internal Audit reports as requested</p> <p>To consider reports dealing with the management and performance of the providers of Internal Audit services</p> <p>To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council</p>	Head of Internal Audit	
Direct Debit Collections - April 2015	Provides the Committee with a report on a direct debit collection failure which occurred at the beginning of April 2015, and its impact on Barnet Homes for rental and leaseholder income	Chief Operating Officer (Director of Finance / Section 151 Officer)	



Subject	Decision requested	Report Of	Contributing Officer(s)
CAFT Quarterly Report	<p>To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team (CAFT)</p> <p>To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes</p>	Assurance Assistant Director	
External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2014/15	To consider the External Auditors report to those charged with governance on issues arising from the audit of the Council's accounts.	Chief Operating Officer (Director of Finance / Section 151 Officer)	
Annual Governance Statement	To oversee the production of the Authority's Annual Governance Statement and to recommend its adoption	Assurance Director	
Annual Report of the Audit Committee	The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness.	Assurance Assistant Director	
5 November 2015			

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Contributing Officer(s)</b>
Quarter 2 Internal Audit Progress Report	To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2015-16 and high priority recommendations.	Head of Internal Audit	
External Audit Progress - Verbal update		Assurance Director	
28 January 2016			
Risk Management Policy Statement and Strategy	To monitor the effective development and operation of risk management and corporate governance in the Council	Assurance Assistant Director	

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Contributing Officer(s)</b>
Annual Report of the Audit Committee	<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 2014-15.</p>	Assurance Assistant Director	
External Audit Exceptions Recommendations Report and Progress Report up to 31 December 2015		Assurance Director	
Corporate Anti-Fraud Team (CAFT) Progress Report Q3 October 2015 - December 2015		Assurance Director	

Subject	Decision requested	Report Of	Contributing Officer(s)
Annual Audit Letter 2014-15	To consider the External Auditor's Annual Audit Letter for 2014/2015 on the Council's position in respect of the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience.	Chief Operating Officer (Director of Finance / Section 151 Officer)	
External Audit Progress - Verbal Update		Assurance Director	
19 April 2016			
CAFT Annual Report (including final quarter)		Assurance Assistant Director	
Annual External Audit Plan		Assurance Director	
Internal Audit Quarterly Progress Report (including Exception Recommendations Report)		Head of Internal Audit	
Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach		Head of Internal Audit	
Items to be allocated			

Subject	Decision requested	Report Of	Contributing Officer(s)
Ad Hoc Audit Reports	<p>To commission work from Internal and External Audit arising from the consideration of other scheduled reports subject to them being proportionate to risk identified and with agreement from the Chief Executive</p> <p>To review any issue referred to the Committee by the Chief Executive, a Director or any Council body</p>		
CAFT Annual Report (including final quarter)		Assurance Assistant Director	
Annual External Audit Plan		Assurance Director	
Internal Audit Quarterly Progress Report (including Exception Recommendations Report)		Head of Internal Audit	
Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach		Head of Internal Audit	

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