

MEETING

AUDIT COMMITTEE

DATE AND TIME

THURSDAY 28TH JULY, 2016

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 BSc (Hons) MSc (Lond)

Geof Cooke
Kathy Levine
Arjun Mittra

Peter Zinkin
Hugh Rayner

Geraldine Chadwick
(Independent Member)
Richard Harbord
(Independent Member)

Substitute Members

Melvin Cohen
John Marshall

Eva Greenspan
Reema Patel

Anne Hutton
Alan Schneiderman

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is 25 July at 10AM. Requests must be submitted to Kirstin Lambert 020 8359 2177 kirstin.lambert@barnet.gov.uk

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

Andrew Charlwood – Head of Governance

Governance Service contact: Kirstin Lambert 020 8359 2177 kirstin.lambert@barnet.gov.uk

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	1 - 6
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Report of the Monitoring Officer (If any)	
5.	Public Question and Comments (If any)	
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Decisions of the Audit Committee

19 April 2016

Members Present:-

AGENDA ITEM 1

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

Councillor Geof Cooke
Councillor Kathy Levine
Councillor Arjun Mittra

Councillor Peter Zinkin
Councillor Eva Greenspan

Also in attendance

Geraldine Chadwick (Independent Member)
Richard Harbord (Independent Member)

Apologies for Absence

Councillor Gabriel Rozenberg

1. MINUTES OF LAST MEETING

RESOLVED - That the minutes of the meeting held on 28 January 2016 be approved as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

Apologies for absence were received from Councillor Gabriel Rozenberg. Councillor Eva Greenspan attended as substitute.

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

Councillor Eva Greenspan declared a non-pecuniary interest in agenda item 7, Internal Audit Exception Recommendations Report and Progress Report up to 31 March 2016, as her grandson attends one of the schools audited.

Councillor Brian Salinger declared a non-pecuniary interest in agenda item 8, Internal Audit Opinion 2015-16 as he is the Chairman of the Management Committee of the Pavilion Study Centre (Pupil Referral Unit).

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

Public comments were received from Mr John Dix. Details of the questions asked of, and the answers given by the Chairman were circulated and published on the Council's website prior to the meeting. Verbal responses were given to supplementary questions asked at the meeting.

6. MEMBERS' ITEMS (IF ANY)

None.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND PROGRESS REPORT UP TO 31ST MARCH 2016

The Head of Internal Audit introduced the report. The Committee discussed the report and asked questions to the relevant Director(s), or their representatives, on the audits that received limited or no assurance reports, including Information Technology Disaster Recovery (ITDR), IT Change Management, Contract Management – Registrars, Teachers Pensions, Schemes of Delegation, and follow up reports on Street Scene Operations Review and Grant Income. The committee also discussed the reports on Hasmonean Primary School and Menorah Foundation School.

Following discussion of the limited assurance reports on Information Technology Disaster Recovery and IT Change Management, Councillor Kathy Levine MOVED a motion, which was duly seconded by Councillor Geof Cooke:

‘That the Audit Committee refer the Internal Audit reports on IT disaster recovery and IT Change Management to Performance and Contract Management Committee to consider the following as appropriate:

- To what extent the ‘thin client model’ of contract monitoring contributed to the IT failings, and whether this model needs to be reviewed.
- Whether Capita are in breach of their contract following the Audit report on ITDR and the Library IT failure.
- Whether the CSG contract in relation to IT is providing value for money.
- If a breach of contract has occurred what financial and legal redress is available to the council including what options there are for withdrawing from the contract.
- What risk the CSG IT service poses to the delivery of other council services.
- What changes to PIs/KPIs for CSG IT services need to be made to ensure a robust service is being delivered, and risks are minimized while the contract remains in place.
- The findings of the audit report on CSG Invoicing and Monitoring Arrangements – April 2016, (<http://barnet.moderngov.co.uk/documents/s31591/CSG%20Invoicing.pdf>)’

Upon being put to the vote, the votes were declared as follows:

For	3
Against	4
Abstain	0

The motion was declared lost.

Councillor Brian Salinger MOVED a motion, which was duly seconded by Councillor Sury Khatri,

‘That the Audit Committee refer the Internal Audit reports on IT Disaster Recovery and IT Change Management to the Performance and Contract Management Committee for its consideration’

For	7
Against	0
Abstain	0

The motion was declared carried.

RESOLVED –

- 1. That the Committee note the work completed to date on the Internal Audit Annual Plan 2015-16.**
- 2. That the Committee approve that these findings are included within the Annual Internal Audit Opinion 2015-16.**
- 3. That the Audit Committee refer the Internal Audit reports on IT Disaster Recovery and IT Change Management to the Performance and Contract Management Committee for its consideration.**

8. INTERNAL AUDIT ANNUAL OPINION 2015-16

The Head of Internal Audit introduced the report.

The Chairman noted that, as resolved under agenda item 7, the Annual Internal Audit Opinion would be updated to include the findings in the Addendum Report: Internal Audit Exception and Recommendations Report to 31 March 2016. It was recommended that the Committee note this as a new recommendation 3, which was duly agreed.

Councillor Geof Cooke noted that the Internal Audit Annual opinion 2015-16 included summary information on the issues raised in the Internal Audit Exception Recommendation Report and Progress Report up to 31 March 2016 which the committee had referred to the Performance and Contract Management Committee for consideration.

Councillor Geof Cooke MOVED a motion, which was seconded by Councillor Brian Salinger:

‘That the Internal Audit Annual Opinion 2015-16 be brought to the attention of Performance and Contract Management Committee.’

Upon being put to the vote the motion was carried.

RESOLVED –

1. That the Committee note the contents of the Annual Internal Audit Opinion 2015-16.
2. That the Committee note the findings of the Peer Review of Internal Audit which are covered in the Annual Internal Audit Opinion Appendix E: Results of Internal Audit Peer Review.
3. That the Committee note that the Annual Internal Audit Opinion will be updated to include the findings in the Addendum Report: Internal Audit Exception and Recommendations Report to 31 March 2016.
4. That the Internal Audit Annual Opinion 2015-16 be brought to the attention of Performance and Contract Management Committee.

9. INTERNAL AUDIT & ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2016-17

The Assurance Assistant Director introduced the report.

RESOLVED – That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2016-17.

10. CORPORATE ANTI-FRAUD TEAM (CAFT) ANNUAL REPORT 2015-16

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

RESOLVED - That the CAFT Annual Report 2015 -16 be noted.

11. COUNTER FRAUD FRAMEWORK REVIEW

The Assurance Assistant Director introduced the report. Following consideration of the report it was:

RESOLVED – that the Committee

1. Approve the revised Counter Fraud Framework (CFF) 2016:
 - Fraud, Bribery and Corruption Policy Statement
 - Whistleblowing Policy Statement
 - RIPA Policy Statement
2. Note that the policies will be reviewed on an annual basis and delegate to the Assurance Assistant Director the authority to make necessary amendments to the policies, and report any changes to the next meeting of the Audit Committee.

12. EXTERNAL AUDIT PLANNING REPORT 2015/16

The external auditors Leigh Lloyd Thomas and Jody Etherington from BDO presented the report. Following consideration of the report it was:

RESOLVED – That the Committee

1. Note BDO's audit planning report for 2015/16.
2. Note the fee of £170,025 for the 2015/16 audit and the fee of £21,617 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.


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

There were no urgent items from the Chairman.

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

The meeting finished at 9.50 pm

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	<p>Audit Committee</p> <p>28th July 2016</p>
<p style="text-align: center;">Title</p>	<p>Internal Audit Exception Recommendations and Progress Report Q1 1st April – 30th June 2016</p>
<p style="text-align: center;">Report of</p>	<p>Clair Green, Assurance Assistant Director</p>
<p style="text-align: center;">Wards</p>	<p>N/A</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1 - Internal Audit progress report Q1 covering the period 1st April – 30th June 2016 Appendix 2 - updated Internal Audit Charter</p>
<p style="text-align: center;">Key</p>	<p>NO</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Clair Green, Assurance Assistant Director clair.green@barnet.gov.uk 020 8359 7791</p>

Summary

Members are asked to note the progress against The Internal Audit Plan 2016-17 that was approved by the Audit Committee on the 19th April 2016.

As previously requested by the Committee, this report covers audit reports with limited or no assurance which are summarised into key messages with some detail.

Full copies of ‘No’ and ‘Limited’ Assurance audit reports are available on the Barnet website here:

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

An update to the Internal Audit Charter is also presented as an Appendix 2. The Charter was first approved in July 2013, and revised in April 2015, this is the second revision.

The reason for this revision is that for 2016/17 internal audit will align its reporting framework and associated scoring framework with the methodology applied across the Cross Council Assurance Service (CCAS) of which Barnet is a member. This is part of on-going process of alignment and methodology improvements that have been facilitated through the framework.

Key points as follows:

- A systematic point's based scoring system will be used to determine aggregate assurance ratings for individual audits. Findings from each review will be assessed and a score applied based on the risk rating. The total number of points per the audit will determine the assurance rating.
- Reports that are "Limited assurance" and "No assurance" will be reported to Audit Committee in line with current arrangements. A key point to note is that previously all reports that have a "high risk" finding were classed as "limited assurance." This may not necessary occur based on the revised scoring framework; and
- The revised system will assist in ensuring consistency in the application of overall assurance ratings for work performed.
- The report classification is determined by allocating points to each of the findings included in the report.
- Note terminology change from "Satisfactory" to "Reasonable"

These changes have been reflected in both the Q1 IA progress report (Appendix 1) and the Audit Charter which can be seen in Appendix 2 for reference.

Recommendations

1. That the Committee note the work completed to date on the Internal Audit Annual Plan 2016-17 and progress against high priority recommendations.

2. That the Committee approves the updated Internal Audit Charter.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the progress made to date against the 2016-17 Internal Audit Plan. The report includes details of audit reports with 'limited' or 'no assurance' which are summarised into key messages with some detail along with the progress of implementation of previous high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors (or equivalent grade) as to their progress against recommendations.

- 1.2 The Audit Committee's role in receiving the updated Internal Audit Charter is to approve the Charter in line with the requirements of the Public Sector Internal Audit Standards.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee approved the Internal Audit Plan 2016-17 in April 2016 and this report notes the progress against that plan and progress against high priority recommendations.

- 2.2 Compliance with the Public Sector Internal Audit Standards

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

- 4.1 The Internal Audit Plan 2016-17 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 Internal Audit Plan 2016-17 agreed by the Audit Committee is being achieved from Internal Audit's current budget.

5.3 Legal and Constitutional References

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

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

5.4 Risk Management

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

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

5.5 Equalities and Diversity

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

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

6.1 Audit Committee 11 March 2010 (Decision Item 11) - the Committee accepted that there would be progress reports to all future meetings of the Committee and, that for all "limited" or "no assurance" audits, there should be a brief explanation of the issues identified.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%208.pdf>

6.2 Audit Committee 21 September 2010 (Decision Item 7) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%203.pdf>

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

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201102171900/Agenda/Document%204.pdf>

6.4 The Internal Audit Charter was first approved in July 2013 and updated in April 2015. This is the second revision.

<http://barnet.moderngov.co.uk/documents/g6596/Printed%20minutes%2024th-Jul-2013%2019.00%20Audit%20Committee.pdf?T=1>

<http://barnet.moderngov.co.uk/documents/s22893/Internal%20Audit%20CAFT%20and%20Risk%20Management%20Plan%202015-16%20and%20Internal%20Audit%20Charter%20update.pdf>

6.5 Audit Committee 19 April 2016 (Decision Item 9) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2016-17

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&Mid=8416&Ver=4>

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Internal Audit
Progress Report 2016-17 – Quarter 1

Clair Green, Assurance Assistant Director
July 2016

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1. Introduction

The Internal Audit Plan was approved by the Audit Committee on the 19th April 2016. As previously requested by the Committee, this report covers audit reports with limited or no assurance which are summarised into key messages with some detail.

2. Final Reports Issued

This report covers the period from 1st April 2016 to 31st June 2016 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 3 reports as final in accordance with the 2015-16 Internal Audit Plan and 15 in relation to the 16/17 plan. In summary, the assurance ratings provided for reports issued in final were as follows:

Substantial ✓✓✓	1
Reasonable	8
Limited	3
No	-
N/A	6
Total	18

Table 1: Work completed during quarter 1 including assurance levels

	Systems Audits	Assurance	Number of recommendations by risk category				
			Critical	High	Medium	Low	Advisory
Audits from the 2015/16 internal audit plan being reported this quarter							
1	Establishment List	Limited	-	2	4	1	-
2	Parking Administration	Limited	-	1	2	1	-
Audits from the 2016/17 plan being reported this quarter. Note: our assessments are reported using a new framework (see Section 8)							
3	CCTV	Reasonable	-	-	4	-	-
4	Supervision: Adult Social Care	Reasonable	-	1	2	1	-
5	Supervision: Children's Social Care	Reasonable	-	-	4	-	1
6	Purchase Cards	Reasonable	-	-	4	2	-
7	Street Scene- Follow up review	N/A					

8	Establishment list- Follow up review	N/A
9	ITDR- Follow up review	N/A
10	IT Change Management- Follow up review	N/A
Grants / Payments by Results		
11	Social Care Capacity Grant	N/A
Advisory Reviews / Management Letters		
12	Risk Management	N/A
Schools Audits		
13	Brookhill Nursery	Limited
14	Edgware	Reasonable
15	Moss Hall Nursery	Reasonable
16	Barnfield	Reasonable
17	All Saints (NW2)	Reasonable
18	Chalgrove	Substantial ✓✓✓

The summary detail of those reports issued as Limited or No assurance is included within section 3. The summary detail of management letters resulting in high priority recommendations is included within section 4.

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

Title	Establishment list
Audit Opinion	Limited Assurance
Date of report:	June 2016
Background & Context	<p>An establishment list is a report designed to capture the Council’s organisational structure as well as core employee details. The establishment list includes both filled posts and vacancies. The “Core Personnel” module of Core (the Council’s HR system) is used to produce the establishment list. An accurate establishment list and robust controls over employee standing data is important to ensure accurate payroll payments are made, facilitate effective workforce planning and budgeting.</p> <p>This review considered the control in place to ensure that the establishment list is accurate and up to date and ensure that only appropriate changes are made to employee standing data.</p> <p>It should be noted that certain weaknesses identified have been followed up subsequent to the completion of fieldwork and an exercise has been completed to refresh the Establishment List as part of the Unified Reward project. A follow up of certain issues identified through this review can be seen in Section 4: Follow up reviews.</p>
Summary of Findings	<p>This audit has identified two high, three medium and two low rated findings. We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • <u>Changes to the establishment list (High risk)</u> - It is not possible to produce a full list of changes made to the establishment list within Core (the Council’s HR system). The requests from the delivery units and supporting documentation for the changes have not been logged and retained in a systematic order and therefore could not all be obtained within the timescales of the audit for the sample selected. A list of authorised submitters – roles that have authority to submit Establishment List Control Forms (“ELCFs”) and make changes for a specific part of the organisation - is not maintained and available to CSG staff to assess whether requests have been made by individuals with the prerequisite delegated authority. • <u>Quarterly review of the establishment list (High risk)</u>– Quarterly updates to the establishment list are performed via

Title	Establishment list		
	<p>confirming with the responsible officers – officers assigned to perform sign-off of the establishment list for a specific part of the organisation – that the establishment list is up-to-date. A full list of the officers responsible for sign-off in the quarterly establishment list review process is not formally maintained or reviewed on a regular basis. The changes can be submitted using two methods: a spreadsheet summarising changes or individual ELCFs for each change. The guidance does not state the types of changes that can be submitted via spreadsheet. There are no validation checks against the list of changes submitted by the delivery units as part of the quarterly review process to confirm all of the changes requested via spreadsheet have been processed accurately. The tracker used to monitor the quarterly process was not updated for 1/2 (50%) of quarters sampled and for 1/2 (50%) quarters sampled evidence of the communication sent out as part of the July confirmation process could not be provided as it has not been retained. For 6/20 sampled departments (30%) the sign-off forms could not be obtained to demonstrate that the responsible officer had confirmed the completeness and accuracy of the establishment list as part of the quarterly process.</p> <ul style="list-style-type: none"> <p><u>Guidance and procedure documents for processing Establishment List Controls Forms (ELCFs) (Medium risk)</u> – The CSG team in Belfast can process changes on the Core HR system which is now used to record employee changes and changes in posts. A detailed procedure document for staff is only available for six of the seven types of establishment list control forms (ELCFs) and is outdated. The induction training plan for new staff does not include a section on processing the establishment list control forms.</p> <p><u>Quality checks (Medium risk)</u> - Self-checks, peer and manager quality checks of establishment list changes are performed by the CSG team in Belfast. Weekly reports are prepared showing the number of self-checks logged. The report does not include all categories of establishment list changes and only includes statistics on self-checks for Leaver forms. We were told that team Leader checks are completed but evidence is not retained therefore this could not be verified.</p> <p><u>Access to Core (Medium risk)</u> – Access to Core (HR system) is restricted. A list of people with access to Core can be produced by department or for the whole organisation. However, the list is not reviewed for completeness or accuracy on a regular basis.</p>		
Priority 1 recommendations, management responses and agreed action dates			
1. Changes to the establishment list			
Recommendation List of authorised submitters	Management Response List of authorised submitters	Responsible Officer	Deadline

Title	Establishment list		
<p>a) A list of the roles that have authority to submit the forms and make changes to the establishment list should be created and should state which department or delivery unit the officer has authority over.</p> <p>b) The list should be reviewed on a monthly basis to ensure it is up-to-date and captures any restructure in the organisation.</p> <p>c) The updated list should be communicated to the HR team in Belfast to ensure they can perform their responsibility effectively.</p> <p>d) The procedure notes and guidance for the HR team in Belfast should be updated to state that the name of the submitter on the form should be checked within Core to confirm they are in the post as per the authorised submitters list before the form is processed.</p> <p><u>System generated list of standing data changes</u></p> <p>e) The Council should investigate the feasibility of creating a new report showing the full listing of establishment list changes from Core.</p> <p><u>Processing of standing data changes</u></p> <p>f) The HR team in Belfast should keep a record of the ELCFs that they receive in a systematic manner (e.g. in a log or in an appropriately controlled shared folder to ensure ease of validation of changes after these have been made. All changes should be cross-referenced to the reference numbers of the records on Core.</p> <p>g) CSG staff should be reminded that changes to the establishment list should not be processed unless a</p>	<p>a-d) The authorised signatories list that the Council already requires will be used for this purpose.</p> <p><u>System generated list of standing data changes</u></p> <p>e) Agreed.</p> <p><u>Processing of standing data changes</u></p> <p>f) Already in place.</p> <p>g) Already in place.</p> <p>h) The procedure which is currently implemented through the recommendations from Workforce Board will capture the information and ensure it is stored this in an auditable format.</p>	<p>Operations Director</p>	<p>a-d) Implemented (see follow up section below)</p> <p>e) 30/09/2016</p> <p>f-g) Implemented (See follow up section below)</p>

Title	Establishment list		
<p>valid ELCF or original email from the submitter is provided.</p> <p>h) Copy of the supporting evidence should be retained on file. New procedure documents should be developed for HR staff and include the list of evidence required to retain for each change made.</p>			
<p>2. Quarterly review of the establishment list</p>			
<p><u>Methods of submitting errors for correction</u></p> <p>a) As planned, the Council should eliminate the option to submit changes to the establishment list via spreadsheet with the suggested amendments and instruct the officers to submit the establishment list control forms for all changes instead.</p> <p><u>List of the responsible officers</u></p> <p>b) A full list of the responsible officers for the quarterly review process should be created and reviewed quarterly prior to the start of the next quarterly review process.</p> <p>c) The list could be based on the list of authorised submitters (recommendations 1d-1g above).</p> <p>d) If establishment list is shared with employees outside of the list of the responsible officers, the Data Protection team should be informed of the potential data breach.</p> <p><u>Validation checks</u></p> <p>e) As part of the new monthly sign-off process, the sign-off sheet should be counter-signed by the officer who</p>	<p><u>Methods of submitting errors for correction</u></p> <p>a) Agreed.</p> <p><u>List of the responsible officers</u></p> <p>b-c) The authorised signatories list that the Council already requires will be used for this purpose.</p> <p>d) Agreed.</p> <p><u>Validation checks</u></p> <p>e) Agreed.</p> <p><u>Quarterly review process</u></p> <p>f) Monitoring of the process will be completed via the Operations Director and the Belfast SDM. The tracking of progress will also be monitored via Workforce Board.</p>	<p>HR Director</p>	<p>a-j) Implemented (see follow up section below)</p>

Title	Establishment list		
<p>processed the changes or validated that the requested changes have been processed.</p> <p><u>Quarterly review process</u></p> <p>f) The tracker should be updated as planned to monitor the progress of the monthly review process for each month.</p> <p>g) Evidence of the communication with the responsible officers should be retained to support analysis of the progress made in the quarterly tracker by the Workforce Board as required.</p> <p><u>Quarterly review sign-off sheets</u></p> <p>h) Responses from the responsible officers during the quarterly sign-off process should be retained to ensure transparency and enable validation checks.</p> <p>i) The sign-off sheets should be held centrally to ensure a full audit trail and enable validation checks.</p> <p>j) A full list of changes submitted by the officer should be attached to the sign-off sheet because the sheet is signed subject to the changes being processed by HR.</p>	<p>g) Agreed.</p> <p><u>Quarterly review sign-off sheets</u></p> <p>h) Agreed</p> <p>i) Agreed</p> <p>j) Agreed</p>		

**Internal Audit
Establishment List, February 2016
Follow-up (Phase 1), June 2016**

Executive Summary

An audit was held in February 2016 to review the appropriateness and effectiveness of the Council’s controls in place to ensure that the establishment list is accurate and up to date and ensure that only appropriate changes are made to employee standing data. The audit highlighted a number of areas for improvement, from which recommendations for improvement have been made.

The follow-up audits are being undertaken using a phased approach. The main body of this document covers Phase 1 and considers the recommendations that were made regarding control design to address deficiencies identified in the initial review for those issues that were assessed as “high risk.” We have not been able to test the operating effectiveness of controls as part of this follow up due to updates to the Establishment List being processed outside of business as usual controls as part of the Unified Reward project. Phase 2 will look at the extent to which controls have been embedded and are operating effectively over a longer period of time. Fieldwork for phase 2 will occur in Q4.

We identified 5 action items for review that met the criteria for Phase 1 that relate to the high risk findings identified. 100% of the actions have been completed from a control design perspective at the time of testing.

Status	Description	Total
Implemented	Evidence provided to demonstrate that the action is complete	5
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	-
Not Implemented	No evidence seen of the action being progressed or completed	-

Detailed Status Updates

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
1. Changes to the establishment list: <i>Control design and operating effectiveness</i>	
<p><u>List of authorised submitters</u></p> <ul style="list-style-type: none"> a) A list of the roles that have authority to submit the forms and make changes to the establishment list should be created and should state which department or delivery unit the officer has authority over. b) The list should be reviewed on a monthly basis to ensure it is up-to-date and captures any restructure in the organisation. c) The updated list should be communicated to the HR team in Belfast to ensure they can perform their responsibility effectively. d) The procedure notes and guidance for the HR team in Belfast should be updated to state that the name of the submitter on the form should be checked within Core to confirm they are in the post as per the authorised submitters list before the form is processed. <p>Action: Recommendation accepted</p>	<p><u>Implemented (control design)</u></p> <p>a-d) A list of authorised budget holders has been formulated and communicated to support the change management process.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p><u>Processing of standing data changes</u></p> <p>f) The HR team in Belfast should keep a record of the ELCFs that they receive in a systematic manner (e.g. in a log or in an appropriately controlled shared folder to ensure ease of validation of changes after these have been made. All changes should be cross-referenced to the reference numbers of the records on Core.</p> <p>g) CSG staff should be reminded that changes to the establishment list should not be processed unless a valid ELCF or original email from the submitter is provided. Copy of the supporting evidence should be retained on file.</p> <p>h) New procedure documents should be developed for HR staff and include the list of evidence required to retain for each change made.</p> <p>Action: Recommendation accepted</p>	<p><u>Implemented (control design)</u></p> <p>f-h) Process documents and guidance has been produced and uploaded on to the Intranet to support the process for changes to standing data. The new process clearly sets out that all changes to the establishment list need to be supported by a completed and authorised ELCF. New ELCF templates have been formulated to support change requests and ensure all information is captured and that there is consistency in requests made. Briefing sessions have been provided to relevant staff to communicate the new establishment control processes and these have also been communicated to all staff through Council wide communications. CSG staff have developed a template log to record details of all changes made that captures required information.</p> <p>It should be noted that due to the Unified Reward process changes to standing data have not been processed in line with the business as usual process described above. It has therefore not been possible to test the operating effectiveness of revised controls. The extent to which controls are effective will be assessed in Q4 in the next stage of follow up.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>2. Quarterly review of the establishment list: <i>Control design and operating effectiveness</i></p>	
<p><u>Methods of submitting errors for correction</u></p> <p>a) As planned, the Council should eliminate the option to submit changes to the establishment list via spreadsheet with the suggested amendments and instruct the officers to submit the establishment list control forms for all changes instead.</p> <p><u>Validation checks</u></p> <p>b) As part of the new monthly sign-off process, the sign-off sheet should be counter-signed by the officer who processed the changes or validated that the requested changes have been processed.</p> <p><u>Quarterly review process</u></p> <p>c) The tracker should be updated as planned to monitor the progress of the monthly review process for each month.</p> <p>d) Evidence of the communication with the responsible officers should be retained to support analysis of the progress made in the quarterly tracker by the Workforce Board as required.</p> <p><u>Quarterly review sign-off sheets</u></p> <p>e) Responses from the responsible officers during the quarterly sign-off process should be retained to ensure transparency and enable validation checks.</p> <p>f) The sign-off sheets should be held centrally to ensure a full</p>	<p><u>Implemented (control design)</u></p> <p>a-f) The monthly sign off process has been designed in line with audit recommendations and communicated to staff via briefing sessions and through Council wide communications.</p> <p>The new business as usual process has not been implemented at the date of follow up testing due to the Unified Reward project and the associated baselining of establishment list data. It has therefore not been possible to test the operating effectiveness of revised controls. The extent to which controls are effective will be assessed in Q4 in the next stage of follow up.</p> <p>Note: It should be noted the Unified Reward project undertaken full review of the establishment data was undertaken to ensure that data was accurate to inform the Unified Reward process. During this process 1400 letters were sent to employees. The error rate associated as part of this process was less than 1% (6 letters). As part of this process 50 data fields for every employee were reviewed by managers and HR business partners. It should be noted that the Unified Reward process has not been reviewed as part of this review however this is a key activity in improving the accuracy of the establishment list.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>audit trail and enable validation checks.</p> <p>Action: Recommendation accepted</p>	
<p><u>List of the responsible officers</u></p> <p>g) A full list of the responsible officers for the quarterly review process should be created and reviewed quarterly prior to the start of the next quarterly review process. The list could be based on the list of authorised submitters (recommendations 1d-1g above).</p> <p>h) If establishment list is shared with employees outside of the list of the responsible officers, the Data Protection team should be informed of the potential data breach.</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Implemented (control design)</u></p> <p>g-h) A list of authorised budget holders has been formulated and communicated to support the change management process.</p>

Title	Parking Permit Administration
Audit Opinion	Limited
Date of report:	June 2016
Background & Context	<p>The responsibility for processing parking permit applications for Barnet residents has been contracted to CSG (Capita) by the Council.</p> <p>Members approved a change to the current process and from October 2015 parking permits have been issued based on the carbon emissions of the vehicle. In addition changes to the administration process resulted in supporting documentation being checked after the application has been processed. Applications will be granted after the documentation is attached to the application. Documentation will then be reviewed by CSG team and any issues or errors will subsequently be investigated, with the possibility of a permit being withdrawn if the documents provided are not in accordance with requirements.</p> <p>There is an Operational Level Agreement (“OLA”) in place for this aspect of the CSG service which was intended to address the fact that the CSG contract does not include specific requirements related to parking permit administration process, including timescales to deliver each aspect of the permit functions. The OLA was introduced on 23/02/2016 shortly before the commencement of fieldwork and a number of the provisions were not operational at the time of audit. The implementation of the OLA will alleviate some of the more significant issues identified through this review.</p>
Summary of Findings	<p>This audit has identified one high, three medium and one low rated recommendation. We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • <u>Roles and responsibilities (High risk)</u> – The overarching CSG contract sets out at a high level the services that are to be provided through the contract and is orientated around outcomes. It does not detail specific roles and responsibilities around the provision of services in relation to Parking Permit Applications. This has resulted in a lack of clarity around requirements around the extent of procedures that were to be performed by CSG in verifying Parking Permit applications as well as other service standards such as the target timescales in performing key parking administration processes. In addition there was no adequate performance management framework in place to identify and resolve performance issues in relation to the Parking Permit Application process to ensure an appropriate service was being provided by CSG. It should be noted that the OLA that has recently been agreed with management defines roles and responsibilities and addresses some of the issues identified however new arrangements were not fully embedded into procedures at the date of

Title	Parking Permit Administration
	<p>testing.</p> <ul style="list-style-type: none"> • Chaser letters for missing documentation (Medium risk) - In line with the new procedures implemented in October 2015, when the details of an application are verified and the documentation is subsequently found to be incorrect, the individual should be contacted with a follow up letter requesting missing information. This is currently processed manually, with the individual being added to a spreadsheet at CSG which is sent to a separate officer responsible for issuing the letters. Our testing identified two out of 25 cases (8%) where follow up letters were not sent for missing information. • Site visits to CSG (Medium risk) - On a monthly basis, the Council's Contract Performance Officer undertakes a site visit to CSG in Coventry where the parking permit administration process is completed. The site visit includes reviewing compliance with the agreed procedures. Our testing identified that in July 2015, no report had been produced for the site visit. Discussion with management confirmed that prior to the recruitment of the Contracts Performance Manager in November 2015; these visits were not performed as no other individual had responsibility or capacity for carrying out these reviews and documenting the reports.

Priority 1 recommendations, management responses and agreed action dates

1. Roles and responsibilities

Recommendation	Management Response	Responsible Officer	Deadline
<p>It is recognised that the introduction of the new OLA will improve the control environment in place and alleviate the control issues identified and therefore management should:</p> <ul style="list-style-type: none"> a) Embed the arrangements set out in the OLA into procedures in relation to Parking Permit administration; and b) On an ongoing basis the Parking Client Team should assess performance against the new performance measures in place and highlight performance 	<p>As has been noted above the new Operational Level Agreement has been introduced which addresses the lack of specific requirements in the CSG Contract in relation to this service area. The development of the OLA followed a detailed review of the existing process and procedures and it also sort to incorporate the changes required in process to accommodate the Emissions Based and e- permit.</p> <p>We recognise some of the shortfalls which are why significant work has been done with</p>	<p>Sam Pandya – Contract Performance Monitoring Officer</p>	<p>Implemented</p>

Title	Parking Permit Administration		
<p>issues arising to the Commercial Team to consider the escalation of performance measures relating to Parking Administration to contractually enforceable standards as a PI or KPI.</p>	<p>implementing the OL and supporting CSG with training and ensuring all process maps and documentation has now been updated. We welcome a secondary audit follow up so that Assurance can see that the recommendations have been dealt with and we are confident the changes made will give much better assurance at a follow up audit.</p>		

Title	Brookhill Nursery		
Audit Opinion	Limited Assurance		
Date of report:	June 2016		
Background & Context	<p>Brookhill Nursery School is a Community nursery school with 113 children on roll and 78 full time equivalent places for pupils aged between 3 and 5 years of age. The School budget for 2016/17 is £649,216 with employee costs of £571,433 (88% of the delegated budget).</p> <p>The School was assessed as 'Outstanding' by OFSTED in November 2013.</p>		
Summary of Findings	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting two Priority 1 and five Priority 2 issues as part of the audit (in order of priority):</p> <ul style="list-style-type: none"> • Income – There was no documented system for chasing invoices for childcare between September 2015 and March 2016. The amount of uncollected income was not available at the audit. (Priority 1). • Payroll – Unauthorised overtime sheets were entered into the payroll system for payment. Controls were not in place to stop a member of staff entering claims for overtime for herself using her own log-in (Priority 1). • Governance – The financial management policy and procedures document should include agreed responsibilities 		

Title		Brookhill Nursery		
		<p>of current staff members, procedures for collecting income and should not include Petty cash as no Petty cash is held (Priority 2).</p> <ul style="list-style-type: none"> • Financial Planning – The three year budget is not up to date (Priority 2). • Unofficial funds – The remaining ‘cash in hand’ noted on the auditor’s statement and in the ledger for the unofficial fund could not be located at the audit visit (Priority 2). • Assets – Insufficient detail is recorded in the Asset register to separately identify each asset (Priority 2). <p>Compliance with ‘Schools Financial Values Standard’ (SFVS) - following our SFVS self – assessment review it is the opinion of audit that there were no major discrepancies in judgements noted however contrary to the School’s self-assessment some of the assessment areas had met in Part. (Priority 2).</p>		
Priority 1 recommendations, management responses and agreed action dates				
1. Income				
Recommendation	Management Response	Responsible Officer	Deadline	
Strict income controls and procedures should be in place to ensure effective financial management. Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure compliance.	We appreciate the importance of the above and we have amended our financial management policy to include a system for chasing outstanding debts. These include producing debtor reports fortnightly, which are reviewed by the SBM and chased. We are also introducing advance invoicing from September 2016.	Head teacher/School Business Manager	01 September 2016	
2. Payroll				
Recommendation	Management Response	Responsible Officer	Deadline	
As payroll constitutes the largest area of expenditure for the School, it is recommended	The school uses the Capita HR system for its payroll where you are not able to enter any	Head teacher/School Business Manager	01 September 2016	

Title	Brookhill Nursery		
<p>that at least two officers are involved in checks over the monthly payroll reports.</p> <p>The School should refer to the 'Keeping your Balance' document, section E (Financial Controls) and section H (Payroll) for guidance with procedures.</p> <p>Alterations to the payroll must be authorised by someone other than the person preparing the alteration and not by the person the alteration relates to.</p>	<p>changes to your own payroll records. This must have been a one-off transaction that was entered using another staff members log in. We have reinforced the importance of not sharing passwords and log in details. Timesheets are now processed on a timely basis. We also employed LBB School Finance Support over the period who would be responsible for checking the timesheets to the payroll records.</p> <p>Any amendments to the payroll records are documented and authorised in accordance with the notice of authorised signature document and then input by a member of our admin team.</p> <p>Following this advice we have asked HR to issue new log in details to all office administrators.</p>		

4. Follow up reviews

Internal Audit IT Change Management Review Follow-up: Phase 1 of 2 (June 2016)

Executive Summary

An audit was held in March 2016 to review the appropriateness and effectiveness of the Council's IT Change Management process, including related governance, policies, process, procedures and controls that are in place to manage changes to the IT applications and infrastructure that support the Council's services. The audit highlighted a number of areas for improvement, from which 30 recommendations for improvement have been made.

The follow-up reviews are being undertaken using a 2-phased approach. Phase 1 has been conducted in June 2016 and considers the recommendations that were made regarding control design to address deficiencies identified in the initial audit. Phase 1 was also determined by the actions that were marked as either completed within the initial audit report, or where the action due date was set for April or May 2016. The follow-up review for Phase 2 will look at the extent to which controls have been embedded and are operating effectively over a longer period of time. A date for Phase 2 is yet to be scheduled, but is anticipated towards the end of 2016.

Of the 30 recommendations highlighted from the main audit in March 2016, 14 recommendations met the criteria for the Phase 1 follow-up review. 57% of the actions have been completed, 29% are still in progress and 14% have not been completed. The items which are not yet completed will be re-assessed as part of the Phase 2 follow-up review. A summary of the outcome is shown in the table below:

Status	Description	Total
Implemented	Evidence provided to demonstrate that the action is complete	8
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	3
Unconfirmed	Exceptional case where evidence was unable to be provided but both the Council and Capita CSG confirm that the action is complete	1
Not Implemented	No evidence seen of the action being progressed or completed	2

Detailed Status Updates

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
3. Process Lifecycle: <i>Control design</i>	
1.2 Changes are not reviewed to determine whether successful and identify lessons learned for continuous improvement. Change records are not completed in a timely manner, resulting in inaccurate status reporting, potential inaccuracies to IT configuration information available for future IT change impact assessment and dependency analysis and lack of triggering the post-change review process.	

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>a) Update the IT Change Management policy to include a mandatory review of all failed Request for Change (RFCs) to identify the cause of failure.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We examined <i>P0030 Change Management Procedure for the London Borough of Barnet v2.3</i>.</p> <p>We noted that the updated change management procedure now includes additional responsibilities assigned to the Change Manager:</p> <ul style="list-style-type: none"> • Change requesters are required to complete a <i>Failed Change Report</i> for all failed changes; • <i>Failed Change Reports</i> are reviewed for lessons learned; and • Service improvement recommendations are raised with the Service Delivery Manager (SDM)
<p>b) Where Council services are affected, inform and update in a timely manner, explaining which services are unavailable, what work-arounds are available and the estimated time until service is restored.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We reviewed the existing <i>Change Assessment Template</i> and noted that a new section has been added, to request and document information about how to communicate any service unavailability as a result of the change. As the template has been recently implemented, there is only one hand-written template available for change record <i>CHG00565501</i> to test its effectiveness.</p>
<p>d) Review IT Change Management service metrics and monitor on an ongoing basis. This will allow early identification of issues and inform proactive changes to the IT Change</p>	<p><u>Not Implemented</u></p> <p>We reviewed the IT Change Management service metrics within the</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>Management process, policy, design or procedure as well as identifying staff that require additional change training and support.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><i>ICT CSG Monthly Report for May 2016.</i> We noted that the metrics detail the volume of change each month, categorised by the number of emergency, standard and project-related IT changes. These metrics are not currently adequate to satisfy the recommendation.</p> <p>Capita CSG Management have stated an intent to establish a failed change governance meeting, reviewing failed changes on a quarterly basis for service improvement actions. This meeting was not established at the time of this review.</p> <p>Revised implementation date: 2 September 2016</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>3.3 Emergency Changes carry an increased risk to the business as this type of change does not go through the same level of assessment and approval as a normal change.</p>	
<p>a) Define the project-related criteria and controls required for acceptance into the Emergency Change process.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We examined an email dated 31/03/16 issued by the Change Manager to the Technical Change Advisory Board (CAB), Customer CAB and project stakeholders giving guidance on the use of the emergency change category.</p> <p>We also examined the approvals of changes <i>CHG0055130</i> and <i>CHG0054472</i>. Both showed that the categorisation of the emergency change was appropriately challenged by the Change Manager. Capita CSG should consider establishing metrics to monitor the ongoing effectiveness of this process (see finding 1.2d).</p>
<p>4. Change Testing & Validation: <i>Control design</i></p>	
<p>2.1 A lack of testing environments for some Council IT services and a lack of testing of the change back-out procedures increases the likelihood of problems during release/ implementation.</p>	
<p>a) Identify which IT services could have an unacceptable impact to the Council's services should there be a prolonged outage.</p>	<p><u>Partially Implemented</u></p> <p>At the time of this review, actions are still being undertaken to fulfil</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>Action: Recommendation accepted</p> <p>Responsible Officer: Mike Bourgoine, Head of Service Delivery (CSG)</p> <p>Target date: 30 April 2016</p>	<p>the recommendation.</p> <p>We examined the <i>P0066 Systems and Applications Register v1.4</i>, <i>DR Dependency Mappings spreadsheet v5.2</i> and <i>OBIS008b Service Catalogue Applications Inventory</i>. IT systems are classified as Platinum, Gold, Silver or Bronze, based on the impact to the Council services, however we noted that:</p> <ul style="list-style-type: none"> • The impact assessments for the applications listed are accurate as at the start of the Council's contract with Capita CSG (2011) and have not been reviewed or updated since. There is no process in place to ensure regular review of this data. • There are a number of existing applications listed, where the classification is unknown and has not been updated since 2011. • New applications taken on since 2011 have been added to the service catalogue but have remained unclassified, meaning that their impact to the Council services is not formally known or documented within the service catalogue. <p>The impact of IT changes cannot therefore be assessed accurately as the information is not current.</p> <p>We also examined <i>Barnet DR Summary v5.1</i> that captured the work being undertaken as part of the DR Classification Review to reassess IT systems. Capita CSG has stated that the impact assessment and agreement with the Council is still in progress.</p> <p>Revised implementation date: 28 October 2016</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>b) Where the underpinning IT services do not have a test environment, or the existing test environment configuration differs from production, ensure proposed options for remediation have been presented to Council and Council's response recorded.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Programme Director (CSG)</p>	<p><u>Partially Implemented</u></p> <p>Examining <i>P0066 Systems and Applications Register v1.4</i> showed that there is a record of systems with a User Acceptance Testing (UAT) environment, however the data has not been updated since 2011. We did not see evidence of a review process to verify Council's agreement that the information is still current. This would be important, especially for any new systems added since the contract was taken on in 2011.</p> <p>Revised implementation date: 8 July 2016</p>
<p>5. Result of Sample Records Testing: <i>Operating effectiveness</i></p>	
<p>3.3 A lack of test plan increases the likelihood of unforeseen IT incidents during release/ implementation which may cause an impact to Council services.</p>	
<p>b) Vital IT services must have like-for-like configuration environments to allow appropriate levels of testing for IT change. Where this is not possible, ensure that the risk is accepted by all stakeholders (refer to Recommendation 6.1b).</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Not Implemented</u></p> <p>We examined <i>P0066 Systems and Applications Register v1.4</i>.</p> <p>Where an IT application is listed as having a UAT environment in place, we could not determine whether this environment was like-for-like. This limits a true representative test of a change to be undertaken.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
Responsible Officer: Head of Service Delivery (CSG)	Revised implementation date: 8 July 2016
3.5 Emergency changes may not be properly reviewed and approved if they are not sent to the correct approval group, resulting in an increased likelihood of unforeseen IT incidents causing an impact to Council services.	
<p>The IT Change Manager must ensure that all change records are routed to the correct Change Advisory Board or re-classified if the priority has changed.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We reviewed a variety of CAB minutes and emails, which showed that emergency changes raised by projects were challenged by the Change Manager and subsequently re-classified.</p>
5. Governance of IT Change Management: <i>Control design</i>	
5.1 A lack of an approved IT Change Management process, aligned with good practice, may result in the risk that inappropriate or incorrect changes are made to the IT environment.	
<p>a) Update the IT Change Management procedure document to include the agreed findings from this review. Obtain approvals and circulate the procedure to the required parties.</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Implemented</u></p> <p>We reviewed <i>P0030 Change Management Procedure for the London Borough of Barnet v2.3</i>.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p>IT change process design amendments were made and documented. We also saw evidence of the distribution, review and approval of the document updates.</p>
<p>b) Update all policies, procedures and processes to include ownership, responsibility and accountability information. Communicate to the required parties.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We reviewed <i>P0030 Change Management Procedure for the London Borough of Barnet v2.3</i>.</p> <p>Reviewer names had been updated and review dates are now in sequence. Amendments were made to the document ownership, accountability and responsibility information.</p>
<p>5.2 Lack of clear roles and responsibilities for the members of Change Advisory Boards increase the risk of changes proceeding without correct approvals. IT Changes may not be authorised, reviewed and assessed for business impact by the correct business service owners. This could result in an unexpected impact to the Council's services if the IT Change fails or is scheduled at a time that is vital to business operations.</p>	

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>a) The Technical Change Advisory Board meetings and the Customer Change Advisory Board meetings require documented terms of reference to explain their purpose, who should be invited and the roles and responsibilities of the attendees.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Partially Implemented</u></p> <p>We examined <i>P0060 Terms of Reference for Technical CAB for the London Borough of Barnet v1.1</i> dated 22nd June 2016. The document was approved by the CSG Service Delivery Manager on 22nd June 2016, however evidence to show review by the Council is still outstanding. Implementation of this document is therefore still in progress.</p> <p>We examined <i>P0069 Terms of Reference for Customer CAB for the London Borough of Barnet v1.1</i> dated 17th June 2016. This document was reviewed with Council management and acceptance was confirmed via an email dated 17th June 2016. Implementation of this document is considered complete.</p> <p>Revised implementation date: 8 July 2016</p>
<p>b) Evidence of agreed decisions from the Advisory Board meetings should be attached to the relevant change record.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We examined changes <i>CHG0054545, CHG0055506 CHG0053692</i>.</p> <p>Agreed decisions and approvals were attached to the work notes for each change.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
6. Expectations Management: <i>Control design</i>	
6.1 A lack of transparency and access to IT Service SLA information for IT services decreases the trust between parties and can create confusion over the nature and quality of service being provided.	
<p>a) Publish the SLA and KPI definitions so that they are easily accessible and clear. Clarify Core Service Hours and Key Performance Indicators (KPIs) that are related to service quality.</p> <p>Action: (a) Recommendation accepted</p> <p>Responsible Officer: Head of Information Management</p>	<p><u>Unconfirmed</u></p> <p>Both Capita CSG and Council management have stated that the information was published to the LBB intranet site. Council management has advised that a Council incident (outside the control of Capita CSG), had led to the pages being removed.</p> <p>At the time of this review a request was in progress to restore the pages and we were therefore unable to confirm the status of this finding. Follow-up on this action will therefore be re-examined as part of the Phase 2 review.</p> <p>Revised implementation date: 28 October 2016</p>
<p>b) Communicate expected resolution timeframes to Council staff when they report incidents and keep them informed if the timeframe is exceeded.</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Implemented</u></p> <p>We examined <i>P0049 The Major Incident Management Process</i> and <i>P0045 Incident Management Procedure for the London Borough of Barnet</i>.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p>The document provides IT Service Desk staff guidance on how to prioritise and manage incidents. Page 7, Section 3.7 of the document states: <i>“The assignee also takes responsibility for updating the customer and changing the call status as it moves towards closure. At this point expectations should be conveyed to the user”</i>.</p>

**Internal Audit
Information Technology Disaster Recovery
Follow-up June 2016**

Executive Summary

An audit was held in March 2016 to review the appropriateness and effectiveness of the Council's IT Disaster Recovery arrangements. The review focussed on the obligations of Capita with respect to ITDR provision, the scope of the ITDR project for the secondary data centre, the governance of the ITDR programme and existing ITDR capabilities. The audit highlighted a number of areas for improvement, from which recommendations for improvement have been made.

This follow up review has considered progress against the recommendations made in the original report and The technical recovery capability that is currently in place as delivered by the project and what potentially this provides the council in terms of cover should an incident occur prior to the end of the project;. It should be noted that the ITDR project is scheduled to complete in mid-August and a review of ongoing, business as usual ITDR arrangements is scheduled to be undertaken in Q3.

We identified 10 action items for review that met the criteria for Phase 1. 30% of the actions have been completed, 50% are still in progress and 20% have not been completed. A summary of the outcome is shown in the table below:

Status	Description	Total
Implemented	Evidence provided to demonstrate that the action is complete	3
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	5
Not Implemented	No evidence seen of the action being progressed or completed	2

Detailed Status Updates

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
1. ITDR Governance	
<p>a) Governance of BCM should formally include Capita staff who are responsible for ITDR. These individuals should be identified by Capita and then invited on a standing basis (Governance)</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: IS Security Manager (CSG)</p>	<p><u>Implemented</u></p> <p>Capita staff, who are responsible for the ITDR programme have been identified for inclusion in the council's BCM steering committee.</p>
<p>b) The BCM quarterly meeting should include formal ITDR discussion with respect to a) business alignment b) capability c) status d) issues e) residual risk</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Emergency Planning and</p>	<p><u>Partially implemented</u></p> <p>Capita have invited and have attended the BCM steering committee. However the meeting did not include any formal ITDR programme discussion.</p> <p>BCM team should add a standing ITDR agenda item to the steering committee.</p> <p><i>Revised implementation date: 31/08/2016</i></p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
Business Continuity Manager (LBB)	
<p>c) Capita should immediately engage the Council management and agree the level of reporting information required with respect to the ITDR capability. This should include as a minimum a) ITDR capability in terms of IT services in scope, Recovery Time Objective (RTO), Recovery Point Objective (RPO) and capacity, b) residual risk, c) planned tests, d) the test results and remedial actions and d) ITDR capability changes. (Governance)</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Operations Manager (CSG)</p>	<p><u>Not implemented</u></p> <p>Please see 2.1b below. RTO's are still being reviewed with the council this cannot complete until they are agreed.</p> <p><i>Revised implementation date: 31/08/2016</i></p>
<p>d) Management should update governance policies, terms of references and processes to reflect the above. (Governance)</p> <p>Action: Recommendation accepted &</p>	<p><u>Not implemented</u></p> <p>No update received from management for this recommendation. Governance policies, terms of references and processes can't be confirmed until reporting arrangements have been defined.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>completed</p> <p>Responsible Officer: Emergency Planning and Business Continuity Manager (LBB)</p>	<p>Revised implementation date: 31/08/2016</p>
<p>2. Alignment of BCM recovery requirements with ITDR capability</p>	
<p>c) The programme teams should confirm who is responsible for reviewing the scope of the IT services included within ITDR. The responsible party should review the scope and the current ratings and engage Capita with respect to any required changes which should be provisioned as part of the ITDR project. (Business requirements)</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Emergency Planning and Business Continuity Manager (LBB)</p>	<p><u>Implemented</u></p> <p>For the purposes of this action Capita are engaging with Jenny Obee.</p>
<p>d) Capita should immediately engage the Council to ensure that the recovery bandings, i.e.</p>	<p><u>Partially Implemented</u></p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>platinum, gold, silver and bronze, are being delivered as per the contractual agreement. Where not, Capita should provision as part of the project. (Contract Specification)</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Operations Manager (CSG)</p>	<p>Capita have recently (complete June 2016) an analysis of the original schedule against the systems currently provisioned for by the project. At the time of the update Capita had not discussed the outcomes with LBB.</p> <p>The Capita analysis shows the following for 2011:</p> <ul style="list-style-type: none"> • 32 as Platinum • 16 as Gold • 23 as Silver • 66 as Bronze • 43 unclassified (i.e. in this case do not require ITDR) <p>The above numbers are reflected in the contract. It was also noted that a number of these entries were erroneous as they were for service components (e.g. Oracle) as opposed to IT services. Additionally these numbers include a number of 3rd party services not provided directly by Capita</p> <p>The Capita analysis shows that what has actually been provisioned (excluding 3rd parties) is as part of the project is as follows:</p> <ul style="list-style-type: none"> • 52 as Platinum and Gold • 27 as Silver and Bronze • 25 as Unclassified <p>The analysis notes that since 2011 58 additional services have been decommissioned</p> <p>It was also noted on interview, that systems that were introduced since 2011, did not include a formal request for ITDR from the council, however in a number of cases (e.g. Mosaic), Capita have provisioned anyway.</p> <p>The analysis underlines the necessity for the council and Capita to re-baseline the</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
	<p>recovery requirements of IT services.</p> <p>Revised implementation date: 31/08/2016</p>
<p>e) In line with the governance finding (Recommendation 2.1d <i>per report</i>) above, the BCM programme should engage with those in Capita responsible for ITDR on a defined and regular basis to ensure changes in recovery requirements are provisioned for. (Business requirements)</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Emergency Planning and Business Continuity Manager (LBB)</p>	<p><u>Not implemented</u></p> <p>As Capita and the council have not re-baselined this action is not possible.</p> <p>Revised implementation date: 31/08/2016</p>
<p>3. ITDR planned technical recovery capability</p>	
<p>c) In line with the recovery requirements recommendation in the report (Recommendation 2.2b), Capita should immediately engage with the Council to ensure the required infrastructure is provided to meet recovery requirements and</p>	<p><u>Partially completed</u></p> <p>As per 2.1b, Capita have completed their initial analysis on what is currently covered by the ITDR programme against initial contract and are in the process of engaging the council.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>expected user numbers. (Contract specification).</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Operations Manager (CSG)</p>	<p>As an update Capita have informed IA that the current ITDR project's provision for applications placed in silver and bronze categories cannot meet contractual recovery requirements with respect to Recovery Point Object (RPO, i.e data loss). The contractual requirements stands at 1 hour (i.e. if the system fails at 1200, it will be brought back to a state where it was at 1100, with an hours' worth of permanent data-loss), however the actual capability will lose up to 24 hours of data.</p> <p>It is recommended that the council take this into account when re-baselining.</p> <p>Revised implementation date: 31/08/2016</p>
<p>d) The ITDR project should identify end to end IT service dependencies that should be taken into account in provisioning and planning. This may mean that IT services that are not currently in scope have to be provisioned to support ones that are in scope and have a critical dependency. It may also mean that IT services have to be promoted in terms of tiering to ensure successful recovery. (Proposed ITDR solution)</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Implemented</u></p> <p>Capita have conducted an analysis of the applications in scope and identified interdependencies between applications.</p>

Audit finding, date and recommendation (March 2016)	Audit follow-up status (June 2016)
<p>Responsible officer: Applications team, CSG</p>	
<p>4. Interim IT Disaster Recovery</p>	
<p>c) Capita should immediately engage the Council and propose the most effective way of mitigating the risk in the interim period prior to ITDR being fully deployed by the project (Contract specification).</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: ICT Director (CSG) Head of Information Management (LBB)</p>	<p><u>Partially implemented</u></p> <p>Capita have continued with the rollout of the ITDR programme.</p> <p>In terms of recoverability the following stands:</p> <ul style="list-style-type: none"> • Gold and Platinum IT services have recovery infrastructure and currently replicating their data. • Silver and Bronze IT services have recovery infrastructure in place, however it does not allow for the recovery of data within contractual requirements • Partial recovery plans have been developed • The associated LAN/WAN project has not completed and the time of review would mean that approximately 40% of council users would not be able to access recovered services from their offices. • No testing has been carried out <p>In this position Capita would stand a reasonable chance of recovering services but there is a risk this may not occur within contractual requirements due to the lack of testing and documentation. However requirements do not come into force until the project has delivered. The project is currently on track to complete (i.e. hand over to Business As Usual) in mid-August.</p> <p>Revised implementation date: 31/08/2016</p>

Internal Audit 2016-17 Street Scene Operations Review

Executive Summary

An audit, - Street Scene Operations Review – November 2015 report - was completed in 2015-16 to review the appropriateness and effectiveness of the Council’s Street Scene Delivery Unit overall control environment, in particular around the recruitment of staff, the monitoring of sickness, the private use of Council vehicles and the commercial waste monitoring arrangements to prevent illicit payments stemming from the collection of commercial waste.

An audit - Trade Waste Income – January 2015 report - was completed in 2014-15 to review trade waste credit note and invoice processing arrangements.

New management who have started in Street Scene after the audits were completed to address governance issues have overseen the implementation of all recommendations. Owing to the seriousness of the weaknesses in controls that were identified during those audits, we conducted a detailed follow-up of priority 1 and priority 2 recommendations made in the above audits to assess their implementation status under new management. The scope of the audit was as follows:

Scope areas	Audit coverage
<p>Follow-up of 2015-16 Street Scene Operations Review (Audit Report : Street Scene Operations Review – November 2015) - P1 recommendations</p> <p>All actions to mitigate the identified risks are and remain implemented.</p>	<p>Focussed on how priority 1 (P1) recommendations - made in the I audit 5 - which were found to be implemented at a strategic level when followed up in quarter 4 2015-16 had embedded in day to day operation in the Street Scene Delivery Unit and those which (10 recommendations)</p>
<p>Follow-up of 2015-16 Street Scene Operations Review (Audit Report : Street Scene Operations Review – November 2015) - P2 recommendations</p>	<p>Followed up priority 2 (P2) recommendations and actions made in the initial audit in November 2015. (8 recommendations)</p>

Scope areas	Audit coverage
All actions to mitigate the identified risks are and remain implemented.	
<p>Follow-up of the 2014-15 the Trade Waste Invoicing review (Audit Report: Trade Waste Income Management Letter – January 2015)</p> <p>All actions and processes to mitigate the identified risks have been implemented.</p>	Followed up the trade waste credit note and invoicing recommendations made in the Trade Waste Management Letter - January 2015 (8 recommendations)
<p>Trade Waste Implementation Plan</p> <p>Planned changes to trade waste delivery incorporate the necessary key controls to manage risks to tolerable levels.</p>	Provided risk and control advice and guidance as part of the implementation of the Commercial Waste Transformation project reported to the Environment Committee 8 March 2016.

Status	Description	Total
Implemented	Evidence provided to demonstrate that the action is complete	16
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	7
Not Implemented	No evidence seen of the action being progressed or completed	2
Status review	Report on the current circumstances for a recommendation, in this instance a recommendation relating to the availability of resources	1
Total		26

Audit	Implemented	Partly implemented	Not implemented	Status Review	Total
Audit Report : Street Scene Operations Review – November 2015 (P1)	8	2	0	0	10
Audit Report : Street Scene Operations Review – November 2015 (P2)	7	1	0	0	8
Audit Report: Trade Waste Income Management Letter – January 2015	1	4	2	1	8
Total	16	7	2	1	26

Note: Four of the partly implemented recommendations and the 2 not implemented recommendations are attributable to the lack of credit note and sales invoice control checks required by the recommendations reported in the Trade Waste Income Management letter January 2015. These controls will be included in trade waste processes being redesigned as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in trade waste income operations at the outset. The implementation of controls is therefore considered work in process.

We have made one medium priority (P2) recommendation to implement formal project management arrangements to ensure effective delivery of the Commercial Waste Transformation.

Detailed Status Updates

Audit finding, date and recommendation	Audit follow-up status (June 2016)
<p>1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	
<p>1.1 Recruitment - Conflicts of Interest</p>	
<p>A process was not evident for central CSG HR to independently review application forms to identify and address personal interests and close relatives declared in application forms by applicants. This resulted in a breach of the “Employment of Relatives” policy paragraph 2.1 which states that officers should not be involved in the recruitment of ‘close relatives’ as defined in the Staff Code of Conduct. We also noted that in this case the members of the recruitment panel were not formally documented and recorded on the recruitment file at the time of the recruitment exercise for referral and scrutiny, where necessary. Paragraph 9 of the “Staff Code of Conduct” refers to the expectation that officers will declare conflicts of interest where they believe they exist. There is therefore no requirement for officers to formally declare at the start of the recruitment and in writing the non-existence of any conflicts of interest for referral for the avoidance of any doubt.</p>	
<p>Recommendation:</p> <p>a) CSG HR officers should review returned job application forms to identify, communicate and address any interest or close relatives declared on application forms. The action should ensure that the interview and evaluation panel is structured to ensure an unbiased objective assessment of the candidate for the role in line with the Employment of Relatives policy paragraph 2.1. Action: Recommendation accepted & completed</p>	<p><u>Implemented</u></p> <p>The Recruitment Declaration forms are now completed as part of the recruitment process in Street Scene. The completed Recruitment Declaration of Interest confirmed the non-existence of conflicts of interest in relation to the recruitment exercise and the allocation of the appropriate officers to interview and evaluation panel. The Recruitment Declaration of Interest form was signed by the Director as evidence of senior management review/challenge</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Responsible Officer: (a) – (d) Graeme Lennon, Human Resources Director Customer and Support Group(Capita)</p> <p>Target date: February 2016</p>	
<p>Recommendation: b) The Staff Code of Conduct should be updated to require officers involved in the interview, evaluation and selection of candidates to formally complete a recruitment declaration of interest form, for example in relation to “close relatives” as defined, similar to the requirement at paragraph 9.10 of the Code of Conduct to complete a procurement declaration of interest form at the start of each procurement exercise.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: (a) – (d) Human Resources Director Customer and Support Group(Capita)</p> <p>Target date: February 2016</p>	<p><u>Implemented</u></p> <p>The Staff Code of Conduct had been correctly updated. The Recruitment Declaration forms are now completed as part of the recruitment process in Street Scene. The completed Recruitment Declaration of Interest confirmed the non-existence of conflicts of interest in relation to the recruitment exercise and the allocation of the appropriate officers to interview and evaluation panel. The Recruitment Declaration of Interest form was signed by the Director as evidence of senior management review/challenge</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation: c) The recruitment declaration of interest form should formally record/confirm the existence or non-existence of conflicts which could compromise objective selection of a candidate, for example, where the candidate is a “close relative” as defined. This would prevent the lack of awareness of policy being raised as a defence for not declaring interests where necessary.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: (a) – (d) Human Resources Director Customer and Support Group(Capita)</p> <p>Target date: February 2016</p>	<p><u>Implemented</u></p> <p>The Recruitment Declaration forms are now completed as part of the recruitment process in Street Scene. The completed Recruitment Declaration of Interest confirmed the non-existence of conflicts of interest in relation to the recruitment exercise and the allocation of the appropriate officers to interview and evaluation panel. The Recruitment Declaration of Interest form was signed by the Director as evidence of senior management review/challenge</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation: d) The relevant Assistant Director/ Director should sign off the declaration as evidence of appropriate review Action: Recommendation accepted</p> <p>Responsible Officer: (a) – (d) Human Resources Director Customer and Support Group(Capita)</p> <p>Target date: February 2016</p>	<p><u>Implemented</u></p> <p>The Recruitment Declaration forms are now completed as part of the recruitment process in Street Scene. The completed Recruitment Declaration of Interest confirmed the non-existence of conflicts of interest in relation to the recruitment exercise and the allocation of the appropriate officers to interview and evaluation panel. The Recruitment Declaration of Interest form was signed by the Director as evidence of senior management review/challenge</p>
<p style="text-align: center;">1.2 Workforce Management –Governance Arrangements</p>	
<p>For absence reporting we noted that for 191 out of 206 instances (93%) of absence leave for the period 1 April 2014 to date there was no record of the “Return to Work” interview in the HR Core records provided to us. Of these, there were 57 instances of absence of 5 days or more. “Return to work interviews” should be conducted after every period of absence in order to identify the cause of the absence. We were informed of practices whereby staff had requested annual leave that had been refused due to a lack of alternative staff being available, then the requesting officer then calling in sick. If return to work interviews were being undertaken and recorded within Core as expected this would enable further investigation of this issue.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation: All sickness should be recorded in Core and records of return to work interviews and related issues should be recorded in HR Core after each period of absence. Where this is not possible a corporate Return to Work form should be completed, scanned and sent to HR to be held on the employee's file.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: December 2015</p>	<p><u>Partly Implemented</u></p> <p>Return to Work Interview forms are properly completed by supervisors where officers return from a period of sickness. The recommendation is considered partly implemented as the Return to Work Interview form is not available in HR Core so that it can be accessed centrally for referral/review, where necessary, consistently.</p> <p>Future Action: Recycling and Waste will use HR Core, the Councils recruitment and payroll system for sickness recording, including Return to Work Interviews, when the Recycling and Waste staff move to the same Terms and Conditions, when Unified Pay and Reward is implemented.</p> <p>Revised Implementation Date: 1 October 2016</p>
<p>1.3 Risk of Illicit Payments -Vehicle CCTV monitoring</p>	
<p>The Council's refuse collection vehicles are all fitted with CCTV cameras on the sides, front and rear of the vehicles to view operations around the vehicles. The camera recordings are not visible real time from a central location. Related recordings are only reviewed in response to incidents, for example attacks on drivers, resident complaints or enquiries by the Met Police. The records are not reviewed pro-actively to identify non-compliant behaviour such as identifying operatives taking monies for personal deliveries or identifying where cameras have been repositioned.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation:</p> <p>a. A process should be introduced and documented to review camera recordings pro-actively on a sample basis to ensure that cameras are operating correctly at all times and to identify non-compliant behaviour, such as accepting amounts for private collections from businesses with whom the Council does not have trade waste agreements or for identifying non-attendance at work.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: March 2016</p>	<p><u>Implemented</u></p> <p>The review of refuse vehicle CCTV recording / footage stemming from suspicious activity noted on refuse vehicle tracker reports has started. The refuse vehicle tracker reports are routinely reviewed pro-actively for suspicious activity as in line with the Street Scene Use of Tracker Information Systems procedure dated 7 June 2016.</p>
<p>Recommendation:</p> <p>b) The 'Data Protection Council Vehicle Mounted CCTV, Vehicle Tracking and Electronic Data Management Systems Policy' should be updated, in conjunction with the Council's Data Protection team, to facilitate the use of such pro-active monitoring. Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p>	<p><u>Implemented</u></p> <p>The CCTV Policy has been updated to reflect the new approach to monitoring as follows:</p> <ul style="list-style-type: none"> - the pro-active review of vehicle tracker monitoring reports and - the reviewing of refuse vehicle CCTV recordings/footage where this is considered appropriate, for instance, where the

Audit finding, date and recommendation 1. Street Scene Operations Review (November 2015) – P1 recommendations	Audit follow-up status (June 2016)
Target date: March 2016	review of vehicle tracker report information above shows suspicious activity indicating that a review of the camera recording is necessary.
1.4 Risk of Illicit Payments - Route rotation	
<p>Operatives on collection routes are not subject to periodic route rotation. Management indicated that it was generally preferable to keep operatives on the same route to ensure smooth and effective operation and service delivery.</p>	
<p>Recommendation: Waste collection operatives should be rotated between collection crews periodically to prevent the development of rogue relationships with businesses on routes.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: February 2016</p>	<p><u>Implemented</u></p> <p>Evidence of the natural rotation of trade waste crews through absence was provided in line with the agreed action.</p>
1.5 Refuse vehicle tracker monitoring	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation: The vehicle tracker reports and vehicle CCTV camera recordings should be used together to optimise pro-active monitoring of movements Action: Recommendation accepted</p> <p>Responsible Officer: Head of Waste and Recycling</p> <p>Target date: March 2016</p>	<p><u>Implemented</u></p> <p>The review of refuse vehicle CCTV recording / footage stemming from suspicious activity noted on refuse vehicle tracker reports has started. The refuse vehicle tracker reports are routinely reviewed pro-actively for suspicious activity as in line with the Street Scene Use of Tracker Information Systems procedure dated 7 June 2016.</p>
<p>1.6 Risk Management (Mill Hill depot site security)</p>	
<p>Security did not undertake physical inspection of vehicles leaving or entering the site.</p>	
<p>Recommendation: Spot checks of people and vehicles entering and leaving the site should be introduced as should increase site patrols. Action: Recommendation accepted</p> <p>Responsible Officer Acting Facilities Manager CAPITA Customer and Support Group</p> <p>Target date: November 2015</p>	<p><u>Partly Implemented</u></p> <p>No further action since the last follow-up. Spot checks of vehicles entering and leaving the Mill Hill Depot site are still not done.</p> <p>Further Action: The Acting Facilities Manager, CSG will contact the Head of Estates for his initial approval for spot checks. Once agreed, The Acting Facilities Manager, CSG will ensure the message is passed onto managers operating at Mill Hill Depot and inform them this</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">1. Street Scene Operations Review (November 2015) – P1 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
	<p>message needs to be cascaded to staff. Spot checks will commence from Monday 1 August 2016 following communication of requirements to service managers.</p> <p>Revised Implementation Date: 1 August 2016</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>2.1 Side Waste Policy</p>	
<p>A judgement-based approach is adopted in relation to side trade waste, in excess of the contractual amount on the crew sheet. If the excess is small, it will be taken. If it is considered excessive, it will be noted on the crew sheet and taken. The sheets are reviewed by the Collections team and where trends are noted an Enforcement Officer will be sent to assess whether the business requires an updated contract.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation: A complete formal policy / procedure on the treatment of Trade and Residential side waste should be approved by senior management, dated and subject to version control. The policy should document all aspects of the process to ensure a consistent approach to side waste identification, recording, collection and charging across collection crews and the Enforcement team</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: February 2016</p>	<p><u>Implemented</u> A Side Waste Policy has been approved and communicated.</p>
<p>2.2 Policies and procedures – staff use of Council fleet vehicles</p>	
<p>There was no evidence of the “Drivers Handbook”, developed by the Transport Service, having been formally approved at Delivery Unit Senior Management Level and it was not subject to a version and formal change control process. The Handbook sets out the policy for the private use of Council fleet vehicles. The intention was that there should be no personal/private use other than travel between home and work. Officer understanding of whether and when the private use of Council vehicles was allowed varied confirming the need for clarification and communication of policy.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation: a) For the avoidance of any doubt, the Drivers Handbook should be updated to clarify the position on the private use of Council vehicles, for example, paragraph 5.1 should be updated to read as follows:</p> <p>“5.1 Council vehicles are provided for business use and must not be used for personal use.”</p> <p>Action: (a) Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: February 2016</p>	<p><u>Implemented</u> The Driver’s Handbook has been updated and finalised and clarifies the rules around private use of Council Vehicles</p>
<p>Recommendation: b) The Driver’s Handbook should be formally approved at Delivery Unit Senior Management Level and subject to version and formal change control process when reviewed and updated.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p>	<p><u>Implemented</u> The updated Driver’s Handbook was approved by Street Scene Senior Management Team.</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Target date: March 2016</p>	
<p>Recommendation: c) The updated Drivers Handbook should be circulated to the relevant Green spaces officers and operatives for review and sign-off. Records of sign-off should be retained centrally for referral.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: March 2016</p>	<p><u>Implemented</u></p> <p>A process has been implemented for:</p> <ul style="list-style-type: none"> - the relevant officers to read the Driver Handbook stipulating that private use of vehicles is not allowed and - the sign-off the related declaration as to understanding its contents
<p>2.3 Policy / procedures –fuel pump and fuel master key operation</p>	
<p>The responsible officer was not aware of a documented policy/procedure governing the use of the fuel pump, including the use of jerry cans or fuel keys, including the master fuel keys. The expectation is that the approaches for key processes are documented and communicated for clarity and for the avoidance of any doubt as to the requirements.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation:</p> <p>a) A formal policy governing fuel pump operation and fuel key issue and control at the Mill Hill Depot site should be documented for referral, approved by Senior Management and communicated, including to service responsible for site security. This should cover:</p> <ol style="list-style-type: none"> 1. Control/security of fuel keys and particularly master keys for example the maintenance of usage logs/records (log of when taken, date taken, authorisation, reasons for use and date returned). It should also be clear on when master keys may be used. 2. The use of the fuel pumps to mitigate the risk of theft, including rules for filling jerry cans on site. <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: <i>February 2016</i></p>	<p><u>Implemented</u></p> <p>The Fuel Management Policy has been drafted and approved.</p> <p>The policy addressed:</p> <ul style="list-style-type: none"> - The control of fuel and master keys including the maintenance of usage logs - The maintenance of logs of fuel issued to storage/jerry cans and reconciled to Transport master reports. They also required the use of the Master key which itself was subject to additional controls in terms of access.
<p>Recommendation</p> <p>b) The policies should be signed off as having been read by</p>	<p><u>Implemented</u></p> <p>The policy has been circulated to and read by all relevant officers</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>staff and evidence of sign-off retained.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: March 2016</p>	<p>confirmed. The sign-off by the relevant officers confirming that they had read and understood the policy was retained for review.</p>
<p>2.4 PAYE for taxable benefit from private use of Council fleet vehicles</p>	
<p>We confirmed with CSG Payroll that there were no officers on the Barnet Council payroll being taxed for the benefit associated with the private use of Council vehicles. There were no PAYE adjustments for staff using Council vehicles for private use, for example travel between home and work. The view of HR was that HMRC would need to be informed about such private use.</p>	
<p>Recommendation</p> <p>Street Scene Management should refer the issue to the Council's Finance section and HB Public Law for review and confirmation of the position for communication to CSG Payroll as necessary.</p> <p>The Drivers Handbook should be updated to emphasise that</p>	<p>Implemented</p> <p>The issue around liability for PAYE on the private use of Council vehicles was resolved by Capita HR in consultation with HMRC. The decision was the private use of vehicles between home and work in the manner defined in the driver's Handbook did not create a liability for PAYE. The responsible Service Manager indicated that the Drivers Handbook would be updated in the next review in 6 months.</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>private use is not permissible and that the Council would be liable for PAYE on any such private use.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p> <p>Target date: March 2016</p>	
<p>2.5 Trade Waste Market share</p>	
<p>The officer interviewed indicated that a programme of greater enforcement was planned to identify Businesses without a formal agreement for the collection of trade waste which could potentially increase market share.</p>	
<p>Recommendation: The enforcement plan to identify businesses without a trade waste collection agreement/licence should be developed, approved and commenced.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Street Scene Director</p>	<p><u>Partly implemented</u></p> <p>The Street Scene Delivery Unit Enforcement Policy December 2015 was reviewed and approved at the Environment Committee 8 March 2016. Enforcement was also referred to in the Commercial Waste Transformation initiative reported to the Environment Committee on 8 March 2016.</p> <p>The Enforcement Policy through requiring the monitoring of duty of</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">2. Street Scene Operations Review (November 2015) – P2 recommendations</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Target date: March 2016</p>	<p>care arrangements in businesses for the disposal of their commercial waste supports the “Business rebranding and expansion” priority referred to in the Commercial Waste Transformation initiative.</p> <p>A product called the “Dashboard” developed in consultation with Capita was completed and signed off during the week commencing 26 June 2016. The product allows the identification of potential businesses in the Borough not having the relevant Duty of Care Certificate which is required by all relevant businesses to confirm that they have the proper arrangements in place to dispose of their commercial waste through a licenced carrier. We understand that the “Dashboard” will start being used in 3 weeks after a data matching exercise has been undertaken.</p> <p>We were however not provided with an Enforcement Plan – as required by the recommendation - or any other Plan to show how the Enforcement Policy would be implemented in relation to increasing trade waste market share. The minutes of the decisions of the Environment Committee 8 March 2016 referred to a <u>trial of the Street Scene enforcement approach</u> but a detailed plan for delivery was not available for inspection.</p> <p>The development of a plan is therefore considered work in progress.</p> <p>Further action: The Enforcement Plan should be completed and approved.</p>

Audit finding, date and recommendation	Audit follow-up status (June 2016)
2. Street Scene Operations Review (November 2015) – P2 recommendations	Revised implementation date: 1 September 2016

Audit finding, date and recommendation	Audit follow-up status (June 2016)
3. Trade Waste Income (January 2015)	
3.1 Approval and allocation of credit notes	
<p>The allocation of trade waste credit notes to an invoice is not currently subject to secondary review once it has been authorised. Delays in authorising credit notes were an historic issue. It is not possible in Integra to track raised credit notes until they have been authorised / declined for monitoring purposes.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation:</p> <p>a) Management should investigate whether it is possible within Integra to make credit notes visible on the system when they have been raised but not yet authorised.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer (started April 2016): Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p><u>Partly implemented</u></p> <p>The responsible officer for raising credit notes in Integra was not able to generate a report of credit notes raised in the accounting system Integra which had not been authorised for monitoring long overdue credit notes where applicable.</p> <p>The monitoring of unauthorised credit notes was performed manually and successfully using an Excel spreadsheet.</p> <p>Further action: These controls will be included in trade waste processes being <u>redesigned</u> as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in income operations at the outset. The implementation of controls is therefore considered work in process. Internal Audit will therefore be in a position to monitor implementation as part of our input to redesigned processes.</p> <p>Revised implementation date: 1 September 2016</p>
<p>Recommendation:</p> <p>b) Management should introduce a requirement for all</p>	<p><u>Partly implemented</u></p> <p>The allocations of the credit notes to invoices were done promptly.</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>credit notes to be allocated to an invoice in a customer's account at the time they are authorised, and for this allocation to be subject to secondary review.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer: Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p>However the allocations were not subject to secondary review as required by the recommendation. Evidence of secondary checks undertaken was not available for our inspection.</p> <p>Further action: These controls will be included in trade waste processes being <u>redesigned</u> as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in income operations at the outset. The implementation of controls is therefore considered work in process. Internal Audit will therefore be in a position to monitor implementation as part of our input to redesigned processes.</p> <p>Revised implementation date: 1 September 2016</p>
<p>3.2 Accuracy of trade waste charges</p>	
<p>We selected a sample of 25 trade waste invoices raised on Integra between 1 April 2014 and 31 October 2014 for accuracy. Of the 25 tested, we identified 8 incorrect invoices of which 2 had not been resolved at the time of the audit.</p>	
<p>Recommendation:</p>	<p><u>Partly implemented</u></p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>a) Management should introduce a requirement for a sample of invoices to be subject to secondary review before being raised on customer accounts. Management could review the error rate after 6 months and then consider reducing the sample size if the error rate is low.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer: Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p>Reviews/checks of invoices raised in Integra for errors were not performed as required by the recommendation.</p> <p>Upon testing a sample of six invoices issued between February 2016 and May 2016 we found that trade waste bins were charged at the correct rates and for the correct period. The checking process should ensure that this is the case consistently.</p> <p>Further action: These controls will be included in trade waste processes being <u>redesigned</u> as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in income operations at the outset. The implementation of controls is therefore considered work in process. Internal Audit will therefore be in a position to monitor implementation as part of our input to redesigned processes.</p> <p>Revised implementation date: 1 September 2016</p>
<p>Recommendation:</p> <p>b) The collection rates in Integra should be reviewed by the Trade Waste Management Team when they are</p>	<p><u>Partly implemented</u></p> <p>Checks of the accuracy of trade waste collection rates in Integra were not performed</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>annually entered into Integra by Finance to further ensure they are correct and consistent with rates published on the Council's website.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer: Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p>Upon testing a sample of six invoices issued between February 2016 and May 2016 we found that trade waste bins were charged at the correct rates and for the correct period. The checking process should ensure that this is the case consistently.</p> <p>Further action: These controls will be included in trade waste processes being <u>redesigned</u> as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in income operations at the outset. The implementation of controls is therefore considered work in process. Internal Audit will therefore be in a position to monitor implementation as part of our input to redesigned processes.</p> <p>Revised implementation date: 1 September 2016</p>
<p style="text-align: center;">3.3 Roles and responsibilities within Trade Waste Management and CSG Finance</p>	
<p>At the time of the audit there was only one member of the Trade Waste team and one manager. This member of staff is responsible for the processing and recording of all invoices and cancellations relating to Trade Waste and when this member of staff is absent the manager will undertake these duties.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Improved procedures have been documented within Street Scene. However these do not currently include the Finance team in CSG's responsibilities.</p>	
<p>Recommendation:</p> <p>a) Management should review the current capacity of the Trade Waste Management function to ensure there is sufficient resource available to effectively meet customer demand and ensure key controls are operated including those to mitigate relevant fraud risks.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer:, Interim Collections Services Manager</p> <p>Target date: March 2015 and ongoing</p>	<p><u>Status review</u></p> <p>Previously when this audit was followed up in October 2015 as part of the Street Scene Operations Review, 3 officers were recruited to the Trade Waste team to support delivery. Management indicated that 2 of these officers were however never involved in Trade Waste and took on new work around bin deliveries, clinical waste and special collections acquired from other teams during 2015. One of the officers left in April 2016.</p> <p>Management indicated that the loss of the officer compromised overall capacity to increase income and develop innovative approaches to trade waste delivery. Management indicated that appointment to the role of Collection Service Innovation Assistant to replace an agency worker was imminent and that recruitment to the Collection Service Innovation Manager role to replace the current interim appointment would start shortly. The expectation is that management utilise the available resource optimally to deliver service priorities in line with budget and employ a risk based approach to inform resource allocation.</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
	<p>Advice: Resource implications need to be considered by Street Scene senior management as part of the Commercial Waste Transformation reported to the Environment Committee 8 March 2016.</p>
<p>Recommendation:</p> <p>b) The recently revised documentation of the trade waste invoicing processes should be updated to include the Finance team in CSG's functions. The procedure document should be agreed by the Trade Waste team and CSG Finance, and ultimately approved by the Street Scene Director and the Assistant Director of Finance at CSG.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p><u>Implemented</u></p> <p>The Trade Waste invoicing processes were documented and defined the responsibilities of the Trade Waste Team and CSG Finance clearly. These procedures were communicated to new staff in Trade Waste.</p>
<p>3.4 Accuracy and completeness of contract information</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>We selected a sample of 25 trade waste invoices raised on Integra between 1 April 2014 and 31 October 2014, testing to ensure that the information included on the invoice was consistent with an agreed contract. Of the 25 tested, we identified 2 invoices that did not agree back to an appropriate contract. These issues had not been resolved at the time of the audit.</p>	
<p>Recommendation:</p> <p>a) Customer information in Integra should be subject to secondary review at time of entry and periodically thereafter to ensure that data is accurate and complete and agrees back to the Trade Waste database.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer: Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p><u>Not implemented</u></p> <p>a and b: Secondary reviews of customer information in Integra to the Trade Waste database at the time of input and periodically thereafter were not performed as required by the recommendation.</p> <p>Our invoice testing confirmed 1/6 (17%) instances when the invoice detail in Integra did not agree to the Trade Waste Database and the signed contract, suggesting the need for secondary reviews.</p> <p>Further action: These controls will be included in trade waste processes being <u>redesigned</u> as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in income operations at the outset. The implementation of controls is therefore considered work in process. Internal Audit will therefore be in a position to monitor implementation as part of our input to redesigned processes.</p>

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">3. Trade Waste Income (January 2015)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
	<p>Revised implementation date: 1 September 2016</p>
<p>Recommendation:</p> <p style="padding-left: 40px;">b) Management should consider a sample check being undertaken in advance of each monthly meeting with CSG Finance to provide assurance over accuracy on an ongoing basis.</p> <p>Action: Recommendation accepted</p> <p>Current Responsible Officer: Interim Collections Services Manager</p> <p>Target date: March 2015</p>	<p><u>Not implemented</u></p> <p>a and b: Secondary reviews of customer information in Integra to the Trade Waste database at the time of input and periodically thereafter were not performed.</p> <p>Our invoice testing confirmed 1/6 (17%) instances when the invoice detail in Integra did not agree to the Trade Waste Database and the signed contract, suggesting the need for secondary reviews.</p> <p>Further action: These controls will be included in trade waste processes being <u>redesigned</u> as part of the Commercial Waste Transformation vision and project reported to the Environment Committee 8 March 2016. Internal Audit will be involved in the redesign of processes to ensure that the appropriate controls are embedded in income operations at the outset. The implementation of controls is therefore considered work in process. Internal Audit will therefore be in a position to monitor implementation as part of our input to redesigned processes.</p>

Audit finding, date and recommendation 3. Trade Waste Income (January 2015)	Audit follow-up status (June 2016)
	Revised implementation date: 1 September 2016

Audit finding, date and recommendation 4. Trade Waste Implementation Plan)	Audit follow-up status (June 2016)
4.1 Project Governance	
<p>The Commercial Waste Transformation was referred to as a project in the related report to the Environment Committee 8 March 2016. The report stated the vision and approach to commercial waste transformation. Our expectation therefore was that the transformation would be managed and under <u>formal</u> Prince type project management arrangements. The interim Collections Services Manager (started in April 2016) indicated that delivery was not being formally managed as a project at this stage. Currently our understanding is that verbal updates are provided to the Director as part of day to day business as usual governance and that the Director was satisfied with general direction. A project plan was made available for inspection which referred to developing "project governance arrangements".</p> <p>The engagement of the relevant operational officers in the development of new commercial waste processes at workshops was observed. Internal Audit will also provide input as to key risks and control on an ongoing basis so that they are included and embedded in new arrangements at the start.</p> <p>If risks and issues are not identified escalated and addressed then there is generally an inherent risk that the transformation may not be implemented correctly or optimally so that the expected benefits are derived.</p>	

<p style="text-align: center;">Audit finding, date and recommendation</p> <p style="text-align: center;">4. Trade Waste Implementation Plan)</p>	<p style="text-align: center;">Audit follow-up status (June 2016)</p>
<p>Recommendation</p> <p>Delivery of the Commercial Waste Transformation should be managed through accepted project management methodology and practice as stated in the Environment Committee Report. We suggest that project governance be established at the earliest stage using the Council's Corporate Project Management process but as a minimum:</p> <ul style="list-style-type: none"> - clear project management roles, for example sponsor and user representatives and related escalation routes. - review of formal risk and issues logs, in particular risks identified in workshops, for instance, relating to specific trade waste processes and any dependencies which could impact delivery. - the development of an up to date Project Plan with a detailed tasks/steps for short term deliverables. - reporting arrangements for reporting key issues and risks and progress against project deliverables milestones. - a clear understanding of the expected benefits / improvements for later assessment after implementation as part of a benefits realisation exercise. 	<p><u>Management response</u></p> <p>Agreed, significant work has been undertaken during July 2016 to progress the project governance and project plan. A report detailing that has been drafted for Commissioning for mid July 2016.</p> <p>Action: Interim Collections Services Manager</p> <p>Implementation Date: 1 August 2016</p>

5. Advisory reviews for management purposes

There was one advisory reviews or management letters undertaken by internal audit that do not give an assurance rating but nonetheless aid 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 Internal Audit's standard follow-up process and reported to Audit Committee accordingly.

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	Risk management

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	Re Operational Review Phase 1	Draft report
2	Contract Management Toolkit Compliance - Parking	Fieldwork in progress
3	Direct Payments	Fieldwork in progress
4	Looked After Children- Virtual Schools	Fieldwork in progress
5	Transformation projects	Fieldwork in progress
6	Insurance	Fieldwork in progress
7	Parks & Green Spaces - Health & Safety	Planning
8	Review of Barnet Group Internal Audit Plan and Reports	Planning
9	Re Invoicing	Planning
10	SWIFT to Mosaic Data Migration	Planning
11	IT Risk Diagnostic	Planning
12	Review of SPIRs process	Planning
13	Catering Traded Service	Planning
14	Estates Health and Safety	Planning
	Schools review	
15	Hamden Way (School review)	Draft report

7. Implementation of Internal Audit recommendations

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

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>1. Grant Income</p> <p>June 2015</p> <p>Grant Identification</p> <p>Roles/arrangements for proactively identifying grant opportunities should be implemented.</p> <p>a) We suggest that roles for proactively identifying grants could be undertaken as part of existing structures as follows:</p>	<p>Supported by Finance (Commissioning Group)</p> <p>Resources Director</p>	<p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> Q4, 2015/16 – The recommendation was considered Partly Implemented as the following remained outstanding: <p><i>Evidence of implementation of the agreed process for the routine pro-active scanning for income grants by Delivery Units was not evident at the date of the follow-up. Since</i></p>	<p>Partly Implemented</p> <p>Evidence of implementation of the agreed process for the routine pro-active scanning for income grants by Delivery Units was not evident at the date of the follow-up.</p> <p>When we are able to evidence the routine pro-active scanning for income grants across Delivery Units in line with Management Agreements and the completion of the relevant templates in the required format, we will be able to move the status to implemented.</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<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 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><i>implementation of the new process for identifying grants only one form had been received by CSG from the Street Scene Delivery Unit for their review and scrutiny.</i></p> <p><i>Management Agreements for 2016-17 were still in the process of being drafted. We were informed that the responsibility for identifying grants would be included in the Management Agreements. Wording for inclusion in the Management Agreements defining the responsibility for horizon scanning had been agreed at 31 March 2016.</i></p> <p><i>When we are able to evidence the routine pro-active scanning for income grants across Delivery Units in line with Management Agreements and the completion of the relevant templates in the required format, we will be able to move the status to implemented.</i></p>	

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>b) 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 Team (SMT) standing agendas.</p> <p>c) All eligible grants for which applications will not be submitted should be reported to the Commissioning Group's Head of Finance sufficiently in advance of application deadlines, 5 working days as a minimum, to consider whether decisions not to apply were appropriate and challenge as necessary.</p>			

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
	<p>1 March 2016</p> <p>Commercial Manager - Property and Infrastructure</p>	<p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> Q4, 2015/16 – The recommendation was considered Partly Implemented as the following remained outstanding: <p><i>The vendor analysis report had been provided to the Delivery Unit procurement lead by CSG Procurement. At 30 March we had not received a response as to progress with updating the contract register in line with the vendor spend analysis report provided to them by CSG.</i></p>	<p>Partly implemented</p> <p>The officer responsible for implementation has engaged with CSG Procurement (central), Re Finance and Re Service Managers to produce an up to date Re Contracts Register. Implementation is therefore still in progress. We have provided advice to the officer responsible to expedite implementation.</p>
<p>2. Better Care Fund (BCF) and Section 75 (S75) agreement review</p> <p>December 2015</p> <p>Section 75 agreement formalities</p> <p>Section 75 Agreement Schedules - defining the pooling and governance arrangements</p>	<p>February 2016</p> <p>Head of Joint Commissioning, Barnet Clinical Commissioning Group and Barnet Council (Adults).</p>	<p>Partly implemented</p> <p>The signed and dated S75 agreements and variations to the agreements where applicable were provided for Section 75 Learning Disability Commissioning and Section 75 Learning Disability Campus Re provision.</p> <p>The signed and dated S75</p>	<p>Partly implemented</p> <p>The S75 for Voluntary Services has been updated taking into account the audit points. The Voluntary Service agreement will be added to the updated overarching S75 when this is extended and agreed in July.</p> <p>The S75 Voluntary Services agreement had therefore still not been signed and dated at the date of follow up procedures.</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>unique/specific to the S75 initiative - should be prepared for each S75 initiative as addendums to the overarching agreement</p> <p>All S75 Agreements/Schedules and Variations held by the relevant officers should be:</p> <ul style="list-style-type: none"> - up to date - dated and - signed by both partners, the Council/CCG. <p>The revised S75 agreements should go to the appropriate Committee as advised by Governance.</p>		<p>agreement for Voluntary Services was not available for inspection.</p> <p>Once the signed and dated S75 Voluntary Services agreement is provided, the recommendation will be regarded as implemented.</p>	<p>Management confirmed that the S75 Voluntary Services agreement been revised and agreed by the Council and the CCG and that HB Public Law had been advised to execute the deed of variation and extension after which it would be signed and sealed (by the start of August).</p> <p>Once the signed and dated S75 Voluntary Services agreement is provided, the recommendation will be regarded as implemented.</p>
<p>3. Better Care Fund (BCF) and Section 75 (S75) agreement review</p> <p>December 2015</p> <p>Pooled fund / budget</p> <p>The roles and names of the nominated pooled fund managers at the Council/CCG should be specified in all S75 Agreements. Changes should be specified in S75 contract variation schedules.</p>	<p>1 February 2016</p> <p>Community & Wellbeing Assistant Director</p>	<p>Party implemented</p> <p>The new Section 75 Equipment agreement has been drafted and specifies the Pooled Fund Manager as the Care Quality Service Manager – Prevention and Wellbeing. The new S75 Equipment agreement still has to be signed and dated and once this is done the recommendation will be considered implemented.</p>	<p>Party implemented</p> <p>Management indicated that the S75 for Equipment has been agreed by Barnet Council and the Barnet Clinical Commissioning Group. The DPR was due to be signed in June 2016 and would be signed and dated by mid-July 2016.</p> <p>Management confirmed, that the S75 Equipment agreement been revised and agreed by the Council and the CCG and that HB Public Law had been advised to execute the deed of variation and extension after which it would be signed and sealed (by the start</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
			of August). Once the signed and dated S75 Equipment agreement is provided, the recommendation will be regarded as implemented.
<p>4. Better Care Fund (BCF) and Section 75 (S75) agreement review</p> <p>December 2015</p> <p>Pooled fund reporting and governance structure (Financial and performance)</p> <p>All S75 agreements should follow a similar format to serve as a comprehensive baseline for S75 governance and reporting, aiming to be as specific as possible about the financial and nonfinancial information to be submitted for review.</p> <p>Future S75 agreements should all have addendum Schedules which should set out the Terms of Reference for the Board/Group/Committee responsible for review, scrutiny and challenge of performance and financial information for that</p>	<p>1 February 2016</p> <p>Head of Joint Commissioning Barnet CCG and LBB (Adults and Children's)</p>	<p>Partly implemented</p> <p>We found the following aspects had not been fully implemented:</p> <ul style="list-style-type: none"> We had not been provided with evidence to show that the terms of reference for the Joint Commissioning Executive Group had been added to each agreement as referred to in the recommendation, except for s75 LD Campus Reprovision and S75 LD Commissioning agreements, above Management indicated that the preparation of the S75 variation agreement for Mental Health Service provision with the updated Outcomes and 	<p>Partly implemented</p> <p>Adults S75 agreements</p> <p>Management indicated that the S75 Mental Health Agreement had been drafted and escalated to Legal for review and was due to be signed shortly. The S75 Mental Health agreement had therefore still not been signed and dated at the date of follow up procedures. We had not been provided with evidence that the Section 75 Mental Health Agreement had been updated to include the JCEG ToR and that the related Outcomes and Milestones schedules had been added to the S75 Mental Health agreement in terms of the signed and dated variation to the agreement.</p> <p>In addition evidence was not provided to demonstrate that the JCEG ToR has been added to the S75 Voluntary Services agreement, S75 Equipment Services agreement and the S75 BCF agreement.</p> <p>For S75 BCF agreement, management indicated that the agreement had been signed and included the JCEG ToR. Evidence of implementation was requested but had not been provided to confirm implementation at the date of the report. .</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>S75 agreement.</p> <p>Overarching S75 agreements should be updated to reflect current roles, for example, not referring to the Director of People.</p> <p>Agreement Schedules should aim to define specific reporting requirements where appropriate for the S75 agreement, for example for the Looked After Children agreement the reporting of invoices charged to the Council for services under the agreement.</p> <p>All S75 agreements should define the reporting line to the Health and Well Being Board.</p> <p>All S75 agreements should include up to date Business Plans with related outcomes and milestone / performance measures and targets for referral.</p> <p>Any changes to S75 agreements/schedules should be subject to formal variation agreements.</p>		<p>Milestones schedule had started, had been escalated to Legal but was still in progress at the date of the review.</p> <ul style="list-style-type: none"> • There was no evidence that the ToR of the JCEG had been added to the Section 75 Voluntary Services agreement in line with the agreed action. • The new Section 75 Equipment agreement has been drafted but still has to be signed and dated. We understand that the agreement will include the ToR of the Joint Commissioning Executive Group. • The delivery of S75 OPIC is now included as part of the S75 Better Care Fund (BCF) agreement. We inspected the S75 BCF agreement but could not evidence the inclusion of ToR for the Joint Commissioning Executive Group (JCEG) in line with 	<p><u>Children's S75 agreements – Memorandum of Understanding, Looked After Children, Occupational Therapy and Speech and Language Therapy</u></p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>A repository should retain a complete chronological history of the agreements and variations and related DPRs from inception of the S75 agreement to date.</p>		<p>the agreed action.</p> <ul style="list-style-type: none"> • Children's Memorandum of Understanding: There was no evidence of the ToR of the Joint Commissioning Executive Group (JCEG) being included agreement provided to us in line with the agreed action. • S75 Occupational Therapy: There was no evidence that the agreement provided to us included the JCEG ToR nor the monthly and quarterly contract review meetings described during the initial audit in line with the agreed action. • Section 75 Speech and Language Therapy (SLT): There was no evidence that the agreement provided to us included: <ul style="list-style-type: none"> ○ the JCEG ToR ○ the monthly and quarterly contract review meetings described during the initial audit. 	<p>No further action to report since the last Audit Committee.</p> <p>We had not been provided with evidence that the following had been added to/included in the S75 agreements:</p> <ul style="list-style-type: none"> - ToR of the JCEG - relevant governance arrangements - relevant targets for outcomes and - reporting requirements <p>The officers responsible for delivery at the time of the audit had left the Council. The requirements were made clear to the new responsible officer who undertook to expedite completion urgently.</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
		<ul style="list-style-type: none"> ○ targets for locally defined outcomes in line with the agreed action ● S75 Looked After Children: There was no evidence that the agreement provided to us included: <ul style="list-style-type: none"> ○ the JCEG ToR ○ the monthly and quarterly contract review meetings described during the initial audit. ○ financial reporting relating to invoice charges in line with the agreed action 	
<p>5. Contract Management - Registrars Inter-Authority Agreement</p> <p>March 2016</p> <p>Contract Management and Governance</p> <p>a) The Council should introduce the contract management toolkit and utilise it to manage, monitor and drive performance of the Registrars contract;</p>	<p>31 May 2016</p> <p>Partnership Relationship Manager</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Partly Implemented</p> <p>We were informed that the SMB had not met since the time of the audit. We were, therefore, unable to verify whether meetings are minuted.</p> <p>A SMB meeting is planned for early July and management confirmed that formal minutes would be generated in line with this the recommendation.</p> <p>Whilst the risk and issues register had not been updated in line with the Contract Management Toolkit, we were informed that a Commercial Support Manager had recently commenced employment at the Council and would be responsible for updating the register</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>b) Management should ensure that the governance arrangements set out within the Inter-Authority Agreement are complied with in practice and that SMB meetings are minuted in order to note the discussions held and monitor any actions required.</p>			<p>accordingly to ensure this recommendation will be fully implemented in the near future.</p> <p>Revised date for full implementation:</p> <ul style="list-style-type: none"> • 1 August 2016
<p>6. Contract Management - Registrars Inter-Authority Agreement</p> <p>March 2016</p> <p>Risk and Issue Management</p> <p>a) The Council should ensure that the risk management process set out within the Inter-Authority Agreement is complied with in practice;</p> <p>b) Management should utilise the risk and issues register templates within the Contract Toolkit and ensure that Registrars risks and issues are recorded, assessed, mitigated and managed. This information should then be</p>	<p>31 May 2016</p> <p>Partnership Relationship Manager</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Partly implemented</p> <p>As reported above SMB meetings have not been held since the time of the audit.</p> <p>Management confirmed that the risk and issues register had not been updated in line with the Contract Toolkit; however, the recent Commercial Support Manager would be responsible for updating the register to ensure the recommendation is fully implemented in the near future.</p> <p>Revised date for full implementation:</p> <ul style="list-style-type: none"> • 1 August 2016

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>regularly monitored and updated; and</p> <p>c) SMB meetings should be minuted so that discussions held and actions required in order to manage risks and issues are recorded and can therefore be monitored.</p>			
<p>7. Accounts Payable</p> <p>December 2015</p> <p>New Supplier Forms</p> <p>b) A clear timetable should be agreed between the Council and CSG for the introduction of the e-form workflow system within Integra.</p>	<p>April 2016</p> <p>Head of Exchequer, CSG</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Partly implemented</p> <p>Management indicated that an e-form for new suppliers has been developed and was undergoing final end user testing. The form is expected to be rolled out within the next month</p> <p>Revised implementation date: 19 August 2016.</p>
<p>8. Schemes of Delegation</p> <p>February 2016</p> <p>Changes to standing data</p> <p>a) A report of changes to financial limits on Integra should be built and made available for staff use.</p>	<p>30 April 2016</p> <p>Assistant Director of Finance, CSG</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Partly implemented</p> <p>Management indicated that an audit tool which tracks all amendments to users' access is available within the system. A report is now being developed to extract that information. The report will be run and reviewed on a monthly basis with effect from 1 September</p> <p>Revised implementation date: 1 September 2016..</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>b) A report of changes to financial limits on Integra should be run on a regular basis (at least quarterly). This report should be reviewed by a member of the Integra Finance Team to monitor the updates to limits and check limits correctly reflect changes to staff roles.</p>			
<p>9. Schemes of Delegation</p> <p>February 2016</p> <p>a) The Council should seek legal advice to confirm the implications of incorporating the Barnet Homes Scheme of Delegation into the Growth and Development Scheme of Delegation. If appropriate, the Barnet Homes Scheme of Delegation should be incorporated into the Growth and Development Scheme of Delegation or published alongside it on the website to ensure there is a complete document available to staff.</p>		<p>Not applicable – this is our first assessment of progress</p>	<p>Not implemented</p> <p>Evidence had not been provided for updating the Environment and Barnet Homes Scheme of Delegation for the transfer of Street Scene Delivery Unit to Barnet Homes management</p>
<p>10. Schemes of Delegation</p>	<p>Environment Commissioning</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Partly implemented</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>February 2016</p> <p>Commissioning and Delivery Units</p> <p>b) The Council should seek legal advice about the implications of incorporating the RE Scheme of Delegation into the Growth and Development Scheme of Delegation and the Environment Scheme of Delegation. If included, the schemes should be updated to ensure that RE's delegated powers are reflected accurately and consistently in both schemes.</p>	<p>Director</p>		<p>Evidence of implementation in relation to the Growth and Development Scheme of Delegation was provided.</p> <p>The provision of evidence showing implementation of the recommendation in relation to the Environment SoD was in progress. We are therefore unable to evidence the implementation of agreed actions at this stage for Environment.</p>
<p>11. Schemes of Delegation</p> <p>February 2016</p> <p>Commissioning and Delivery Units</p> <p>c) The roles and responsibilities section in the management agreements should be updated to refer back to the Schemes of Delegation to</p>	<p>Environment Commissioning Director</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Partly implemented</p> <p>A response to our request for progress regarding implementation was not received for Delivery Units other than Family Services and Adult Social Care. , We were therefore unable to confirm how roles and responsibilities in Street Scene management agreement referred back to its Scheme of Delegation</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
ensure consistency.			
<p><u>Menorah Foundation School</u></p> <p><u>Voluntary Funds</u> The audit objective was to ensure that voluntary funds are administered as rigorously as public funds.</p> <p><u>Finding:</u> In the previous audit report dated 24th April 2012 it was noted that the school was operating an Amenities fund and a Lunch account. The audit report stated that the funds had not been audited on an annual basis, and the level of accountability and stewardship was not the same standard as for the School's delegated budget.</p> <p>At the current audit, due to changes in staff, no accounting records could be found for these accounts. The current staff found that the bank account named 'Lunches account' was closed on 24th Jan 2014, and the balance was transferred to the main school account. The</p>	<p>School Business Manager (SBM)</p> <p>8 April 2016</p>	<p>Not applicable – this is our first assessment of progress</p>	<p>Not Implemented</p> <p>Follow up audit visit 23 June 2016.</p> <p>The “Keeping Your Balance document” indicates that “Voluntary fund accounts must be certified by an auditor who is completely independent of the school”.</p> <p>Our expectation was that income and withdrawals from all voluntary funds were subject to independent certification.</p> <p>We were not provided with evidence of certified accounts for voluntary funds called: - the Lunch Account and which was closed 24 January 2014. - the Amenities account. Furthermore related accounting records could not be located for both accounts for an assessment of the value of receipts and withdrawals. .</p> <p>We are therefore unable to provide any assurance on the completeness, accuracy and validity of transfers to and withdrawals from the accounts.</p> <p>The recommendation therefore remains at “not implemented”.</p> <p>The Chair of Governors of Menorah Foundation indicated as follows as the accounts have been</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (28 July 2016)
<p>'Amenities' bank account could not be identified.</p>			<p>closed:</p> <p><i>“ On behalf of Menorah Foundation School I wish to advise that the school is going to take no further action regarding the unaudited Voluntary Funds accounts from 2012.”</i></p> <p>The school has been advised that in future where applicable voluntary funds should be subject to independent certification.</p> <p>Internal Audit does not propose to follow up this recommendation again.</p>

Implemented recommendations

The following recommendations that had previously been raised as a priority one have been reviewed and are now considered implemented.

Audit Title, Date and Recommendation
1. Procurement - November 2015- Compliance with Contract Procedure Rules- Conflicts of interest
2. Procurement – November 2015 – Adults and Communities Contracts Register
3. Procurement - November 2015- Compliance with Contract Procedure Rules- Vendor creation and approval
4. Client Affairs- December 2015- Property Visits
5. Street Scene Operations Review (Joint Internal Audit & CAFT review)- November 2015 - Risk of Illicit Payments - Vehicle CCTV monitoring / Route rotation
6. Street Scene Operations Review (Joint Internal Audit & CAFT review)- November 2015- Refuse vehicle tracker monitoring
7. Street Scene Operations Review (Joint Internal Audit & CAFT review)- November 2015- Risk Management (CCTV and Mill Hill depot site security)
8. Better Care Fund (BCF) and Section 75 (S75) agreement review December 2015 Statement of Accounts
9. Better Care Fund (BCF) and Section 75 (S75) agreement review- December 2015- S75 control self-assessment
10. Key Financial Systems - Teachers' Pensions- March 2016- Monthly reconciliation of payroll records to payment made to Teachers' Pension
11. Schemes of Delegation- February 2016- Changes to standing data, Controcc
12. Schemes of Delegation (SoD)- February 2016- Commissioning and Delivery Units - Growth & Development and Barnet Homes - Legal input to Growth and Development SoD update (Barnet Homes SoD in Growth and Development SoD) – Growth and Development and Re – Re SoD included in Growth and Development SoD
13. Schemes of Delegation – February 2016 – Commissioning and Delivery Units – SoDs updated for future changes in Council Structure
14. Schemes of Delegation – February 2016 – Family Services and Adults Social Care – Roles and responsibilities in Management Agreements agree to related SoD
15. Accounts Payable- December 2015- New supplier forms
16. Menorah Foundation – February 2016 – Purchasing, Governance and Banking (3 of 4 P1 recommendations implemented)
17. Hasmonean Primary School - 31 March 2016 – Budget monitoring, purchasing, contracts, income, banking, payroll and tax (all P1 recommendations implemented)

8. Changes to internal audit reporting framework

In 2016/17 internal audit will align its reporting framework and associated scoring framework with the methodology applied across the Cross Council Assurance Service (CCAS) of which Barnet is a member. This is part of ongoing process of alignment and methodology improvements that have been facilitated through the framework. Key points as follows:

- A systematic points based scoring system will be used to determine aggregate assurance ratings for individual audits. Findings from each review will be assessed and a score applied based on the risk rating. The total number of points per the audit will determine the assurance rating (**see fig 8.1 below**);
- Reports that are “Limited assurance” and “No assurance” will be reported to Audit Committee in line with current arrangements. A key point to note is that previously all reports that have a “high risk” finding were classed as “limited assurance.” This may not necessary occur based on the revised scoring framework; and
- The revised system will assist in ensuring consistency in the application of overall assurance ratings for work performed.

Note: These changes have been reflected in the Audit Charter which can be seen in **Appendix 1** for reference.

Fig 8.1: Report classifications

The report classification is determined by allocating points to each of the findings included in the report. Note terminology change from “Satisfactory” to “Reasonable”.

Definition of risk categories and assurance levels

Findings rating	Description
Critical 40 points per finding	<p>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers.</p> <p>Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members & SMBs are required to intervene</p> <p>Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences</p>
High 10 points per finding	<p>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff.</p> <p>Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. Unfavourable external media coverage. Noticeable impact on public opinion</p> <p>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties</p> <p>High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences</p>
Medium 3 points per finding	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff.</p> <p>Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage.</p> <p>Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required.</p> <p>Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences</p>
Low 1 point per finding	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale</p> <p>Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation</p> <p>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines.</p> <p>Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences</p>
Advisory 0 points per finding	<p>An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.</p>

Level of assurance	Description
No 40 points or more	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited 18– 39 points	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Satisfactory 7– 17 points	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial ✓✓✓ 6 points or less	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.

9. Internal Audit effectiveness review

Performance Indicator	Target	End of Quarter 4
% of plan delivered	95%*	93%
Number of reviews due to commence vs. commenced in quarter	95%	100%
% of reports year to date achieving: <ul style="list-style-type: none"> Substantial Satisfactory Limited No Assurance N/A 	N/A	6% 44% 17% - 33%
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> Implemented Partly implemented Not implemented Unconfirmed Status Review in quarter when due	90%	59% 30% 9% 1% 1%

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

Key:

Target met
Target not met
N/A

Implementation of internal audit recommendations – as per section 3, 4 and 7 above, the progress of the 85 high priority recommendations due for implementation in quarter 1 is that 59% of recommendations have been fully implemented compared to a target of 90%. 30% have been partly implemented and 9% not implemented.

A summary of the status is as follows:

Status	Number	%
Implemented	50	59 %
Partly Implemented	25	30 %
Not implemented	8	9 %
Unconfirmed	1	1 %
Status Review	1	1 %
Total	85	100

10. Changes to our plan

Since the Internal Audit Plan was agreed in April 2015 there have been changes to audits originally planned for Q4 as follows:

Type	Audit Title	Reasons
Deferred	SPiR process	Deferred to Q3 2016/17 in light of changes and improvements to the process to be rolled out in Q1
Deferred	Estates: Health and Safety Compliance	Deferred to Q3 2016/17 due to the roll out of a comprehensive improvement programme
Deferred	St Margaret's Nursery school	Deferred to Quarter 3 owing to the Unified Pay Reward roll out and significant related communication in the school

11. Risk Management

The performance report for Quarter 4 was presented to the Performance and Contract Monitoring Committee on 31st May 2016 and can be found via the link below:

<http://barnet.moderngov.co.uk/documents/s32129/Performance%20Monitoring%20Report%20Q4%20PCM%20FINAL.pdf>

Appendix J to the report is the Quarter 4 corporate risk register.

A proposal to transfer the current Risk Management function from Assurance to the Performance Team in the Commissioning Group was made several months ago to senior management and arrangements have been put in place to manage this transition.

Alongside this transfer the Interim Chief Executive has commissioned a thorough review of the risk management across the organisation throughout the summer which will report back to Performance and Contract Monitoring at the beginning of September. This review provides a timely opportunity to put the organisation's approach to risk management under closer scrutiny, especially from Members, providing an opportunity to reflect again on current practice and implement more extensive improvements and changes to our Council-wide approach.

One of the proposed outcomes of the review is to have a revised set of risk registers, across the Council which include risk ratings, actions/ mitigation with clear action plans for each risk.

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

Internal Audit Charter

1. Introduction

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

2. Definition of Internal Audit

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

2.2 The Accounts and Audit Regulations 2011 state that there is a statutory obligation on local authorities to have an adequate and effective system of internal audit. The PSIAS (comprising the ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and the ‘Standards’) and CIPFA’s Local Government Application Note are mandatory in nature and both are adhered to in the operation of London Borough of Barnet’s Internal Audit service. Our auditors also have due regard to the Seven Principles of Public Life, as defined by the Committee on Standards in Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership).

3. Purpose of Internal Audit

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

4. Organisational Independence

4.1 The Internal Audit function sits within the Assurance Group, which provides independent oversight and assurance to the Strategic Commissioning Board (SCB) and to elected members. For every review undertaken, potential conflicts of interest will be considered. To be able to achieve Internal Audit’s objectives, the Head of Internal Audit and internal audit staff play no role in any of the Council’s operational

activities. Thus the Internal Audit function is able to carry out independent reviews of the areas subject to audit.

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

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

5. Status of Internal Audit

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

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

5.3 Internal Audit has the authority to:

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

6. Responsibility of the Audit Committee

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

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

6.3 The Audit Committee has requested details of any audits given limited or no assurance within the quarter. The detail will include the background to the audit, the findings, critical, high and medium priority recommendations and associated management comments.

7. The role of Statutory Officers

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

8. Delivery of the Audit Service

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

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

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

8.3 The Internal Audit service provides a combination of 'Assurance' and 'Consulting' activities, as classified under the PSIAS. Assurance work involves assessing how well systems and processes are designed and working. Consulting activities help to improve systems and processes where needed, generally known as advisory work. Examples include providing advice on implementing new systems and controls before they are established, facilitation and training.

8.4 When advice requested from Internal Audit would be classified as 'consulting' services under the PSIAS, if the level of resources required to complete the work could lead to the planned 'assurance' work programme for the year not being achievable, approval will be sought from the Audit Committee before the engagement is accepted.

8.5 In the case where 'consulting' advice is requested from Internal Audit, if the area is considered significantly high a risk by Internal Audit, the cost will be met from the Internal Audit budget.

8.6 In the case where 'consulting' advice is requested from Internal Audit, if the area **is not** considered significantly high a risk by Internal Audit, the service making the request will need to pay for the consulting service if they wish to proceed with the review.

8.7 To maintain independence, any auditor involved in consulting activity will not have involvement in the audit of that area for at least 12 months before or after the consulting activity.

8.8 Management's responsibilities including decisions on governance, risk management and controls will remain with management and not with the advisor.

9. Role and Scope

9.1 It is the responsibility of the Head of Internal Audit to provide senior management and the Audit Committee with an annual report on the work of the Service. This Report includes an opinion on the control environment. The control environment comprises the systems of governance, risk management and internal control. Thus all of the Council's activities are included in the scope of internal audit.

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

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

9.3 The Head of Internal Audit's annual report will include:

- the opinion;
- a summary of the work that supports the opinion; and,

- a statement of conformance with the PSIAS and the results of the quality assurance and improvement programme derived from the internal or external assessment of the Internal Audit service.

9.4 The Strategy and Annual Plan is owned by the Internal Audit and Corporate Anti-Fraud team. The risk of fraud is a standard consideration across all audit reviews undertaken. Close liaison occurs between the Internal Audit and Corporate Anti-Fraud colleagues.9.5 In accordance with the Council’s Financial Regulations all Council Members and employees are personally responsible for ensuring that they (and any subordinates) are aware of the Council’s Counter Fraud Framework and the procedures and policies within it. All suspected or detected fraud, corruption or impropriety must be reported to the Assurance Assistant Director, the Chief Internal Auditor or any member of the CAFT.

9.6 Through close liaison between the Assurance Assistant Director and the Head of Internal Audit, it is ensured that any instances of suspected or detected fraud will be known and will be considered when planning internal audit reviews.

10. Managers’ responsibilities with regard to Internal Audit

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

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

11. Internal Audit Reporting

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

11.2 Assessments will be based on the following criteria:

Findings rating	Description
<p>Critical</p> <p>40 points per finding</p>	<p>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance. Mass strike actions etc</p> <p>Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers. Cessation of core activities, Strategies not consistent with government’s agenda, trends show service is degraded. Failure of major Projects – elected Members & SMBs are required to intervene</p> <p>Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences</p>
<p>High</p> <p>10 points per finding</p>	<p>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff.</p> <p>Significant impact on the reputation or brand of the organisation; Scrutiny required by external agencies, Audit Commission etc. Unfavourable external media coverage. Noticeable impact on public opinion</p> <p>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties</p> <p>High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences</p>
<p>Medium</p> <p>3 points per finding</p>	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff.</p> <p>Moderate impact on the reputation or brand of the organisation; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage.</p> <p>Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required.</p> <p>Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences</p>
<p>Low</p> <p>1 point per finding</p>	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale</p> <p>Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation</p> <p>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines.</p> <p>Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences</p>
<p>Advisory</p> <p>0 points per finding</p>	<p>An observation that would help to improve the system or process being reviewed or align it to good practice seen elsewhere. Does not require a formal management response.</p>

Level of assurance	Description
No 40 points or more	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited 18– 39 points	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Reasonable 7– 17 points	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system’s overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial ✓✓✓ 6 points or less	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.

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

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

11.5 The output of a ‘consulting’ activity under the PSIAS (see 8.3) will be in the form of a management letter as opposed to an audit report. A summary of the management letters issued will be reported to the Audit Committee as part of the Internal Audit quarterly progress update, along with confirmation of how any potential independence threats have been managed. Where the consulting activity identifies a significant issue further detail will be provided to the Audit Committee within the quarterly exceptions report.

11.6 For audit reports considered as ‘Assurance’ activities under the PSIAS (see 8.3), when “Limited” or “No” assurance reports are initially reported, it is expected that an appropriate officer, at Assistant Director level or above, will attend the Audit Committee to answer any questions from Members. This requirement will not apply when ‘Consulting’ activities are first reported.

11.7 For audit reports considered as either 'Assurance' or 'Consulting' activities under the PSIAS (see 8.3), when critical or high priority recommendations are not implemented within the agreed timescales, it is expected that an appropriate officer, at Assistant Director level or above, will attend the Audit Committee to answer any questions from Members.

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

12. Liaison with other auditors and review agencies

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

12.2 Officers within the Assurance Group work closely with Capita in line with an agreed protocol that both clarifies and puts in place practical arrangements around the relevant Audit, Fraud and Risk contract clauses in both the CSG and Re contracts. A protocol is also in place with the Barnet Group.

12.3 Internal auditors and external auditors have differing roles. Wherever possible, audits will be organised to provide sufficient assurance to the other set of auditors. Regular meetings will be held between the Head of Internal Audit and the Council's appointed external audit manager to discuss audit plans, joint working and other matters of mutual interest.

13. Quality and Improvement Programme

13.1 The Head of Internal Audit is responsible for developing a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated.

13.2 To comply with the PSIAS an external assessment will be carried out of the Internal Audit service at least once every five years. This external assessment will be undertaken as part of the London Borough Peer Review framework, with the Chief Executive and the Chair of the Audit Committee sponsoring the review.

13.3 The work of the service is also reviewed by the External Auditor as part of the annual accounts audit.

Version control

Version	Date	Author(s)	Summary of Changes
V1	24 July 2013	Caroline Glitre, Head of Internal Audit	
V2	30 April 2015	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"> • Expanded description of Advisory work (section 8) • More explicit referral to how officers should notify Assurance Group on suspected or detected fraud (section 9) • Description of reporting of Advisory work (section 11) • Reference to protocols in place with Capita and the Barnet Group (section 12) • Reference to the Quality and Improvement Programme (section 13)
V3	08 July 2016	Clair Green, Assurance Assistant Director.	<ul style="list-style-type: none"> • Amendment of risk rating criteria and conformation of what is reported to Audit Committee (section 11).

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	<h2>Audit Committee</h2> <h3>28th July 2016</h3>
<p>Title</p>	<p>Corporate Anti-Fraud Team (CAFT) Q1 Progress Report: April – June 2016</p>
<p>Report of</p>	<p>Clair Green – Assurance Assistant Director</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix 1:- CAFT Q1 Progress Report: April – June 2016 .</p>
<p>Officer Contact Details</p>	<p>Clair Green clair.green@barnet.gov.uk 0208 359 7791</p>

Summary

This report covers the period 1st April 2016 – 30th June 2016 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 2016 – 30th June 2016

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2016/17 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.

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.

5.5 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 19 April 2016 (Decision Item 9) – the Audit committee approved the Internal Audit and Anti Fraud Strategy and Annual Plan2016-17
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CIId=144&MIId=8416&Ver=4> :

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Appendix 1

**Corporate Anti-Fraud Team (CAFT)
Progress Report: April – June 2016**

**11th July 2016
Clair Green
Assurance Assistant Director**

Contents

1. Introduction
2. Pro-active fraud plan
3. Performance Indicators
4. Noteworthy investigations summaries

1. Introduction

This report covers the period 1st April 2016 – 30th June 2016 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.

During the last quarter CAFT have launched a new 'The Fraud Risk Awareness Module' as part of the council's Management Academy. 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 manager's current skills, knowledge and behaviour. The Fraud Risk Module was designed, developed and delivered by CAFT and Risk Management teams. It is a practical workshop specifically designed for each Delivery Unit across the council to explore and identify how different fraud risks arise, the steps or controls that can be put in place to mitigate them and case studies to illustrate how these risks have actually materialised.

2. Pro-active fraud plan

Table 1 provides an update against any CAFT pro-active activity undertaken in this period as set out within the 2016/17 plan

CAFT Pro-active review	Outcome
<p>Disabled Blue Badge Street Operation.</p> <p>Disabled Blue Badges must only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.</p>	<p>One proactive exercise was carried out by CAFT during the quarter one of 2016-2017.</p> <p>This exercise took place on 13th June 2016 when CAFT officers accompanied by NSL parking enforcement officers and Barnet Police carried out a street based operation in the Chipping Barnet and Golders Green areas. During this exercise 66 badges were checked for validity which resulted in 6 badges being seized for misuse as the badge holders were not present, and investigations subsequently identified that 2 of those badges seized belonged to badge holders who were deceased.</p> <p>Investigations are on-going into all 6 badges that were seized and outcomes will be reported In future reports.</p>

3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2016/17 fraud plan. *(No targets are set against each of these indicators, they are the results of CAFT re-active and continuous investigation work – with the exception of ‘Properties Recovered’ which is agreed with Barnet Homes as an annual figure of 60 properties).*

Performance Indicator	Q1 2016-17	Comments
<p>Corporate Fraud Team deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds.. They work in partnership with partners, other organisations and law enforcement agencies to ensure that the public purse is adequately protected</p>		
Number of carried forward Fraud investigations from 15-16	30	
Number of new fraud investigations	14	
Total Number of closed fraud investigations	20	Please refer to noteworthy investigations sections of the report for further details if fraud is proven.
Total number of on-going fraud investigations	24	Of these 24 investigations, 3 relate to Adults and Com, 8 relate to schools and family services ,3 relate to Street scenes, 7 relate to parking (non BB), 3 relate to Re.
Number of prosecutions this year.	0	No cases have been before the courts in this first quarter.

With or being prepared for legal action	2	There are currently 2 investigations that are with our legal team for prosecution, both with trial dates set for October 2016. Both cases relate to Adults Direct Payments Fraud.
Number of staff no longer employed / dismissed as a result of CAFT investigations.	0	Please refer to noteworthy investigations sections of the report for further details for details of closed cases.
<u>Disabled Blue Badge Misuse and Fraud</u> this details the investigation of Blue Badge Misuse as well as Blue Badge fraud. Blue badges can only be used by the named badge holder, or by a person who has dropped off or is collecting the badge holder from the place where the vehicle is parked. It is a criminal offence for anyone else to use a blue badge in any other circumstances.		
Number of carried forward Fraud investigations from 15-16	15	
Number of new referrals received	45	As a result of these 45 referrals 13 badges have been seized and are subject to on-going investigations.
Prosecutions	0	No cases have been before the courts in this first quarter
With or being prepared for legal action	20	12 cases are already with our legal team for prosecution and at the time of reporting 8 cases are being prepared by the team.
Number of BB cases closed	1	Please refer to noteworthy investigations sections of the report for further details for details of closed cases
On-going BB investigations	59	
<u>Financial Investigations</u> - a Financial Investigation under the Proceeds of Crime Act 2002 ensures that any persons subject to a criminal investigation by Barnet do not profit from their criminal action		
Number of carried forward Financial investigations from 15-16	8	
Number of new Financial investigations	0	
Number of closed Financial investigations	1	This case related to revenues and Benefits for LB Waltham Forest (LBWF). Please refer to noteworthy investigations sections of the report for further details for details of closed cases
Total Number of on-going Financial investigations	7	Of these investigations, 3 relate to planning, 2 relate to Revs and Bens, 1 relates to Trading standards and 1 relates to Direct Payments. Details of cases are reported on closure if fraud is proven or another sanction given.

Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.

CAFT provide a detailed monthly statistical report, along with a more comprehensive half year and year-end report to Barnet Homes outlining how many properties have been recovered, along with a list of all referrals from the neighbourhood officers and the current status of the cases referred.

Number of carried forward Tenancy Fraud investigations from 15-16	103	
Number of new Tenancy Fraud investigations	81	Of the 107 on-going investigations there is currently 1 case with legal awaiting criminal hearings and 7 cases are awaiting civil hearings.
Total Number of closed Tenancy Fraud investigations	77	
Total number of on-going Tenancy Fraud Investigations.	107	Of the 16 properties recovered this year these include 2 successions applications being denied. The savings that this number of recovered properties equates to is £2,400,000* <i>*according to audit commission calculation of £150k per recovered property</i>
Number of properties recovered	16	
Number of 'Right to Buy' applications denied as a result of CAFT intervention	4	There is a maximum discount of £103,900 per property on right to buy cases. CAFT have saved £396,700 in discounts in the current financial year.
Number of Housing Applications denied as a result of CAFT intervention	1	CAFT work closely with the Housing Options Team on new applications received.

Other information reported as per requirements of policy.

Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	Nil this quarter. This statistic is reported for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners.
Number of referrals received under the council's whistleblowing policy.	Two whistleblowing letters were received this quarter. One related to a grievance issue and the whistleblower was advised how to raise the issue in accordance with the relevant HR Policy – no further action is required. The other relates to an alleged fraud relating to a staff member and is currently subject to further investigation.

4. Noteworthy investigation summaries:-

Tenancy Fraud Investigations

Mr Lawal 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 the tenant may not be resident. He was invited in for an interview under caution regarding the tenancy, as evidence indicated his wife and himself owned two other properties and had been sub-letting their council property. A week before the interview, Mr Lawal handed the keys to the property back, however he was advised that he still needed to be interviewed under caution as we had reasonable grounds to believe a criminal offence had been committed. After his interview under caution and the decision was taken to prosecute Mr Lawal for 5 offences of obtaining property by deception and subletting contrary to the Theft Act 1968 and Fraud Act 2006. In May 2016 he pleaded guilty and was given a 14 month suspended sentence and ordered to carry out 180 hours of unpaid work. A compensation order for Mr Lawal to repay £127,000 was awarded to Barnet Council, in addition to costs of £20,000. This was ordered to be repaid within 6 months. The £127,000 compensation order was calculated on the basis of how much it would have cost the council to house a family of four in temporary accommodation over the period the illegal subletting took place.

Mr F submitted an application to succeed his late father's 3 bedroom property in the EN4 area. The referral was passed to CAFT from the neighbourhood housing team who had concerns that he had not been resident. CAFT Investigations linked Mr F to being resident at another property and therefore notices were served to recover the property and contact was made with Mr F, who subsequently agreed to relinquish the keys to the property.

Ms I had a 3 bedroom flat in the N2 area since 1998. The property was reviewed as part of a key fob exercise conducted jointly with Barnet Homes. Concerns arose that Ms I lived elsewhere and investigation identified that she owned a property in Portsmouth and therefore notices were served to recover the property and the keys were subsequently returned. Ms I is being asked to attend an interview under caution with regards to a criminal investigation taking place.

Mr S had a 2 bedroom flat in the HA8 area. A referral was received from the neighbourhood officer who voiced concerns that the tenant was not resident and was sub-letting the property. CAFT Officers investigated and an unannounced visit was made to the property and a female answered the door. She was very evasive and said the tenant was resident, but it was quite obvious looking round the property that this was not the case. Neighbours also confirmed that only a female was resident in the property and therefore notices were served to recover the property and Mr S phoned to say he agreed to surrender the property immediately.

Mr A made a right to buy application to purchase his 3 bedroom property in the NW2 area. Concerns were raised as to how Mr A would raise the funds necessary to purchase the property. CAFT interviewed Mr A regarding his application and as a result of this, he withdrew the application to purchase his property.

Mr B made a housing application for accommodation for himself and his daughter. Housing Options referred the matter to CAFT as they had concerns about the application and the information supplied by Mr B. CAFT investigations identified that he was in fact living elsewhere in Brent area and the housing application was denied.

Corporate Fraud Investigations

Case 1 – relates to a Adults Direct Payment investigation

This case was initially with Police who were looking into possible financial abuse of an elderly person by their daughter. After meeting with the police it was agreed that they would deal with any financial abuse, as the allegation involved large sums of money being taken from the victim's bank account and CAFT would look into undeclared capital/property as the victim was also in receipt of financial assistance from Barnet for her care provision.

The Investigation revealed that there had been an application for financial assistance submitted to the Council back in 2006 on which the questions relating to capital and property had been answered by writing "Don't Know" on the form. This appears to have been input into the system as meaning zero capital. There appears to have been little follow-up on verifying the correct situation regarding the applicants assets. The investigation identified that the applicant did in fact have assets that were substantial enough to result in an overpayment of care funding that exceeded £111,000 over the 10 years. However, there is no evidence to indicate that the person completing the form deliberately failed to declare these assets to specifically gain that funding.

As the application form used was over 10 years old, it did not have any declarations or confirmation as to who completed it, unfortunately along with the way the form was completed would make proving any fraudulent intent at the time almost impossible to prove. CAFT have worked with the service in order to assist with updating the forms to include declaration and details of person completing the form.

As a result of this investigation, the overpayment was identified and measures are now being considered for the recovery of the funds by the Service. The Police investigation is on-going.

Case 2 – relates to a fraudulent School Admissions application.

A school application was received for Mill Hill School where the applicants address was stated to be in Grahame Park, NW9 area. Checks carried out as part of the exercise showed that the registered occupant at this address was not recorded as being the same as the details submitted on the application form. A visit was conducted and the actual resident at the address confirmed that the names given on the application form were not known and did not live there. This resulted in the offer of a school place being withdrawn.

Case 3 – relates to a Disabled Blue Badge Misuse Investigation

Whilst out conducting intelligence checks CAFT officers identified a Disabled Badge being displayed in the NW4 area. The badge holder was not present and so they approached the driver of vehicle who was identified as the father of the badge holder. Investigation at the scene revealed that she was in fact at home, and the badge was seized.

The driver of the vehicle was 80 years of age and reasonably frail. He was very apologetic and stated that he didn't realise it was wrong. After due consideration, it was decided that it would not be in the public interest to prosecute for the offence of misuse. In light of this the decision was made to issue him with a warning letter. The badge was returned to Camden Council with a covering letter confirming the incident and a further warning letter being sent to the badge holder.

Case 4 – relates to a Financial Investigation that was carried out on behalf of Waltham forest Council (LBWF)

A request for assistance was received from the Fraud Team Manager at LBWF council in respect of a fraud investigation they had carried but now needed the services of a qualified Financial Investigator to instigate the recovery of funds under the Proceeds of Crime Act. An agreement was put in place on a recharge basis for our costs whereby a duly qualified accredited CAFT officer was able to prepare and present a confiscation case at court which allowed funds to be recovered by LBWF council. This is an example of where the knowledge and expertise of specialist CAFT officers has been used to the benefit of other local authorities.

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	<p>Audit Committee</p> <p>28 July 2016</p>
<p>Title</p>	<p>Draft Annual Governance Statement</p>
<p>Report of</p>	<p>Assurance Assistant Director</p>
<p>Wards</p>	<p>None</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix A: Draft Annual Governance Statement 2015/16</p>
<p>Officer Contact Details</p>	<p>Clair Green, Assurance Assistant Director, 020 8359 7719 clair.green@barnet.gov.uk</p> <p>Maria Lugangira, Risk Assurance Manager, 020 8359 2761 maria.lugangira@barnet.gov.uk</p>

Summary

The council is required to produce an Annual Governance Statement (AGS), which is a statutory reported public statement, and will be included within the statement of accounts for 2015/16.

The AGS summarises the key processes the council uses to deliver systems of control, governance and assurance across its functions. In order to make the AGS more practical, it is reported in a new format for 2015/16.

The report seeks approval for the Annual Governance Statement 2015/16 to be included in the annual accounts.

Recommendations

That the Committee comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2015/16.

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 **Social Value**

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

5.4 **Legal and Constitutional References**

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

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

5.5 **Risk Management**

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

5.5.2 The Annual Governance Statement is a process of identifying governance

issues and suggesting key actions to mitigate potential risks to the Council. These are then monitored throughout the year until resolution.

5.6 Equalities and Diversity

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

5.7 Consultation and Engagement

5.7.1 Not applicable

5.8 Insight

5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework

6.2 Audit Committee 30th July 2015 (Decision item 11) approved the Annual Governance Statement for inclusion within the Statement of Accounts for 2014/15.
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MId=8413&Ver=4>

LONDON BOROUGH OF BARNET

Annual Governance Statement 2015-2016



1. INTRODUCTION

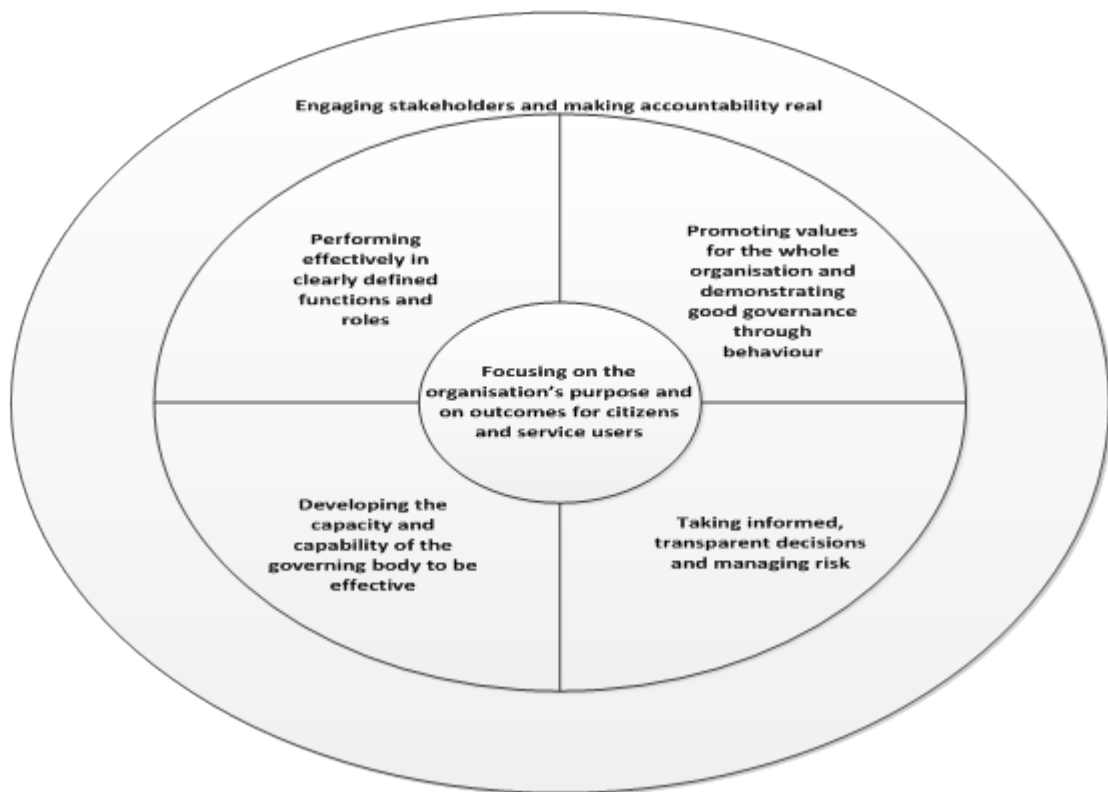
- Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- In discharging this overall responsibility the council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.
- Barnet Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the 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.
- The Code of Corporate Governance is included within the Constitution.

2. 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 2016 and up to the date of approval of the annual report and accounts.

3. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

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



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

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

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

Assurance received

- Published Corporate Plan 2015-2020
- Published Theme Committees Commissioning Plans 2015-2020
- Published Customer Care Charter
- Internal Audit & Anti-Fraud Strategy and Annual Plan and Risk Management Approach 2016-17 – supports the delivery of council's key objectives by providing an auditor judgement on the effectiveness of the management of the risks associated with delivery of the council's services.

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

- Ultimate strategic direction and control lies with elected Members who collectively are responsible for the governance of the Council.
- 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.

- As head of paid service the Chief Executive and the Chief Operating Officer along with Commissioning and Delivery Unit Directors works closely with elected Members to deliver:
 - strategic direction – ensuring all staff understand and adhere to the strategic aims of the organisation and follow the directions set by Members.
 - policy advice – act as principal policy advisers to Members to lead the development of work strategies to deliver set by Members.
 - partnerships – leading and developing strong partnerships to achieve improved outcomes and better public services for citizens and service users.
 - operational management – overseeing financial and performance management, risk management, people management and change management within the council.

Assurance received

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

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

- The council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members, staff and partners.
- The codes of conduct and protocols set out in the constitution document the expected standard of conduct and personal behaviour of Members and staff.
- The council now has a Standards Committee with independent persons available to chair that determines alleged breaches of the Code of Conduct for Members
- Managing the risk of fraud - the council is committed to tackling fraud, abuse and other forms of malpractice. Allegations are investigated independently by the Corporate Anti-Fraud Team which ensures that the corrective action taken is robust.
- Contained within the Employee Handbook are relevant policies from the Counter Fraud Framework Manual, which sets out the council's Whistleblowing Policy Statement and Procedure and the Fraud Policy Statement and Procedure.
- The Assurance Director is 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
- Contract Procedure Rules (CPRs) set out in the constitution, provide the governance structure within which the council may procure works, supplies and services.

Assurance received

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

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

- The decision making framework and scheme of delegated authority to officers are contained within the constitution and reviewed regularly. They make sure the committee and decision making processes are open, transparent and free from bias and conflict of interests.
- Committee work programme – this is a programme listing the decisions that will be made during the municipal year either by the committee or full Council. Further detailed in the document is the intended date of decision, a is brief description of the decision requested and the lead officer
- The council's risk management process is implemented across all Delivery Units, Re, CSG and major projects
- Senior officers (including the Section 151 Officer and the Monitoring Officer) support Members in the policy and decision making process by providing assessments and advice. The implementation of decisions is made in a manner that promotes the council's vision and values
- The Audit Committee provides independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. Appointed to the Committee are two independent members

Assurance received

- Publication of reports, decisions and committee procedure rules set out in the constitution.
- Monthly publication of theme committee work programmes
- Scrutiny and reporting on performance via the Performance and Contract Monitoring Committee
- Audit Committee Annual report which is ratified by Full Council
- Annual review of the Risk Management Framework
- Maintenance and monitoring of the Corporate Risk Register
- Internal Audit Opinion and CAFT Annual and Quarterly reports
- External Annual Audit Letter
- Internal Audit continues to review and report on Risk Management arrangements and provide a statement on the adequacy of risk management arrangements across the council.

5. **Developing the capacity of Members and officers to be effective**

- Member Development sessions are held to brief Members on relevant areas of legislation on key areas and issues covering areas such as planning, safeguarding, growth and regeneration, new contracts, etc. Members may request attendance on relevant external courses, such as those run by the LGA or skills based training on public speaking, presentation skills etc.
- 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 manager's current skills, knowledge and behaviour.
- Working with Ward Members, to ensure they are effectively involved in decision making and appropriately consulted with on issues they are concerned about and/or which are pertinent to their Wards.
- Annual Staff Survey helps the organisation understand where possible changes can be made.
- The Council is committed to ensuring that our staff receive a comprehensive induction which includes a video of the Leader introducing Barnet, introduction to the organisation but equally recognises that individual employees have to take ownership of this. Induction into Barnet focuses on five key areas:
 - On-boarding – this site is on the internet and once candidates have accepted an offer of employment they are provided with the link. This site contains information about the Council, how it operates, the services we provide, local information
 - Corporate Induction – this is a half day event led by the Chief Executive and finishes with a tour of the borough and a discussion about the corporate plan.
 - Local Induction – Each delivery unit holds a local event with a tailored programme centred on the Department and business units.
 - E Learning – takes new starters through a comprehensive programme of all areas staff need to have knowledge of e.g Health & Safety, Information management, Fraud awareness, HR, Finance, Procurement
 - Buddy scheme – upon arrival new starters are allocated a buddy who can navigate them around the building and support them during their first couple of months.

Assurance Received

- Member training and development.
- Establishment of the Management Academy and Leadership Programme.
- Each delivered unit is required to produce an Action Plan in response to the results of the annual staff survey – the plans are subsequently reported to Workforce Board.
- Individual staff learning and development plans.
- Corporate Induction for every new employee.
- Ward Tours (every 6months or as *required*) – Each ward now has an officer from the Senior Leadership team assigned as the lead link officer who offers to meet or go out around the ward with the ward councillors and takes an interest in helping to resolve any issues.

6 **Engaging with local people and stakeholders**

- The council regularly engages and consults with residents on a range of local and diverse issue.
- The outcome and results of all consultations are published on the website and where it relates to a policy/strategy, the information is presented to the relevant Committee.
- The Resident's Perception Survey (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.
- Approval was granted in June 2014 for the allocation £100,000 per year over a 4 year period, - 2014/15-2017/18 - to each of the Area Committee. In July 2015 the Policy and Resources Committee approved expenditure of a 15% proportion of net Community Infrastructure Levy (CIL) income for each constituency to the Area Committee for that constituency, capped at a

total of £150,000 per Committee per year. This additional funding would be ring-fenced for spend on infrastructure schemes.

- This above is a Member led process, where members work with officers, local groups, organisations or individuals to write proposals that meet a local need.
- The Communities Together Network; This is a community resilience forum and is designed to operate at a proactive and reactive level in response to any emergency incidents, so that emergency services and the community can work together to monitor, understand, reduce and prevent community tension. It also forms part of the Council's continuing commitment and refreshed approach to equalities.

Assurance Received

- Business Planning 2016/17-2019/2020 - General Budget Consultation 2016/17. The final consultation finds are published and presented for consideration by Full Council as part of the Business Planning Report.
- Annual Equalities Report approved by Policy and Resources Committee
- Annual Resident Perception survey
- The Area Committee budget and application process has been by the Policy & Resources Committee and Community Leadership Committee respectively.
- The Communities Together Network Annual Report is considered by Community Leadership Committee and published on the council's website.

4. SIGNIFICANT GOVERNANCE ISSUES – 2015-16

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

4.1 Elections

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

During the London Mayor and GLA elections on 5 May 2016, voters in Barnet experienced problems with voting during the morning of the elections as a result of incomplete electoral registers being sent to the 155 Polling Stations across the borough. This led to a number of voters not being able to cast their vote during the morning of the 5 May 2016 – for which the council apologised.

An independent review was commissioned into what caused the problem. The final report was published and recommendations from the independent review were accepted by the Chief Executive and reported to Barnet Council's General Functions Committee on 9th June.

The recommendations were implemented prior to the referendum which was held on 23rd June and which ran effectively in Barnet. The Electoral Commission and Returning Officer for London were involved throughout to assure themselves of the appropriateness of the actions that the Council has taken.

It was also recommended and agreed that a wider external review of the elections and electoral registration function be carried out. External challenge and a public call for evidence will be part of this to ensure that public confidence is regained in the electoral

processes in Barnet. The outcome of the review will be reported back to General Functions Committee in November.

4.2 Information Technology (IT)

We recognise that Improvement is required to support services, with a particular focus on the IT service following a recent audit and service performance issues;

4.2.1 Two audits highlighted key issues with specific aspects of the council's IT service that is provided by CSG received :-

1. IT Disaster Recovery (ITDR)

An audit was concluded in the last quarter of 2015/16 into the IT Disaster Recovery provision from CSG in relation of the requirements set out in the CSG contract. The limited assurance audit highlighted a number of areas of improvement:

- The governance of ITDR is not clear
- The disaster recovery requirements in the CSG are not being delivered by the ITDR project
- The inter-dependencies between systems has not been mapped and detailed recovery documentation is not available
- Interim ITDR arrangements are not documented or tested

Update

Good progress has been made in working to resolve the issues identified including (i) the continued roll out of the IDTR programme and (ii) an on-going exercise to re-baseline recovery requirements for applications under the scope of ITDR.

Key outstanding actions include;

- completion of the delivery of the WAN/LAN programme
- undertaking the testing and finalisation of planning documentation

A full review of the ITDR arrangements will be undertaken by our internal audit team once the project is completed with a follow on those recommendations rated as incomplete. Details of the outcomes of this review will be presented to senior management and Audit Committee as part of the Internal Audit, Progress Report 's throughout the year.

2. IT Change Management

An audit was held in March 2016 to review the appropriateness and effectiveness of the Council's IT Change Management process, including related governance, policies, process, procedures and controls that are in place to manage changes to the IT applications and infrastructure that support the Council's services. The audit highlighted a number of areas for improvement;

- Process Lifecycle: *Control design*
- Change Testing & Validation: *Control design*
- Result of Sample Records Testing: *Operating effectiveness*
- Governance of IT Change Management: *Control design*
- Expectations Management: *Control design*

Update

Our internal Audit Team have begun to follow this up a using a 2 phased approach. The first Phase 1 conducted Quarter One 2016/17, included testing the findings that related to control design and findings where the due date for implementation had passed. A second follow up review is planned for Quarter 3 to follow up on the

outstanding actions. We are pleased to note that overall management has made good progress in resolving the issues identified in part of the Audit review.

Details of the outcomes of this review will be presented to senior management and Audit Committee as part of the Internal Audit, Progress Report's throughout the year.

4.2.2 Failure of the Library Management System

In March 2016 the Vubis library management system failed meaning that the following services became unavailable for residents and library staff: the library catalogue, online library accounts for reservations and online renewals, some ebooks, extended hours opening at Edgware Library, PCs for use by children and teenagers, and the stock / acquisitions model for library staff. The library management system has been rebuilt and provided back for testing to Libraries staff on 31st March 2016. Following thorough testing, the system was operational again to the public on 11th April, with the online catalogue and ability to renewal books online operational for residents on 6 May.

4.3 **Human Resources**

Unified Reward

The Unified Reward project's aim is to ensure that those that work for Barnet have a simpler, fairer, more flexible reward framework that rewards performance. After extensive negotiation with the Unions and consultation with staff a collective agreement has been reached and outputs from Unified Reward are now being implemented. In order to communicate accurately with staff on the individual impact of Unified Reward to them personally there was an extensive refresh of the Establishment list in order to ensure that 1,600 letters to directly Council employed staff were 100% accurate. This extensive exercise has resulted in a very low error rate on individual staff letters.

We recognise that we need to have enhanced monitoring of how the council complies across its services on the management and HR practices including appraisals, health and safety compliance and management of sickness absence, with particular regard to;

4.3.1 Establishment lists

Certain areas of weakness around establishment lists were identified as part of an Audit review;

- inaccurate establishment data
- the current change process does not operate at a sufficient enough level to function as intended.

Update

Audit followed up the high priority recommendations identified and found that procedures had been revised appropriately and in accordance with audit recommendations. It should be noted that the Audit team have been unable to test the operating effectiveness of controls as whilst the new processes have been rolled out there was insufficient business as usual activity due to the additional extremely robust and stringent process that has been followed under Unified Reward.

Details of the outcomes of this review will be presented to senior management and Audit Committee as part of the Internal Audit, Progress Report's throughout the year.

4.3.2 Children's Social Worker Recruitment

Barnet like many local authorities nationally has experienced the pressures of trying to recruitment and retain sufficient children's social workers to meet the increasing demand and to improve practice. To address this a recent extensive recruitment Campaign 'More to Believe In' has now been supplemented with other recruitment initiatives which include converting current agency staff into permanent roles and recruiting through Barnet Works. This has successfully reduced vacancies levels in social worker recruitment by 35 in the last few months.

4.4 Safeguarding Risks - Social work practice (managing demand, transforming services)

Children's Social Care

Ensuring the best possible social care practice for our most vulnerable children is a priority for us. We want to ensure improvement in the quality and consistency of social work practice across Children's Services is to ensure that the needs of our most vulnerable residents are met effectively and efficiently. We will achieve this by;

- empowering and equip the social care workforce to understand the importance of our model of resilience-based practice
- ensuring that social workers have the tools to effectively carry out their tasks
- Ensuring there are sufficient high quality social workers in Barnet to meet needs and demands.

Adults Social Care

Providing Adult Social care services that are of consistently high quality is our top priority. The council is required to carry out a range of statutory duties under the Care Act 2014 and other key legislation, including Safeguarding vulnerable Adults. We will do this by:

- Developing of strengths based social work and occupational therapy practice is the priority in our adult social care service.
- Social workers will work more in communities and support individuals to prevent the escalation of need. Alongside this, the principles of 'Making Safeguarding Personal' will be embedded throughout the service in safeguarding practice. To support this practice development, a comprehensive staff development programme and refreshed quality assurance programme is being implemented.

5. PREVIOUS YEAR'S SIGNIFICANT ISSUES UPDATE (20142015)

Set out below are the governance issues identified for monitoring within 2015-16.

- 5.1 Having reviewed these issues we no longer consider them significant issues for 2015-16 as all associated actions have either been implemented or in the process of being implemented

Review of the New Committee System.

- 5.1.1 The Constitution, Ethics and Probity Committee considered a report on the review of the Committee System and Constitution Review – Survey Results at their meeting on 16 November 2015:

<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=589&MId=8391&Ver=4>

The Committee noted the outcome of the review

The Committee considered a further report on the Committee System Review and Constitution Review – Summary of Outcomes at their meeting on 17th March 2016: <http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=589&MId=8393>

The Committee noted the outcome of the review

Actions arising from the review have been addressed as part of 'Constitution Review' report considered by the Constitution, Ethics and Probity Committee on a cyclical basis, or will be addressed at the next local election in 2018.

Information Management

5.1.2 Off Site Records Management

March 2016 saw the successful launch of the new robust archiving model. "Retention by Exception" will be adopted for the council's destruction model going forward. A definition of "RbE" will be included in the RM policy. Records disposal is affected by the Goddard (IICSA) Inquiry and affects instructions that need to be given to the off-site storage provider. The council continues to consider Goddard in its retention and disposal

5.1.3 Data Management

A review of the Records Retention & Disposal Policy has taken place.

5.1.4 Information Audit

Policies to cover Information Asset Management (IAM) and handling of the council's Information Asset Register (IAR) have been released. The infant register is based on the information survey and needs further work to develop it into a proper Information Asset Register. The register will be discussed with those senior officers identified as Information Asset Owners and development of the IAR will continue over the next few years. Retention is considered an aspect of IAM.

5.1.5 ICT Strategy

The ICT strategy was approved in November 2015. The governance structure for implementing the strategy has been approved, and roadmaps for the implementation of the strands of the strategy are in progress.

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 4. We propose over the coming year to take steps to address the matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

SIGNED: _____
Leader of the Council

Date: _____

SIGNED: _____
Interim Chief Executive

Date: _____

	<h2>Audit Committee</h2> <h3>28th July 2016</h3>
<p>Title</p>	<p>Annual Report of the Audit Committee 2015/2016</p>
<p>Report of</p>	<p>Chairman of the Audit Committee</p>
<p>Wards</p>	<p>N/A</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix A – Annual Report of the Audit Committee 2015/16 including</p> <ul style="list-style-type: none"> Annex 1 –Schedule of Planned and Unplanned Work 2015 -16
<p>Officer Contact Details</p>	<p>Clair Green, Assurance Assistant Director, clair.green@barnet.gov.uk</p>

<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 2015-16.</p>

<h2>Recommendations</h2>
<p>1. That the Committee recommend Full Council to approve the Annual Report of the Audit Committee for 2015-2016 as an accurate record of the outcomes and work programme for the year.</p>

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 2015-16.
- 1.2 The Committee is asked whether they wish to make any amendments and note that the report will be presented to Full Council in due course.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

- 5.2.1 None in the context of this report.

5.3 Legal and Constitutional References

- 5.3.1 There are no legal issues in the context of this report.
- 5.3.2 The Audit Committee's terms of reference are noted in the Council's Constitution under responsibility for functions. Function 16 of the terms of references requires that the Audit Committee "shall prepare a report to Full Council on annual basis on its activity and effectiveness".

5.4 Risk Management

5.4.1 None in the context of this report

5.5 Equalities and Diversity

5.5.1 None in the context of this report

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPER

None

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Appendix 1

Audit Committee Annual Report 2015 - 16

Cllr Brian Salinger
Chairman of the Audit Committee
11th July 2016

Contents

1. Introduction and overview

2. Summary of Audit Committee outcomes during 2015-16

3. Conclusions

Annex 1 –Schedule of Planned and Unplanned Work 2015 -16

1. Introduction and Overview

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

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

Specifically:

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

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

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

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

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

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

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

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

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

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

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

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

1.4 **Audit Committee at Barnet Council**

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

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

- 1.4.1 In order to bring additional expertise from the sector and financial capability the Audit Committee also has two independent members.
- 1.4.2 The Audit Committee has a work programme that has been drawn up to effectively discharge its responsibilities as defined by the terms of reference.
- 1.4.3 The Committee relies upon independent, qualified professionals to provide assurance. Directors and Assistant Directors have been requested by the Audit Committee to support the process and to aid in the Committee’s effectiveness/understanding.
- 1.4.4 The Committee undertakes all of its meetings in the public domain. In addition, there have been no instances whereby items have been considered exempt.
- 1.4.5 The Chairman during 2015-16 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

- 2.1 During the financial year (April 2015 – March 2016) the Audit Committee has demonstrated a number of outcomes with a focus on delivering improvement to the organisation. The way in which these were implemented were as follows:-
 - 2.1.1 **Key controls and assurance mechanisms.** The Committee relies upon information presented from qualified, independent and objective officers and external assurance providers. The key controls and assurance mechanisms are as described within the Annual Governance Statement. The Audit Committee is not a working group, it does not carry out the work itself, but relies on the assurance framework to bring significant issues to the Committee for discussion and make recommendations for the the Executive and officers to take forward. The Committee recognises that management are responsible for a sound control environment¹.
 - 2.1.2 **A peer review of the Council’s Internal Audit Service** against the Public Sector Internal Audit Standards (“PSIAS”) was conducted in January 2016 by the London Borough of Kensington and Chelsea. The review found that Barnet Council’s Internal Audit ‘fully conforms’ to the PSIAS in 12 of the 17 areas assessed, with minor improvements being suggested in the remaining five areas which were assessed as ‘generally conforming’. The peer reviewer noted that ***‘Overall I think that you are very close to being fully compliant with the requirements of the PSIAS with most improvements being of an advisory nature’***.
 - 2.1.3 **The Council had an inspection by the Office of Surveillance Commissioners (OSC)** in May 2015, relating to the management and policy of covert activities and directed surveillance. Following the inspection the OSC inspector wrote to the Chief Executive stating ***‘the standard of your directed surveillance applications and authorisations***

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

were extremely good' and made 'no recommendations' for change or improvement on practice. A full copy of the inspection report letter was and is available to Audit Committee Members should they wish to review in detail. For 2015/16 there have been no requests for authorised surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA). This statistic is reported to the Audit Committee for information purposes in accordance with our policy and statistical return to the Office of Surveillance Commissioners.

2.2. External Audit financial resilience and value for money. For 2015/16 BDO are the Council's newly appointed external auditors, they replace Grant Thornton, the Council's previously appointed external auditors. Therefore this has been a year of transition from one external auditor provider to another. The Audit Committee would like to formally express gratitude to Grant Thornton for all the work they have conducted with the Council whilst appointed, and formally welcome BDO as its new external auditors.

2.2.1 In July 2015 in accordance with International Standard on Auditing (ISA) 260, the council's external auditors (Grant Thornton) were required to issue detailed reports on matters arising from the audit of the Council's Accounts. The ISA 260 report has to be considered by "those charged with governance" (The Audit Committee) before the external auditor can sign the accounts, which legally has to be done by 30 September 2015. The Council's external auditors did not identify any adjustments affecting the Council's financial position and the accounts were signed accordingly.

2.2.2 The key messages arising from the audit of the 2014/15 financial statements were:

- 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.

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

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

2.4.1 The Audit Committee has been provided with assurances on high priority recommendations and the progress against these quarter by quarter. The Audit

Committee and its Chairman has asked that leading officers (Directors or Assistant Directors) to attend the Audit Committee to explain any deficiencies identified by Internal Audit and how they intend to address and action them. The important aspect that the Audit Committee has been assessing each quarter is whether the direction of travel from one quarter to the next has been improving via recommendations having been implemented. This focus on improving the control environment through follow-up and discussion has made Delivery Units accountable for improvement. We followed up a total of 150 high priority recommendations that had been raised and were due to have been implemented by the end of 2015/16. Of those, we found that 125 had been fully implemented by the year end (83%), the remaining recommendations had been partially implemented at the time of reporting/year end. Overall the direction of travel for implementing audit recommendations on a timely basis improved in 2015-16 with 83% of high priority recommendations confirmed as having been implemented within agreed timescales compared to 73% in 2014-15.

- 2.4.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation and is based on the work performed in 2015-16 but the conclusion should be considered in the context of the financial pressures facing the Council in a period where savings are required to be made but there is a greater demand for local services due to the borough's growing population. For 2015-16 a 'Satisfactory' Annual Internal Audit Opinion was given for the fourth consecutive year.
- 2.4.3 In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2015-16, Internal Audit performed 26 schools visits/audit reviews. During the year the Internal Audit service undertook an Assurance Mapping workshop with the Schools Improvement service to explore whether the audit approach should be updated to further support schools and to ensure that there is adequate assurance in place over key risk areas including Governance, Safeguarding, Pupil Premium and Anti-Fraud. As such, Internal Audit undertook a pilot during October – December 2015 and has now adapted and incorporated revised approach into the audit questions for all schools. The approach to follow-up audits at schools has also changed, with audit visiting them to confirm that any high priority recommendations have been implemented within agreed timeframes. Additionally the Head of Internal Audit attended a meeting of all Barnet Head teachers to discuss and explain the revised audit approach.
- 2.4.4 **Internal Audit and the Corporate Anti-Fraud Team (CAFT)** have a combined Annual Plan approved annually by Audit Committee which demonstrates their commitment to joint working, making the best use of resources and avoidance of duplication of effort. This also enables them to ensure that any control weakness identified through fraudulent activity are followed up with recommendations to strengthen the control environment and noted on the service risk registers.
- 2.4.5 The **Internal Audit and CAFT** functions are organisationally independent from the Strategic Commissioning Board and other Council officers.

2.5 Issues external and internal assurances – during the year the Audit Committee has been presented with various reports regarding control weaknesses. Areas that received an Internal Audit ‘No / Limited’ assurance rating, where the audit review identified areas of weaknesses and high priority recommendations are listed below and the Committee has continued to follow up recommendations, particularly regarding:-

Review Title	Assurance rating	Number of High Priority recommendations
Section 75 Agreements (Including Better Care Fund)	No	9
Street Scene Governance (joint with CAFT)	No	6
Disaster Recovery	Limited	4
People Management – Pre-Employment Checks	Limited	3
Procurement – compliance with Council Procurement Rules	Limited	3
Contract Management– - Registrars	Limited	2
IT Change Management	Limited	2
Schemes of Delegation	Limited	2
Accounts Payable	Limited	1
Teachers Pensions	Limited	1
Contract Management – Homecare	Limited	1
Client Affairs	Limited	1

2.6 Anti-Fraud – during the year the CAFT operated to an anti-fraud strategy and annual work plan which was approved by the Audit Committee. The Audit Committee has also received quarterly progress as well as an Annual report from CAFT which provide detailed summary on outcomes including preventative, proactive and reactive anti-fraud work undertaken. There has been consistent good work reported by CAFT in relation to corporate fraud, tenancy fraud and benefit fraud.

2.6.1 In relation to Housing and Council Tax Benefit Fraud investigations, on the 1st July 2015 Barnet area became a Single Fraud Investigation Service (SFIS) site. 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/staff Fraud, Tenancy Fraud, Council Tax Support or Discount Fraud this will remain with the council CAFT Team.

2.6.2 In October 2015 CAFT began dealing with the investigation of Blue Badge Misuse. Three successful proactive street based exercises were carried out by CAFT during 2015 -16

with a number of prosecutions arising from these as well as penalty notices and warning letters being issued, more exercises of this nature will be carried out going forward.

- 2.6.3 In relation to Tenancy Fraud CAFT investigations resulted in 57 properties being recovered during 2015 -16, which included 4 successions applications being denied and 7 temporary/emergency accommodation ceased. The savings that this number of recovered properties equates to is £8,550,000 (according to audit commission calculation of £150k per recovered property). Good work was also undertaken in relation to 'Right to Buy' applications – with 18 being denied as a result of CAFT intervention. There is a maximum discount of £103,900 per property on right to buy cases, this work has meant that CAFT have saved the loss of a property and a financial loss of £1,022,520 in discounts in 2015 -16 year.
- 2.6.4 In other areas of internal fraud there have been 3 prosecutions this year, with 7 staff no longer employed / dismissed as a result of CAFT investigations and 4 school places withdrawn as a result of CAFT intervention / investigation.
- 2.6.5 Whistleblowing blowing matters are also reported to the Audit Committee. In 2015-16 three whistleblowing letters were received which all related to the same matter; alleged criminal activity, impropriety and financial regularities within the Street Scene Delivery Unit particularly around the Council Depot operations and work practices. Due to the varying nature of allegations within the referral it was decided to approach the issues by conducting a CAFT investigation into some specific elements of the referral and address the other elements by conducting a joint Internal Audit and CAFT review covering all of the Street Scenes operations. The review concluded with a 'No Assurance' report being issued and a number of high priority recommendations being made (details of this report can be found within the Internal Audit Quarter Three progress report). The CAFT investigation concluded with no evidence of criminal activity being found relating to the allegations. However CAFT did make recommendations to the service regarding consideration of disciplinary action for some staff members in relation to non-compliance with council policy and all staff matters have been subsequently dealt with. Full details of the matters referred cannot be publicised due to confidentiality, however all matters within the letters have been thoroughly reviewed and/or investigated and actions taken or recommended where appropriate to do so.

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

3. Conclusions

- 3.1 In conclusion the Audit Committee feels that it has demonstrated that it has added value to the Council's overall Governance Framework.
- 3.2 Throughout 2016-17 the Audit Committee plans to continue to require senior officers to attend Committee meetings to aid in its understanding of the services and the issues identified through the audit process, but mostly to ensure that internal and external recommendations are given the priority required and implemented on a timely basis.

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

Annex 1 – Schedule of Planned and Unplanned work 2015 - 16

Detail Reports considered:

Audit Committee meeting Date	Reports
30th April 2015	Exception Recommendations and Internal Audit Progress Report – up 31 st March 2014
	Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management Approach 2015-16
	External Audit Plan 2014-15
	Annual Report of the Corporate Anti-Fraud Team 14-15
	Risk Management Framework
	Group Accounts
	Audit Committee Work Programme 2015/16
30th July 2015	Annual Report of the Audit Committee 2014/15
	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2014/15 and Statement of Accounts 14/15
	Annual Governance Statement 2014/15
	Internal Audit Annual Opinion 2014/15
	Corporate Anti-Fraud Team Quarter one 2015-16

Audit Committee meeting Date	Reports
	Internal Audit quarter one 2015/16 and Exceptions Recommendation report
5th November 2015	Internal Audit Quarter Two 2015-16 update and exceptions report
	Corporate Anti-Fraud Team Quarter Two 2015-16
	Quarterly Progress Reports - The External Auditors – verbal update
	ICT Operations – ITIL methodology assessment
28th January 2016	Internal Audit and Risk Management Quarter Three 2015-16 update and exceptions report
	Corporate Anti-Fraud Team Quarter Three 2015-16
	Annual Audit Letter 2014/2015
	Grants Certification Work Report 2014/2015
	Quarterly Progress Reports - The External Auditors

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	<p>AGENDA ITEM 11</p> <p style="text-align: center;">Audit Committee 28th July 2016</p>
<p style="text-align: right;">Title</p>	<p>External Auditor’s Report under International Standard on Auditing (ISA) 260 for the year 2015/16</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Executive and Statutory 151 Officer</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – ISA 260 report 2015/16 Appendix B – Audited Statement of Accounts 2015/16</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Gillian Clelland – Assistant Director, CSG Finance Service Gillian.Clelland@barnet.gov.uk</p>

<h2 style="margin: 0;">Summary</h2>
<p>The audit is substantively complete and is being reported to Audit Committee two months earlier than required by statute. BDO anticipate providing an unqualified opinion on the Council’s financial statements.</p> <p>In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council’s accounts. 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.</p> <p>The ISA 260 report has to be considered by “those charged with governance” before the external auditor can sign the accounts. The accounts must be published by 30 September 2016.</p> <p>BDO were presented with the draft financial statements on 31 May 2016 and</p>

accompanying working papers on 7 June 2016 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.

BDO have not identified any adjustments affecting the Council's financial position. They have identified a number of reclassifications and a number of minor disclosure changes, none of which changed the financial results previously reported in the draft financial statements (published on 31 May 2016) or the outturn reported to the Performance and Contract Management Committee on 31 May 2016.

In providing the opinion on the financial statements, BDO 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). BDO 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 2015/16 is attached to this report.

Recommendations

- 1. That the Committee approve the audited Statement of Accounts 2015/16 and they be signed by the Chairman and the Interim Chief Executive and Statutory 151 Officer on behalf of the Council.**
- 2. That the matters raised by the external auditor relating to detailed aspects of the 2015/16 accounts audit be noted.**
- 3. That the officer responses to matters raised by the external auditor be noted.**

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 financial statements.

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 2016.

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.

5.3.3 The Accounts and Audit Regulations 2015 require that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The section 151 officer must then re-confirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year. The accounts must be published by 30 September 2016.

5.3.4 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



LONDON BOROUGH OF BARNET

INTERIM PROGRESS REPORT TO THE AUDIT COMMITTEE

Audit for the year ended 31 March 2016 - Issued to the Audit Committee - 13 July 2016

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PURPOSE AND USE OF THIS REPORT

We present our Interim Progress Report which details the key findings arising to date from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express 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 nor 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 and our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit Committee and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.



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SUMMARY

AUDIT SCOPE AND OBJECTIVES

- Matters subject to further audit procedures and responses awaited from management are set out on page 19 below.
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work.
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated 18 March 2016.
- Our materiality levels have required reassessment since our audit planning referred to above. Our revised materiality level is £14.5 million, as set out in Appendix IV.

AUDIT OPINION

- Subject to the successful resolution of outstanding matters set out on page 19 we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016.
- At the time of drafting this report we have not yet received a copy of the draft Governance Statement for our review.
- Our work in relation to the arrangements in place to secure economy, efficiency and effectiveness is ongoing. To date, we have identified no matters to report. We will update the Audit Committee with our final conclusions at their meeting on 28 July 2016.

KEY AUDIT AND ACCOUNTING MATTERS

The key matters that have arisen in the course of our audit are summarised below:

- We identified no evidence of material misstatement as a result of management override of controls, or systematic bias in the making of accounting estimates.
- Our work on the significant risk of fraud in relation to revenue recognition is ongoing, but to date we have identified no issues.
- There were no differences to be corrected in the final Statement of Accounts that affect the reported surplus for the year. A number of amendments to classifications and presentational adjustments have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report. There are no unadjusted audit differences.
- We have identified some areas for improvement in respect of the Council's Narrative Statement.
- We identified no significant control deficiencies, but have made a number of other recommendations as set out at Appendix III to this report.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE

- Our review of the Council's whole of government accounts data collection tool is still in progress, following delays in the issue of the consolidation pack by HM Treasury.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated 18 March 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council's internal control environment and draft financial statements, and we have not identified any additional significant risks.

NATURE OF RISK	RELATED CONTROLS / RESPONSE TO RISK	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION AND RECOMMENDATION
MANAGEMENT OVERRIDE OF CONTROLS	<p>Auditing standards presume that a risk of management override of controls is present in all entities.</p> <p>By its nature, there are no controls which can fully mitigate the risk of management override.</p>	<p>We have responded to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p>	<p>We have identified no evidence of material misstatement as a result of management override of controls.</p> <p>Our review of accounting estimates has identified no evidence of deliberate bias. Further details on key accounting estimates are provided on pages 13 to 15 of this report.</p>
REVENUE RECOGNITION	<p>Auditing standards presume there is a risk of fraud in relation to revenue recognition.</p> <p>In particular, we considered there to be a significant risk over the completeness and existence of fees and charges revenue in the Comprehensive Income & Expenditure Statement (CIES).</p> <p>We also considered there to be a significant risk over the existence (recognition) of revenue and capital grant income in the CIES that is subject to conditions before it may be recognised as revenue.</p>	<p>We carried out audit procedures to gain an understanding of the Council's internal control environment for significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We tested an extended sample of grants subject to conditions to confirm that these had been met before the income was recognised in the CIES.</p> <p>We tested an extended sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p>	<p>Our work in this area is ongoing. However, at the time of drafting this report we have identified no issues.</p> <p>We will update the Audit Committee as to our final conclusions at its meeting on 28 July 2016.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
HIGHWAYS NETWORK ASSETS	<p>We flagged in our planning report that the Code will adopt a revised basis for valuation of highways network assets from 2016/17 (depreciated replacement cost rather than depreciated historic cost), and that this will require implementation from 1 April 2016. We explained that, for 2015/16, disclosure would be required of the estimated impact of this change in the following year.</p> <p>However since issuing our plan, further CIPFA guidance has clarified that, since the change will only be applied prospectively to the 2016/17 accounts, no such disclosure is required this year.</p>	<p>No disclosure was required this year.</p> <p>Implementation of the changes required for the 2016/17 financial statements remains a significant undertaking for all highways authorities, and we would welcome early discussions with the finance and/or highways teams as to how this process will be managed in advance of next year's audit.</p>
CONSIDERATION OF RELATED PARTY TRANSACTIONS	<p>We are required to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p> <p>We reviewed the related party transactions identification procedures in place and relevant information concerning any such identified transactions. We also discussed with management and reviewed Councillor and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed.</p>	<p>No significant issues have been identified. We have requested additional detail to be disclosed in respect of transactions with Barnet (Holdings) Ltd and the Inglis Consortium Ltd, which management has agreed to include in the final Statement of Accounts.</p> <p>We will require a statement that there are no material undisclosed related party transactions to be included in your letter of representation to us, as set out at Appendix VII to this report.</p>
AUDIT FEES	<p>We reviewed the Audit Costs note against our agreed schedule of fees, and noted that the audit costs within the draft Statement of Accounts were understated by a total of £9,000.</p>	<p>Audit Costs in the draft Statement of Accounts were understated by £9,000 for the certification of grant claims and returns. The £4,000 relating to pension audit costs should be included in the pension fund accounts rather than the Council.</p> <p>Management has agreed to correct this error in the final Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
<p>VALUATION OF MILL HILL DEPOT</p>	<p>The Council has entered into a contractual development agreement with partners to transfer the Mill Hill depot site into a larger regeneration site for a 13.9% share of projected profits of the whole site. The asset is held as investment property and each year the site is revalued. As parts of the site are developed and sold, the Council receives its share of the proceeds as capital receipts and this amount is derecognised from investment property. The carrying value of the asset is £30.258 million at 31 March 2016.</p> <p>The Council still uses part of the site as a depot while the new site is under construction.</p>	<p>We discussed with management and the valuer the valuation of the site and agreed this to underlying projections of the future development net proceeds that support the land value.</p> <p>We are satisfied that the classification as investment property is appropriate and reflects the contractual share of risks and rewards of ownership from the entire site rather than that part still held in title by the Council.</p> <p>We concur with management that the part of the site still in use as a depot, used under licence until December 2016, would not require that part to be valued as operational land.</p>
<p>ACCOUNTING FOR COUNCIL DWELLING REVALUATIONS</p>	<p>The Council’s policy is for council dwellings to be revalued on a beacon basis as at 31 March each year. However, within the draft Statement of Accounts, the revaluation has been posted with an effective date of 1 April 2015, by adding back one year’s depreciation to obtain an approximation of the valuation at 1 April. This practice is consistent with that applied by the Council in previous years, however it is not strictly correct as it implicitly assumes that movements in valuation in year are equal to the annual depreciation charge, and therefore ignores other market movements which may have taken place during the year. We note that the correct net valuation has been applied as at 31 March 2016.</p> <p>We also note that the depreciation section of the PPE note only contains one line for the write-back of depreciation on revaluation, which assumes that all such write-back is posted to the revaluation reserve. The Code requires separate disclosure of amounts written-back posted to the revaluation reserve and the surplus/deficit on the provision of services. As a result, revaluation movements in respect of Council dwellings have been grossed up within the PPE note.</p> <p>The above issues will impact upon the presentation of revaluation movements in the PPE note, but do not impact upon the closing net book value of PPE, the Comprehensive Income and Expenditure Statement, or closing reserve balances.</p>	<p>Revaluation movements in respect of council dwellings are incorrectly presented within the PPE note. There is no impact on the closing net book value of PPE, the Comprehensive Income and Expenditure Statement, or closing reserve balances.</p> <p>The adjustments which we anticipate are required within the PPE note in respect of this issue are as follows:-</p> <ul style="list-style-type: none"> • In the cost section, revaluation increases recognised in the revaluation reserve will increase by £1.219 million. • In the cost section, revaluation decreases recognised in the revaluation reserve will decrease by £17.607 million. • In the cost section, revaluation increases recognised in the surplus on the provision of services will decrease by £40.303 million. • In the accumulated depreciation section, write-back of depreciation on revaluation will increase by £21.477 million. The new total write-back figure of £40.496 million should be split between that posted to the revaluation reserve (£40.303 million) and that posted to the surplus on provision of services (£193,000). <p>Management have agreed to correct these errors in the final Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CLASSIFICATION OF DEBTORS AND CREDITORS	Our review of debtors identified an error in respect of expenditure which was receipted twice in error. Whilst the expenditure was correctly reversed, the other side of the reversal entry was incorrectly posted to debtors, meaning that both debtors and creditors were overstated by £3.026 million in the draft Statement of Accounts.	<p>Both debtors and creditors were overstated by £3.026 million in the draft Statement of Accounts. There is no impact on the Comprehensive Income and Expenditure Statement or closing reserve balances.</p> <p>Management has agreed to correct this error in the final Statement of Accounts.</p>
CLASSIFICATION OF INVESTMENTS	<p>The Council has adopted a policy of classifying any deposits which mature within 3 months of the balance sheet date as cash equivalents. However, the Code requires the assessment of whether or not a deposit meets the definition of a cash equivalent to be carried out at the point of acquisition. This means that deposits which were originally placed for more than 3 months should be classified as investments, not cash equivalents, regardless of their maturity date. As a result, we have identified £79.803 million of deposits which were included within cash and cash equivalents in the draft Statement of Accounts, but should have been classified within short-term investments.</p> <p>Within long-term investments the Council has recognised a total of £2.910 million in respect of an investment with an Icelandic Bank which has been impaired in previous years. On 30 June 2016, this investment was sold at auction for £2.584 million. Management has deemed this to be a non-adjusting event after the balance sheet date, on the grounds that the Council had no intention to sell at 31 March 2016, and that the small difference in valuation may have arisen due to market movements after year-end. As such, no adjustment has been made in the Statement of Accounts. We concur with this judgement.</p>	<p>Short-term investments of £79.803 million were misclassified as cash and cash equivalents in the draft Statement of Accounts. There is no impact on closing reserve balances.</p> <p>Management has agreed to correct this error in the final Statement of Accounts, and is also in the process of assessing whether any restatement of the prior year figures is required.</p>
PRESENTATION OF OVERDRAFT BALANCES	Within the draft Statement of Accounts, the Council had separately disclosed cash and cash equivalents within current assets (£126.980 million) and current liabilities (£1.290 million). However, the Code requires that where overdraft balances arise as a result of the Council's normal day-to-day cash management, that these should be net off of the current asset balance.	<p>Both current assets and current liabilities were overstated by £1.290 million within the draft Statement of Accounts. The total net cash balance was correct.</p> <p>Management has agreed to correct this in the final Statement of Accounts. We are also awaiting confirmation from management as to whether a restatement of the prior year balance sheet is required, as there was a material overdraft balance (£16.880 million) last year. Again, the total net cash balance was correct.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
EARMARKED RESERVES	The draft Statement of Accounts included a transfer from earmarked reserves to the Capital Adjustment Account of £18.302 million in respect of capital expenditure funded from reserves. The Code requires that such amounts are initially funded from the General Fund, and then transferred from earmarked reserves.	<p>Within the draft Statement of Accounts there is a transfer of £18.302 million from earmarked reserves to the Capital Adjustment Account which is on the wrong line in the Movement in Reserves Statement, and should be reclassified to the 'adjustments between accounting basis and funding basis under regulations' line. There is no impact on closing reserve balances.</p> <p>Management has agreed to correct this error in the final Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
NARRATIVE REPORTING	<p>For 2015/16 the Council was required to produce a 'Narrative Report' replacing the old 'Explanatory Foreword' in the financial statements, which includes additional information not previously required. The Narrative Report is required to be fair, balanced and understandable.</p> <p>We compared the Narrative Report against the Code requirements to ensure that all required elements were correctly included. We also reviewed the Narrative Report to ensure consistency with our understanding of the entity and the financial statements.</p>	<p>Broadly speaking, we found the Narrative Report to be fair, balanced and understandable, although we identified the following areas which could be improved:-</p> <ul style="list-style-type: none"> • There is no commentary on the Group Accounts, as required by the Code. • Whilst information is given in respect of outturn against budget for service expenditure, no similar information is provided for other operating expenditure, financing and investment income and expenditure or taxation and non-specific grant income, meaning that the reader is not given a complete picture of the Council's financial performance against expectations. • Further information could be provided in respect of the Council's current borrowing facilities and capital borrowing. • Whilst commentary has been given on non-financial performance indicators, this tends to focus on areas well the Council has performed well or improved during the year, and there is very little commentary on areas of poor performance or where improvement is required. <p>Discussions with management are still ongoing as to whether or not these recommendations will be implemented in the current year, or considered for future years.</p> <p>We also identified a small number of minor errors and inconsistencies between the Narrative Statement and financial statements, which management has agreed to correct in the final Statement of Accounts.</p>
FRAUD AND ERROR	<p>We are informed by management that there have not been any cases of material fraud or error, to their knowledge.</p> <p>We have reviewed the reports of the Council's Corporate Anti-Fraud Team to the Audit Committee throughout 2015/16 and since the year-end, which set out in more detail cases of non-material fraud which have occurred.</p>	<p>Our own audit testing has identified no instances of material fraud affecting the Council this year.</p> <p>Non-trivial errors identified through the audit process are set out in detail within this report.</p>

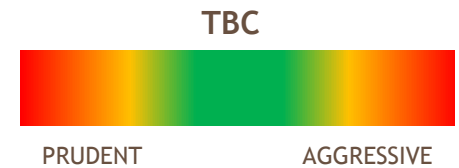
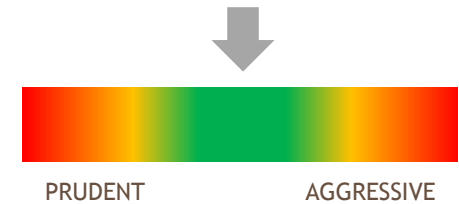
KEY AUDIT AND ACCOUNTING MATTERS

Continued

ACCOUNTING ESTIMATES

Our views on significant estimates including any valuations of material assets and liabilities arrived at during the preparation of your financial statements are set out below:

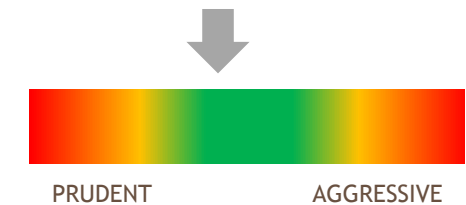
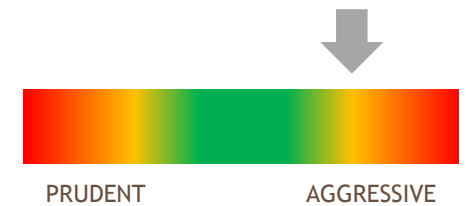
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>PROPERTY VALUATIONS</p>	<p>The valuation of property assets is carried out by an internal valuer, on a 5-yearly rolling valuation cycle, with approximately 90% by value of the Council’s property assets valued each year. We have reviewed the experience and qualifications of the Council’s valuer and her team to ensure valuations are being carried out by appropriate individuals. The valuations are based on market data including BCIS and make use of RICS guidance.</p> <p>We have reviewed the key assumptions made in determining valuations and have compared the outputs of the valuation exercise to benchmarking information made available to us by a consulting valuer engaged by the National Audit Office.</p> <p>For dwellings, the Council has applied an average increase in value of 9.3%, compared to a benchmark for London of 13.9% (based upon information available from the Land Registry). We have investigated this further and found that the assumptions used by the Council take into account more localised factors, as opposed to the Land Registry data which provides an average for the whole of London. The assumptions used do not appear unreasonable.</p> <p>For other land and buildings we initially identified some significant increases in upwards revaluations when compared to expectations formed from a review of the consultant valuer’s report. However, upon further investigation it was found that the properties in question have had either changed planning consent, development in year or changes of use which explain the increased valuations.</p>
<p>ACCRUED EXPENDITURE</p>	<p>The Council recognises accruals for expenditure incurred but not yet invoiced at year-end, for example in relation to community care services.</p> <p>Our work in this area is still ongoing and we will update the Audit Committee with our findings at their meeting on 28 July 2016. No issues have been identified to date.</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

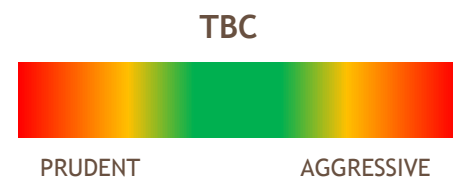
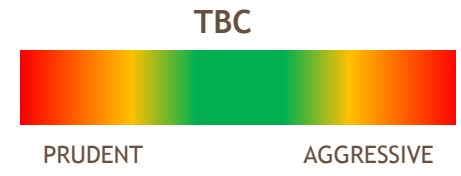
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>PENSION LIABILITY ASSUMPTIONS</p>	<p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>We have reviewed the assumptions used by the actuary for reasonableness by reference to a consulting actuary’s report commissioned by the National Audit Office. We found that, whilst all assumptions used fall within the expected range, assumptions in respect of life expectancy were at the lowest extreme of this range, whilst assumptions about the percentage of employees taking up the option under the new LGPS scheme to pay 50% of contributions for 50% of benefits was at the top of the range. Both of these factors will have a downwards impact on the pension liability, which has led us to conclude that the assumptions around the liability in general are on the aggressive side but still reasonable.</p>
<p>USEFUL LIVES OF DEPRECIABLE ASSETS</p>	<p>The Council depreciates its depreciable property, plant and equipment assets on a straight-line basis over their useful economic lives. The useful economic lives of property assets are determined by the Council’s valuer each time the assets are revalued. For other classes of asset, a range is used depending upon the type of asset.</p> <p>We have reviewed the ranges of useful economic lives in use and have concluded that these appear reasonable and are consistent with those applied in the prior year. A review of the fixed asset register indicates that the Council was holding fully depreciated assets with a gross book value of £101.988 million at year-end, which represents 6.6% of all assets held by gross book value. The majority of these assets had reached the end of their assigned useful economic life during the year, although there are assets with a gross book value of £35.394 million which were already fully depreciated at the start of 2015/16. This indicates that the Council’s depreciation policy could be slightly on the prudent side. However, we do recognise that in the current economic climate the Council is limited in terms of its capital expenditure, and assets are being used beyond their initially anticipated useful lives. As an accounting estimate, any changes to useful lives would be accounted for prospectively, and therefore the likelihood of net book values being materially misstated at year-end as a result of this issue is extremely low. Nevertheless, we recommend that going forwards the Council carries out a review of its fixed asset register and depreciation policy to ensure that the lives applied remain appropriate given the current climate.</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>ALLOWANCES FOR NON-COLLECTION OF RECEIVABLES</p>	<p>The Council's bad debt provision on aged debt is determined for each income stream using available collection rate data. The largest areas of provision include council tax arrears, non-domestic rates arrears, housing rent arrears and PCNs (parking).</p> <p>We have reviewed the calculations supporting the year-end provision figures and are satisfied that these are materially correct. At the time of drafting this report we are still awaiting some evidence to support the percentages applied in respect of housing rent arrears. However, from the work performed so far there is no evidence that the provision is materially misstated.</p> <p>We will conclude in more detail and update the Audit Committee at their meeting on 28 July 2016.</p>
<p>PROVISIONS</p>	<p>The Council has recognised provisions totalling £14.255 million at 31 March 2016. There are no individually material provisions.</p> <p>Our work in this area is ongoing, and we will update the Audit Committee with our conclusions at their meeting on 28 July 2016.</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

FINANCIAL STATEMENT DISCLOSURES

Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
ACCOUNTING POLICIES	<p>Generally speaking, the accounting policies within the draft Statement of Accounts were appropriate and clear, and in accordance with Code requirements. We identified a small number of issues as follows:-</p> <ul style="list-style-type: none"> • As set out on page 10 of this report, the stated policy was that deposits which mature within 3 months of the balance sheet date were classified as cash and cash equivalents. However, the Code requires that the assessment of whether or not a deposit meets the definition of a cash equivalent to be carried out at the point of acquisition. This means that deposits which were originally placed for more than 3 months should be classified as investments, not cash equivalents, regardless of their maturity date. • The property, plant and equipment policy referred to many items of PPE being valued at fair value, when in fact they are valued in accordance with the Code at current value. • The policy on significant management judgement in applying accounting policies and estimation uncertainty contained insufficient information about property valuation techniques, and we recommended cross-referring to other parts of the Statement of Accounts. We also recommended removing the section on the Special Parking Account on materiality grounds. • We recommended the removal of policies and parts of policies relating to irrelevant or immaterial items, including staff leave accruals, inventories and long term contracts, finance leases, insurance provisions, and the Carbon Reduction Commitment Scheme. <p>We are currently awaiting confirmation from management as to which of the above issues will be addressed in the final Statement of Accounts, and we will update the Audit Committee accordingly at their 28 July 2016 meeting.</p>
IMMATERIAL DISCLOSURES	<p>The draft Statement of Accounts contained a small number of immaterial disclosures, including soft loans, inventories, construction contracts, cash held on behalf of third parties, and financial instrument adjustment account. We have recommended that these be removed, unless management considers them to be material.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
OTHER DISCLOSURE MATTERS	<p>We identified the following disclosure and presentational issues within the draft Statement of Accounts:-</p> <ul style="list-style-type: none"> • The Movement on the HRA note was incorrectly presented as it did not separately identify the write-back of depreciation on HRA properties. As a result the amount transferred to the Capital Adjustment Account was also incorrectly presented, although the underlying accounting entries made and closing reserve balances were correct. • The draft Collection Fund Statement did not cast correctly and it was not possible to reconcile opening and closing Collection Fund balances. • Various issues were identified within the draft financial instruments notes, including inconsistency of figures and presentation within and between tables, inconsistencies with other parts of the Statement of Accounts, and errors in the maturity analysis of financial liabilities. • Within the earmarked reserves note, there was a material level of ‘other’ earmarked reserves (£38.871 million), for which additional analysis should be presented. • There was no disclosure of the date the accounts were authorised for issue, or who gave the authorisation, as required by the Code. • Other minor formatting and rounding issues, internal inconsistencies and errors were identified and full details have been communicated to management. <p>Management has agreed to correct the above errors in the final Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.

	MATTER	COMMENT
1	Our responsibility for forming and expressing an opinion on the financial statements.	See our audit planning report to you dated 18 March 2016.
2	An overview of the planned scope and timing of the audit.	See our audit planning report to you dated 18 March 2016.
3	Significant difficulties encountered during the audit.	We have no matters to report.
4	Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process.	We have no matters to report.
5	Written representations which we seek.	These are reproduced at Appendix VII.
6	Any fraud or suspected fraud issues.	See our planning report to you dated 18 March 2016 and additional matters included within this report.
7	Any suspected non-compliance with laws or regulations.	We have no matters to report.
8	Uncorrected misstatements, including those relating to disclosure.	A schedule of uncorrected misstatements is included at Appendix II.
9	Significant matters in connection with related parties.	We have no matters to report.

OUTSTANDING MATTERS

Matters subject to further audit procedures and responses awaited from management are set out on below. Upon completion of these matters, we anticipate issuing an unqualified opinion on the financial statements.

We will update you on their current status at the Audit Committee meeting at which this report is considered:

- 1 Completion of our final audit testing in a number of audit areas
- 2 Clearance of outstanding issues currently with management
- 3 Completion of our internal manager and Partner review process
- 4 Technical clearance
- 5 Subsequent events review
- 6 Receipt and checking of an updated Statement of Accounts incorporating agreed audit adjustments as set out in this report
- 7 Management representation letter, as attached in Appendix VII to be approved and signed



OTHER REPORTING MATTERS

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

MATTER	COMMENT
1	<p>The draft Statement of Accounts was prepared and provided to us for audit on 31 May 2016.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p> <p>We have no significant matters to report.</p> <p>Throughout the audit, we have encountered some difficulties in obtaining audit evidence from officers outside of the core finance team, for example adult social care, schools, revenues and benefits and payroll. Whilst these issues have largely been resolved, we would welcome a debrief discussion with the Council to identify lessons learned on both sides, and to look for ways in which this process can be streamlined going forwards.</p>
2	<p>We are required to review the draft governance statement and to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.</p> <p>At the time of writing this report we have not yet received a draft of the Governance Statement.</p>
3	<p>We are required to read all the financial and non-financial information in the narrative report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>Our review of the Narrative Statement identified no material inconsistencies with the financial statements or information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>Further comments on the Narrative Statement are set out on page 12 of this report.</p>

CONTROL ENVIRONMENT

Deficiencies and observations

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

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

SIGNIFICANT DEFICIENCIES

We identified no significant deficiencies during the course of our audit.

OTHER DEFICIENCIES AND OBSERVATIONS

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
EMPLOYMENT CONTRACTS	Of our sample of 29 Council employees, the Council was unable to provide a contract of employment in respect of 1 individual. For a further 18 individuals, a copy of the contract of employment was provided but this was unsigned by the employee.	The lack of a signed contract of employment in respect of a number of employees may increase risk to the Council in the event of any employment disputes arising. Although the existence of a signed contract may not be a strict legal requirement, it does represent best practice.	We recommend that the Council reviews its HR records to ensure that signed contracts of employment are in place and accessible in respect of each of its employees. We note that the Council is currently undergoing an exercise to review employee contracts and terms and conditions of employment, and this may provide an opportunity to ensure that all records are up to date and complete.	

CONTROL ENVIRONMENT

Continued

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
<p>ACCOUNTING FOR SCHOOLS</p>	<p>The Council’s policy is to reconcile all schools bank accounts as at 15 March each year, with any transactions between this date and year-end being accounted for as accrued income or expenditure. This is in order to avoid issues concerning staff availability during the Easter holidays.</p>	<p>This practice will lead to misclassifications on the Balance Sheet between cash and cash equivalents and debtors and creditors. It has not been possible to fully quantify this misclassifications, although from the work we have performed we are satisfied that the impact is not material, and there is no impact on the CIES or closing reserve balances.</p>	<p>We recommend that the Council reviews its processes going forwards to consider whether there is any way that schools transactions can be correctly accounted for up until year-end, recognising the inherent difficulties around school holiday periods.</p>	

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
<p>For Whole of Government Account (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>HM Treasury's Whole of Government Accounts team issued a newsletter at the end of June to explain the delay in issuing the DCT which was released on Monday 4 July 2016. This means that local authorities' deadline to submit the unaudited DCT to HM Treasury has been extended to 12 August 2016 and similarly our deadline to issue our audit opinion on the DCT has been extended to 21 October 2016.</p> <p>As such, our review of the Council's DCT submission has not yet commenced. We will update the Audit Committee as to the outcome of this review at a later meeting.</p>

USE OF RESOURCES

Key informed decisions, deployed resources and sustainable outcomes

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

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

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

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

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued on 18 March 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

Our work in this area is still ongoing at the time of drafting this report. We report below our findings to date. We will provide an update to the Audit Committee at their meeting on 28 July 2016.

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES	The Medium Term Financial Strategy (MTFS) has forecast a funding gap of £81 million between 2016/17 and 2019/20, and requires savings to be made of approximately £20 million each year. The Council has successfully delivered savings of £75 million over the past five years. However, the level of savings required in the next four years will be challenging in order to allow the Council to effectively support the sustainable delivery of strategic priorities and maintain statutory functions. We therefore recognised a significant risk at the planning stage in relation to financial sustainability.	Our work in this area remains ongoing, and meetings have been arranged with a number of senior officers over the coming days. From our work to date, we note that, whilst the savings targets are certainly challenging, the Council current holds relatively high levels of reserves and therefore considers itself to be financially stable in the short to medium term.

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	London Borough of Barnet
'Those charged with governance'	The Audit Committee. The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the Members. Delegated authority is given to the Audit Committee in respect of matters relating to financial reporting and receiving the findings of the audit.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: <ul style="list-style-type: none"> • The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) • Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year. However, a number of amendments to classifications have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

UNADJUSTED AUDIT DIFFERENCES

There are no unadjusted audit differences.

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT REPSONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
ASSET LIVES	We found that the Council has a relatively high level of fully depreciated assets still in use, which may be indicative of an overly prudent depreciation policy.	We recommend that management carries out a review of the fixed asset register and useful economic lives applied to each class of asset to ensure that these remain appropriate, particularly in the current economic climate when some assets may be used beyond the useful economic life which was originally anticipated.	< Add responses >	< Add responsibility >	< Add timing >
CONTROL ENVIRONMENT					
EMPLOYMENT CONTRACTS	Of our sample of 29 Council employees, the Council was unable to provide a contract of employment in respect of 1 individual. For a further 18 individuals, a copy of the contract of employment was provided but this was unsigned by the employee.	We recommend that the Council reviews its HR records to ensure that signed contracts of employment are in place and accessible in respect of each of its employees. We note that the Council is currently undergoing an exercise to review employee contracts and terms and conditions of employment, and this may provide an opportunity to ensure that all records are up to date and complete.	< Add responses >	< Add responsibility >	< Add timing >

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
CONTROL ENVIRONMENT (CONTINUED)					
ACCOUNTING FOR SCHOOLS	The Council's policy is to reconcile all schools bank accounts as at 15 March each year, with any transactions between this date and year-end being accounted for as accrued income or expenditure. This is in order to avoid issues concerning staff availability during the Easter holidays.	We recommend that the Council reviews its processes going forwards to consider whether there is any way that schools transactions can be correctly accounted for up until year-end, recognising the inherent difficulties around school holiday periods.	< Add responses >	< Add responsibility >	< Add timing >

APPENDIX IV: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£14,300,000	£13,800,000
Clearly trivial threshold	£286,000	£276,000

Planning materiality of £13.8 million was based on 1.5% of gross expenditure, based upon the prior year audited Statement of Accounts. We revised our materiality upon receipt of the draft Statement of Accounts because the current year outturn expenditure was higher than that of the prior year.

APPENDIX V: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
Leigh Lloyd-Thomas - Audit engagement partner	1	31 March 2021
Engagement quality control reviewer	1	31 March 2023
Jody Etherington - Audit manager	1	31 March 2026

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have provided services other than audit to the Council as set out in Appendix VI.

Other than the items identified in Appendix VI, we have not identified any potential threats to our independence as auditors. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

We confirm that the firm complies with the FRC's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired.

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

APPENDIX VI: FEES SCHEDULE

	2015/16		THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
	£'000	£'000		
Scale audit fee	170,025		N/A	
Certification of Housing Benefit Subsidy Claim (BEN01)	21,617		N/A	
TOTAL AUDIT FEE		191,642		
Certification of Pooling of Housing Capital Receipts Return (CFB06)	2,500		The threat to auditor independence from Audit Related Services is clearly insignificant. (ES5:54)	No safeguards required
Certification of Teachers' Pension Return (PEN05)	5,000		The threat to auditor independence from Audit Related Services is clearly insignificant. (ES5:54)	No safeguards required
Audit related assurance services		7,500		
Other assurance services		-		
TOTAL ASSURANCE SERVICES		199,142		

APPENDIX VII: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

28 July 2016

Dear Sirs

Financial statements of the London Borough of Barnet for the year ended 31 March 2016

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Interim Chief Executive and Director of Finance has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies local government (April 2015) issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and for making accurate representations to you.

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

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

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

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

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

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

We have disclosed to you all instances of fraud or suspected fraud that we have knowledge of, involving:

- Councillors;
- management;
- employees; or
- others where the fraud could have a material effect on the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

APPENDIX VII: DRAFT REPRESENTATION LETTER

Continued

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

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

We have recognised a net pension liability in respect of the LGPS scheme of £469.137 million as at 31 March 2016. In estimating this liability, we have made the following key assumptions:

- assumed life expectancy from age 65 years of those retiring today of 22.1 years for males and 24.5 years for females;
- assumed life expectancy from age 65 years of those retiring in 20 years of 24.4 years for males and 26.9 years for females;
- RPI increases of 3.2% per annum and CPI increases of 2.3% per annum;
- salary increases of 4.1% per annum and pension increases of 2.3% per annum; and
- a discount rate of 3.5% per annum.

We consider these assumptions to be appropriate for the purposes of estimating the net pension liability in accordance with the Code and IAS 19, and we are satisfied that the net liability of £469.137 million is not materially misstated.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

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

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

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

Yours faithfully

John Hooton

Interim Chief Executive and Director of Finance

28 July 2016

Cllr Brian Salinger

Audit Committee Chair

Signed on behalf of the Audit Committee

28 July 2016

APPENDIX VIII: AUDIT QUALITY

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

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices, or be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to, one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.





FOR MORE INFORMATION:

LEIGH LLOYD-THOMAS

+44 (0)20 7893 2616
leigh.lloyd-thomas@bdo.co.uk

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

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Statement of Accounts

for the year ended

31 March 2016

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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 2016 and a summary of its income and expenditure in 2015/16. It is, in parts, a complex document which is prepared in accordance with legislation and accounting guidance which ensures that the accounts of all Government funded bodies provide comparable and consistent information.

The Accounts will be approved by the Audit Committee on 28 July 2016 and the Independent Auditor's Report to the Members of the London Borough of Barnet will confirm 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>

Review of the Year

The **Corporate Plan 2015-20** sets out the council's vision and strategy for the next five years based on the core principles of fairness, responsibility and opportunity to make sure Barnet is a place:

- of opportunity, where people can further their quality of life
- where people are helped to help themselves, recognising that prevention is better than cure
- where responsibility is shared, fairly
- where services are delivered efficiently to get value for money for the taxpayer

A suite of indicators is included in the Corporate Plan to help us monitor performance and targets have been set to encourage improvement against the strategic priorities. 59% (47) of Corporate Plan indicators achieved target in 2015/16 and 66% (49) improved on last year (2014/15)¹.

Residents have continued to be highly satisfied with Barnet as a place to live (88%) and with the way the council runs things (74%) – both scores being above the national average (82% and 67% respectively)².

Both council tax and business rates collection have improved, with an additional £5.1m of council tax collected compared with last year, primarily driven by an increase in the property base and a change to the council tax support scheme. The business rates in-year collection rate has risen to 96.74%.

Good progress has been made on the council's regeneration programme, including submission of a full business case for the redevelopment of the Thameslink Station in Brent Cross Cricklewood, a new neighbourhood at Millbrook Park and the completion of 539 homes across the regeneration estates (Dollis Valley, Grahame Park, Stonegrove Spur Road and West Hendon), including 88 homes for social rent which have provided new homes for existing secure tenants. Across the borough as a whole, 257 affordable homes have been delivered in 2015/16.

The percentage of residents unemployed has fallen to 5.8% (compared with 6.1% in London), which has been helped by an increased number of 16 to 18 year olds in education, employment and training.

Barnet schools continue to be amongst the highest ranking in the country, achieving fifth place for attainment of five or more A*-C grades at Key Stage Four (including English and Maths) and first place for the proportion of pupils achieving the English Baccalaureate. 92% of primary schools have been rated as good or outstanding by Ofsted.

The council and its partners have continued to deliver quality services to residents and businesses. The recycling rate has marginally increased to 36.5% (October to December 2015) but continues to be below the

¹ 89 Corporate Plan indicators were reported in Quarter 4 2015/16: 79 have a RAG rating and 74 have a Direction of Travel status.

² From Residents' Perception Survey in Autumn 2015 which surveyed a representative sample of 500 residents

Narrative Report

target of 42%. Residents' satisfaction with recycling (75%) and refuse (80%) collection services have remained above the London average (66% and 69% respectively).

Barnet has remained a safe place to live with the Mayor's Office for Policing and Crime (MOPAC) set of crimes (burglary, vandalism, criminal damage, theft of/from motor vehicle, violence with injury, robbery and theft from the person) falling by 17.4% since 2011/12, compared with 19.8% across London³.

Customer satisfaction has been high at 76%. This has been driven by an increase in positive ratings from telephone and face to face customers and for the council's website which, in response to customer feedback, has been a major focus of improvement over the year and will continue to be an area for improvement in 2016/17.

In addition to the suite of indicators included in the Corporate Plan, targets have been set to monitor service performance. Across the Council, 70% (200) of service indicators achieved target in 2015/16 and 64% (163) improved on last year⁴.

The Council's Transformation Programme consists of 90 projects required to deliver the Medium Term Financial Strategy and the Corporate Plan. The majority of projects within the Transformation Programme are on track to deliver to time, cost and quality.

Financial Performance

The council managed a net budget of £277.965m during 2015/16, which included planned savings of £17.269m, of which £13.980m were achieved – 81 per cent of those planned for the year.

Revenue Outturn

The 2015/16 revenue outturn resulted in a 0.8 per cent over spend of £2.328m as set below:

Service Area	Budget	Actual	(Under)/ Overspend
	£000	£000	£000
Adults and Communities	87,756	90,591	2,835
Assurance	4,193	4,132	(61)
Central Expenses	49,279	47,216	(2,063)
Education and Skills	7,248	7,248	-
Family Services	48,415	48,466	51
Commissioning Group	21,019	21,019	-
Customer and Support Group	22,107	22,607	500
HB Public Law	2,011	2,329	318
Housing Needs and Resources	5,560	5,772	212
Parking and Infrastructure	(717)	(752)	(35)
Public Health	15,835	15,835	-
Regional Enterprise	1,130	1,712	582
Registrar Service	(161)	(34)	127
Street Scene	14,290	14,152	(138)
Net Expenditure	277,965	280,293	2,328

³ 2011/12 is the baseline year used by MOPAC for tracking London wide and Borough level crime reduction performance.

⁴ 328 service indicators were reported in Quarter 4 2015/16: 285 have a RAG rating and 256 have a Direction of Travel status.

Narrative Report

Financed by	
Council Tax	(149,539)
Grant Income	(88,215)
Business Rates	(30,793)
Transfers to Reserves	4,133
Public Health Grant	(15,879)
Total Financing	(280,293)

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 Management Committee on 31 May 2016.

During the course of the financial year, service managers have been proactively managing their financial positions, balancing the competing challenges of delivering savings and managing increasing levels of demand. The principal reasons for the overspend in 2015/16 are as follows:

- Adults and communities have experienced an increase in demand for adult social care services generally. In particular, there have been increases in the number of clients with learning disabilities transitioning from children's services and also in the number of clients with dementia, both groups requiring increasingly complex packages of care. This is coupled with an increasing number of clients who were previously self-funders but whose funds have depleted and who are now the responsibility of the council. To offset these demand pressures, the service has achieved savings in third party contracts in the prevention and wellbeing area and has made significant staff savings across the delivery unit.
- Within central expenses, £1m of the total underspend of £2.063m relates to the Minimum Revenue Provision, a review of which resulted in an ongoing saving of £1m per annum. There were also savings on early retirement costs for teachers and non-teachers, levies and external audit fees.

Despite the overspend of £2.328m, the council's final position illustrates the robust management of finances during ongoing difficult economic and demographic conditions. The overspend is funded from the General Fund balance, resulting in a balance (excluding schools) of £12.543m compared with £14.871m at 31 March 2015. The reduction in the General Fund balance will be managed through the Council's medium term financial strategy to ensure the balance is replenished to the level of £15m set by the Section 151 Officer as the amount necessary to enable the council to manage risk and volatility of spend over the medium term.

The outturn for the year 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 in Note 29 of the accounts; however a summary of the adjustments is listed below.

	2015/16 £000	2014/15 £000
Net expenditure on services	280,293	287,491
Capital and other adjustments not recorded against service budgets	(22,138)	(56,200)
Adjusted net expenditure	258,155	231,291
Other operating expenditure	8,211	4,255
Net interest paid/(received) on investments and loans	8,615	(2,526)
Council tax, business rates and grant income (incl. capital)	(306,003)	(325,462)
Surplus on the provision of services	(31,022)	(92,442)
Surplus on revaluation of property	(33,794)	(8,164)
(Gains)/losses on the pension fund	(23,592)	88,315
Total Comprehensive Income and Expenditure surplus	(88,408)	(12,291)

Narrative Report

Capital Programme

The council spent £132.336m on its capital programme in 2015/16, which is summarised in the table below. The in-year underspend of £66.763m will be profiled and subsequently spent in 2016/17 and future years.

Service Area	2015/16 Actual £000	2014/15 Actual £000
Adults and Communities	3,977	956
Education and Skills	24,430	31,183
Family Services	961	1,240
Commissioning Group	18,445	1,308
Housing Needs and Resources	-	1
Commercial – Parking and Infrastructure	364	-
Re delivery unit	44,629	15,272
Street Scene	743	2,525
Housing Revenue Account	38,787	25,572
Total Capital Expenditure	132,336	78,057
Financed by		
Grants and other contributions	(32,006)	(32,519)
Capital receipts	(25,137)	(8,516)
Borrowing	(28,709)	(24,555)
HRA revenue / Major Repairs Allowance	(27,525)	(2,268)
Reserves	(18,302)	(6,679)
General Fund revenue	(657)	(3,520)
	(132,336)	(78,057)

The most significant items of capital investment in 2015/16 included the primary and secondary school expansion programmes to meet demand for school places (£19.428m), land acquisitions as part of the Brent Cross redevelopment scheme (£14.800m), investment in highways infrastructure (including Transport for London schemes) (£20.545m), expenditure relating to the relocation of the depot (£14.603m), tranche 1 of the Development Pipeline (£4.223m) and the Housing Revenue Account capital programme (£38.787m).

Earmarked Reserves

The council is holding £112m of earmarked General Fund reserves as at 31 March 2016. Earmarked reserves are amounts of money set aside to fund expenditure on specific capital or revenue projects or initiatives in future years. Earmarked reserves have decreased by £4.155m compared with last year.

Balance Sheet

The Balance Sheet shows a net movement in the council's net worth between 31 March 2015 and 31 March 2016 of £88.408m. Long term assets have increased by £112.225m, due largely to investment in council housing, infrastructure assets and regeneration sites, as well as general increases in asset valuations.

Current assets as at 31 March 2016 decreased by £19.868m compared to the previous year, mainly due to short term cash deposits maturing and being invested in long term deposits and infrastructure assets, offset by Government grants and Transport for London claims due to the council and increased payments in advance.

Within short term liabilities, short term creditors have increased by £12.009m due mainly to an increase in payments to Barnet Homes and payments for adult social care placements outstanding at the year end.

Narrative Report

Long term liabilities have reduced by £6.723m, the majority of which relates to the Pension Fund liability.

Looking forward for the Council

The next five years pose both challenges and opportunities for Barnet. Through its five year Corporate Plan, the council has set long reaching, innovative and ambitious plans for the future, capitalising on the opportunities of a strengthening local economy and locally led investment in regeneration, skills and economic development. Over the next five years, this growth will bring opportunities for residents, businesses and the council alike.

The Corporate Plan is supported by a robust medium term financial strategy which has enabled the council to deliver £75m of savings to meet the financial challenges of the last four years. However, we face a further budget gap of £81m by 2020. As well as delivering savings by continuing to reduce bureaucracy, our focus will turn to how we can help manage demand for services, in particular from the growing number of older residents. Despite needing to reduce our day to day spending, however, we will continue to invest in the essential infrastructure of the borough - in transport, housing and leisure and community facilities.

Conclusion

With five 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.

As indicated earlier, the published statutory accounts of the council are a complex, technical document and I therefore hope that the summary accounts, also published, provide a clearer picture of the council's financial position for the year ended 31 March 2016.

Should you require further information about the accounting statements please contact the Finance Team at the London Borough of Barnet at: Ground Floor Building 4, North London Business Park, Oakleigh Road South, Barnet, N11 1NP, or email inspectionofaccounts@barnet.gov.uk.

John Hooton, Interim Chief Executive (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 Operating Officer and Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Operating Officer and Director of Finance's Responsibilities

The Chief Operating Officer and Director of Finance is responsible for the preparation of the London Borough of Barnet's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Operating Officer and Director of 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 2016 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2016.

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

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 28th July 2016

Chair of Audit Committee

Core Financial 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 2015/16

	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 2015	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285
(Deficit)/Surplus on provision of services	(17,432)	-	48,454	-	-	-	31,022	-	31,022
Other comprehensive income and expenditure	-	-	-	-	-	-	-	57,386	57,386
Total comprehensive income and expenditure	(17,432)	-	48,454	-	-	-	31,022	57,386	88,408
Adjustments between accounting basis and funding basis under regulations	9,505	-	(54,576)	(5,427)	5,283	(289)	(45,504)	45,504	-
Net increase / (decrease) before transfers to earmarked reserves	(7,927)	-	(6,122)	(5,427)	5,283	(289)	(14,482)	102,890	88,408
Transfer from/to earmarked reserves	4,155	(4,155)	-	-	-	-	-	-	-
Balance as at 31 March 2016	24,179	112,000	8,820	40,175	23,213	75,243	283,630	471,063	754,693

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
(Deficit)/Surplus on provision of services	18,663	-	73,779	-	-	-	92,442	-	92,442
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(80,151)	(80,151)
Total comprehensive income and expenditure	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	-
Net increase / (decrease) before transfers to earmarked reserves	20,592	3,479	111	17,797	7,009	11,494	60,482	(48,191)	12,291
Transfer from/to earmarked reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
Balance as at 31 March 2015	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285

Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement summarises the income and expenditure of the council in providing services during 2015/16. 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	2015/16			2014/15		
		Gross expenditure £'000	Gross income £'000	Net expenditure £'000	Gross expenditure* £'000	Gross income £'000	Net expenditure £'000
Central services to the public		2,552	(2,918)	(366)	2,807	(2,616)	191
Cultural & related services		16,622	(2,105)	14,517	18,514	(3,610)	14,904
Environmental & regulatory services		38,963	(8,356)	30,607	41,012	(9,220)	31,792
Planning services		3,443	(17,030)	(13,587)	12,007	(22,006)	(9,999)
Public health		16,195	(312)	15,883	14,383	-	14,383
Children's and education services		338,270	(234,416)	103,854	339,527	(233,402)	106,125
Highways and transport services		43,342	(15,860)	27,482	46,351	(17,783)	28,568
Housing services		322,136	(355,562)	(33,426)	280,221	(344,349)	(64,128)
Adult social services		138,025	(34,567)	103,458	132,235	(28,972)	103,263
Corporate and democratic core costs		6,131	(1,022)	5,109	7,156	(1,376)	5,780
Non distributed costs		4,628	(4)	4,624	832	(420)	412
Deficit on Continuing Operations		930,307	(672,152)	258,155	895,045	(663,754)	231,291
Other Operating Expenditure	9	8,211	-	8,211	5,061	(806)	4,255
Financing and Investment Income and Expenditure	10	20,961	(12,346)	8,615	22,317	(24,843)	(2,526)
Taxation and Non-Specific Grant Income	11	-	(306,003)	(306,003)	-	(325,462)	(325,462)
Surplus on Provision of Services				(31,022)			(92,442)
Surplus on revaluation of non-current assets				(33,794)			(8,164)
Remeasurement of the net defined benefit liability	45			(23,592)			88,315
Other Comprehensive Income and Expenditure				(57,386)			80,151
Total Comprehensive Income and Expenditure				(88,408)			(12,291)

*Re-stated

Core Financial 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 in Reserves Statement, as at 31 March 2016. 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 2016		31 March 2015 *	
		£'000	£'000	£'000	£'000
Property plant and equipment	12	1,225,733		1,119,193	
Heritage assets	12	1,567		1,080	
Investment properties	12	117,124		101,264	
Intangible assets	12	6,650		7,200	
Long term debtors	16	830		825	
Long term investments	16	12,973		23,090	
Total Long Term Assets			1,364,877		1,252,652
Inventories	17	608		612	
Short term investments	16	126,418		33,241	
Short term debtors	19	123,954		94,200	
Assets held for sale	12	-		350	
Cash and cash equivalents	21	47,212		189,657	
Total Current Assets			298,192		318,060
Short term borrowing	16	(1,433)		(2,777)	
Short term creditors	22	(102,446)		(90,437)	
Cash and cash equivalents	21	-		-	
Provisions	23	(7,698)		(7,691)	
Total Current Liabilities			(111,577)		(100,905)
Long term borrowing	16	(304,704)		(304,735)	
Provisions	23	(6,557)		(5,753)	
Pension scheme	45	(469,137)		(476,254)	
Long term lease	41	(16,401)		(16,780)	
Total Long Term Liabilities			(796,799)		(803,522)
Net Assets			754,693		666,285
Usable reserves	24	283,630		298,112	
Unusable reserves	25	471,063		368,173	
Total Reserves			754,693		666,285

* Re-stated

These financial statements replace the unaudited financial statements certified by the Interim Chief Executive and Statutory S151 officer on

Core Financial Statements

Cash Flow Statement

This shows how 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 provided by the council. Investing activities summarise 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	2015/16		2014/15	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services		31,022		92,442	
Adjustment to the surplus on the provision of services for non-cash movements	26	15,895		21,954	
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	26	(54,176)		(73,776)	
Net cash flows from operating activities			(7,259)		40,620
Net cash flows from Investing activities	27		(132,570)		8,708
Net cash flows from Financing activities	28		(2,616)		2,575
Net (decrease)/ increase in cash and cash equivalents			(142,445)		51,903
Cash and cash equivalents at the beginning of the reporting period			189,657		137,754
Cash and cash equivalents at the end of the reporting period	21		47,212		189,657

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2015/16 and its position at the year end of 31 March 2016. The London Borough of Barnet is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, 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. 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 current assets and liabilities 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 are 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. 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 assets attributable to the relevant 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 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.

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 appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

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 Pension Scheme (LGPS)

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 Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' pension scheme in the year.

Defined benefit schemes

The attributable assets of the LGPS 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 cost of services in provision of services' line within the Comprehensive Income and Expenditure Statement. Services are charged a pro-rata apportionment based on the amount paid by each service to the pension

Notes to the Accounts

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 teachers’ pension 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 are equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

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 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

Notes to the Accounts

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.

The Code requires that the fair value of these instruments is disclosed in the notes to the accounts. The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

The 2015/16 Code has been updated to incorporate the adoption of IFRS 13 Fair Value Measurement, which includes the definition of fair value as above. Under the Code, all financial instruments must initially be measured at fair value, with subsequent measurement depending on the nature of the asset or liability concerned.

The Code requires the fair value of each class of financial asset and liability to be disclosed in the Notes to the Statement of Accounts to enable it to be compared to its carrying amount in the Balance Sheet. The 2015/16 Code sets out the fair value valuation hierarchy that authorities are required to follow to increase consistency and comparability in fair value measurements and related disclosures.

The purpose of the valuation is to allow the user to evaluate quantitatively the authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the authority's risk exposure arising as a result of these transactions.

The fair value hierarchy gives the highest priority to quoted (unadjusted) prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The valuation basis adopted is based on independently measured Level 2 Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. Further disclosure on the basis of valuation is set out in Note 16.

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. Fair value measurement

Notes to the Accounts

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

xi. 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

Notes to the Accounts

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 Grants Unapplied Reserve. 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.

xii. 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 valuation where the valuation is calculated using which ever method of valuation that is deemed appropriate and relevant. The assets 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 three 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. These include photographs and film, plates, ornaments and paintings.

General

Notes to the Accounts

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.

xiii. 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 the cost of the asset to revenue over its economic life, to reflect the pattern of consumption or benefits. The estimated useful life for intangibles is estimated to be 10 years.

xiv. 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, Company Registration No. 08632530, (which includes joint control of Regional Enterprise Ltd) and joint control of The Inglis Consortium. These entities have the nature of subsidiaries and / or joint 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.

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, 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.

xv. Inventories

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

xvi. Investment Property

Notes to the Accounts

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. 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. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued on a five-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 Adjustment Account.

Valuation Techniques available to determine the Fair Values for Investment Properties

- Quoted prices in active markets for identical assets that the authority can access at the measurement date (Level 1)
- Significant Observable inputs, are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. This will include where applicable recent sales prices and other relevant information such as full rental value for similar assets in the local authority area. (Level 2).
- Significant unobservable inputs are inputs for which market data is not available and that are developed using the best information available to the authority about the assumptions that market participants would use when pricing the asset or liability. For example where the assets are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc, and there is no reasonably available information that indicates that market participants would use different assumptions. (Level 3)

xvii. 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.

Notes to the Accounts

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

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).

The Council as Lessor

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.

xviii. 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 2015/16 (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.

xix. 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

Notes to the Accounts

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals 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 £50,000 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.

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 – current value, determined using the basis of existing use value for social housing (EUVSH)
- School buildings - current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current 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 current value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of current 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.

Notes to the Accounts

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 current value.

The freehold and leasehold properties that comprise the council's property portfolio are subject to a five year rolling programme of revaluation, although the top ten properties, shops and industrial sites, all schools and all assets valued on a DRC basis are valued every year, which is 90% (by value) of the council's property 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 as follows:

- 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 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 as follows:

- 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.

Notes to the Accounts

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.

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	Estimated Useful Life
Building and Schools	50
PFI street lights	25
Vehicles, Plant & Equipment	5 to 20
Infrastructure	10 to 30

Componentisation

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 of 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.

Notes to the Accounts

Assets less than £50,000 will not be considered for componentisation (on the basis of materiality).

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 in 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 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.

xx. 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 on

Notes to the Accounts

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 the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – a 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

xxi. 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

Notes to the Accounts

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 the Balance Sheet date is disclosed in the Notes to the accounts.

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.

xxii. 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 its specific reserves as at the Balance Sheet date in the Notes to the accounts.

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.

xxiii. Revenue Expenditure Funded from Capital under Statute

Notes to the Accounts

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 and 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.

xxiv. 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.

xxv. 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 non-domestic rates (NDR). In its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax and NDR income on behalf of the major preceptors and itself.

The Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

Local authorities are required to show Business Rate Supplements (BRS) transactions on the face of the Collection Fund.

The council no longer acts solely as an agent for non-domestic rates on behalf of central government. The council collects and distributes NDR income not only on behalf of central government, but on behalf of itself and major preceptors.

xxvi. 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 General Fund.

The MRP is calculated in accordance with the 2015/16 MRP Policy Statement agreed by council on 3 March 2015 and Communities and Local Government 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)

Notes to the Accounts

- The Council will also consider taking a MRP 'holiday' in relation to Council capital borrowing to fund the Council's contribution to the Thameslink project. MRP will commence once income streams from business rates are received. This development will attract MRP but over the life of the asset. There is not a write off in the year of borrowing as it is not the Council's asset.

For PFI the council's policy is to charge MRP equal to the difference between lease payments and the finance charge.

xxvii Carbon Reduction Commitment Scheme

The authority is required to participate in the mandatory Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the second financial year of Phase 2 which commenced on 1 April 2014 and ends on 31 March 2019.

The authority is required to purchase and surrender allowances retrospectively, on the basis of emissions i.e. carbon dioxide produced as a result of its energy usage as defined under the terms of CRC scheme. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by purchasing and surrendering allowances to cover its annual emissions.

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 But Have Not Yet Been Adopted

The Code 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. The standards introduced by the 2016/17 Code include:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement.

It is anticipated that the above amendments will not have a material impact on the information provided in the financial statements.

Notes to the Accounts

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:

- 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.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain 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 2016 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, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effect on the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. The impact of changes in assumptions is shown in note 45.

Notes to the Accounts

<p>Fair Value Measurement</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data (Level 2), but where this is not possible judgement is required in establishing fair values (Level 3). These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the principal valuation manager).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16.</p>	<p>The authority uses Level 2 observable inputs for valuing its investment properties. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p>
<p>Debts</p>	<p>The council has debts outstanding at the year end against which a provision for bad debt has been made. However, the continuing economic climate and the effect of changes in welfare benefits could give rise to a greater level of non-payment of the council's charges.</p>	<p>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.</p>

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 materially affect the provision.

5. Material Items of Income and Expenditure

There were no material items of income or expenditure which are not separately disclosed within the Statement of Accounts for 2015/16.

6. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2016 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.

The accounts were authorised for issue by Mr J Hooton – Interim Chief Executive and Statutory 151 officer on

Notes to the Accounts

7. Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16

	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 2015	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285
Movement in reserves during 2015/16									
(Deficit)/Surplus on provision of services	(17,432)	-	48,454	-	-	-	31,022	-	31,022
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	57,386	57,386
Total Comprehensive Income and Expenditure	(17,432)	-	48,454	-	-	-	31,022	57,386	88,408
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	30,671	-	22,146	-	-	-	52,817	(52,817)	-
Revaluation losses on Property Plant and Equipment	(6,572)	-	(43,475)	-	-	-	(50,047)	50,047	-
Movements in the market value of Investment Properties	(6,957)	-	-	-	-	-	(6,957)	6,957	-
Amortisation of Intangible Assets	1,265	-	-	-	-	-	1,265	(1,265)	-
Capital Grants and Contributions applied	(13,959)	-	-	-	-	-	(13,959)	13,959	-
Revenue Expenditure Funded From Capital Under Statute	23,380	-	-	-	-	-	23,380	(23,380)	-
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	(5,460)	-	-	-	-	-	(5,460)	5,460	-
Capital expenditure charged against the General Fund and HRA balances	(18,728)	-	-	-	-	-	(18,728)	18,728	-
Adjustments involving the Capital Grants Unapplied Account:									
Capital Grants and Contributions unapplied credited to CIES	(17,987)	-	-	-	-	17,987	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	(18,276)	(18,276)	18,276	-
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	3,259	-	(526)	22,230	-	-	24,963	(24,963)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(25,137)	-	-	(25,137)	25,137	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,585	-	-	(2,585)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	65	-	-	65	(65)	-
Adjustments involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	(88)	-	(32,720)	-	32,808	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(27,525)	-	(27,525)	27,525	-
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	(1)	-	(1)	-	-	-	(2)	2	-
Adjustments involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	38,679	-	-	-	-	-	38,679	(38,679)	-
Employer's pension contributions and direct payments to pensioners payable in the year	(22,204)	-	-	-	-	-	(22,204)	22,204	-
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	1,385	-	-	-	-	-	1,385	(1,385)	-
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	237	-	-	-	-	-	237	(237)	-
Adjustments between accounting basis and funding basis under regulations	9,505	-	(54,576)	(5,427)	5,283	(289)	(45,504)	45,504	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(7,927)	-	(6,122)	(5,427)	5,283	(289)	(14,482)	102,890	88,408
Transfer from/to Earmarked Reserves	4,155	(4,155)	-	-	-	-	-	-	-
(Decrease) /Increase in Year	(3,772)	(4,155)	(6,122)	(5,427)	5,283	(289)	(14,482)	102,890	88,408
Balance as at 31 March 2016 carried forward	24,179	112,000	8,820	40,175	23,213	75,243	283,630	471,063	754,693

Notes to the Accounts

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15

Note	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'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
Movement in reserves during 2014/15									
(Deficit)/Surplus on provision of services	18,663	-	73,779	-	-	-	92,442	-	92,442
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(80,151)	(80,151)
Total Comprehensive Income and Expenditure	18,663	-	73,779	-	-	-	92,442	(80,151)	12,291
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	26,674	-	20,180	-	-	-	46,854	(46,854)	-
Revaluation losses on Property Plant and Equipment	(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)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement									
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	-
Adjustments involving the Capital Grants Unapplied Account:									
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	-
Adjustments involving the Capital Receipts Reserve:									
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)	-
Adjustments involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	(49)	-	(28,109)	-	28,158	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(21,149)	-	(21,149)	21,149	-
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	5	-	5	-	-	-	10	(10)	-
Adjustments involving the Pension Reserve:									
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 pension contributions and direct payments to pensioners payable in the year	(21,944)	-	-	-	-	-	(21,944)	21,944	-
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	2,463	-	-	-	-	-	2,463	(2,463)	-
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	(932)	-	-	-	-	-	(932)	932	-
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	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	20,592	3,479	111	17,797	7,009	11,494	60,482	(48,191)	12,291
Transfer from/to Earmarked Reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
(Decrease) / Increase in Year	(3,189)	24,531	111	21,276	7,009	10,744	60,482	(48,191)	12,291
Balance as at 31 March 2015 carried forward	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285

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 31 March 2014	In year related Expenditure	New Reserves Raised	Reserve c/fwd at 31 March 2015	In year related Expenditure	New Reserves Raised	Reserve c/fwd at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central - Capital Financing (i)	2,672	(1,735)	3,111	4,048	(2,119)	1,261	3,190
Central - Infrastructure (ii)	22,565	(533)	12,507	34,539	(16,923)	17,842	35,458
Central - Risk (iii)	15,500	(4,885)	1,653	12,268	(2,936)	-	9,332
Central - Service Development (iv)	9,577	(13,578)	11,945	7,944	(11,144)	13,782	10,582
Central - Transformation (v)	11,293	(7,213)	11,000	15,080	(6,727)	4,300	12,653
Service - Other (vi)	29,608	(13,604)	24,336	40,340	(15,122)	13,653	38,871
Sub Total General Fund Earmarked	91,215	(41,548)	64,552	114,219	(54,971)	50,838	110,086
Special Parking Account (SPA)	409	-	1,527	1,936	(22)	-	1,914
Total Earmarked Reserves	91,624	(41,548)	66,079	116,155	(54,993)	50,838	112,000

- i) Capital financing - receipts not yet applied to capital expenditure to enable the effective management of the medium term financial strategy
- ii) Infrastructure - the new homes bonus is set aside in this reserve to fund the cost of infrastructure in Barnet
- iii) Risk – to manage litigation and other corporate risks not otherwise recognised
- iv) Service development - to fund new commissions and service transformation proposals
- v) Transformation – to fund the transformation programme to change, protect and improve council services
- vi) Service –other - Including: Dedicated Schools Grant (DSG) – balances in respect of delegated schools budgets (£5.269m). Plus changes in Benefit subsidy – to cover anticipated costs in respect of Department for Works and Pensions enforced changes to benefits administration. Street lighting scheme – improvements to management.

9. Other Operating Expenditure

	2015/16 £'000	2014/15 £'000
Precepts and levies	1,454	1,450
Trading operations	1,062	2,028
Contribution to government housing pool	2,585	1,583
(Gain) / loss on disposal *	3,110	(806)
Total	8,211	4,255

* £5.280m transferred in respect of two schools to academy status in 2015/16 (in 2014/15 no schools transferred).

Notes to the Accounts

10. Financing and Investment Income and Expenditure

	2015/16 £'000	2014/15 £'000
Interest and Investment Income	(4,111)	(4,122)
Net interest on the net defined benefit liability	14,890	15,980
Interest payable and similar charges	6,071	6,337
Movement in investment property valuation	(8,235)	(20,721)
Total	8,615	(2,526)

11. Taxation and Non-Specific Grant Income

	2015/16 £'000	2014/15 £'000
Demand on Collection Fund	(178,948)	(173,908)
Revenue grant support	(50,240)	(65,246)
Business Rates Related	(20,390)	(19,004)
Non-specific grants	(21,240)	(19,949)
Public Health Grant	(15,879)	(14,335)
Capital grants unapplied	(8,903)	(22,908)
Capital grants applied	(10,403)	(10,112)
Total	(306,003)	(325,462)

12. Movement in 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 2016. Where applicable the valuation date for all other assets due for re-valuation in the year was 1 April 2015. This date was used as directed by the valuer, 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.

At 31 March 2016, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £32.917m (£20.702m in 2014/15).

Notes to the Accounts

Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2015/16

	Property, Plant and Equipment (PPE)								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	£'000	£'000	£'000	£'000	£'000	£'000						
Value of Assets at 31 March 2015	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
Reclassifications	1,170	48	(1,890)	-	-	39	665	-	32	-	(32)	-	-	-
Additions from Assets under Construction	33,384	15,502	4,981	2,204	25,929	-	-	(98,244)	(16,244)	-	15,527	717	-	-
Additions	-	-	-	-	430	-	-	108,943	109,373	-	-	-	-	109,373
Revaluation increases recognised in the Revaluation Reserve	1,219	5,208	10,122	-	-	-	5,930	-	22,479	577	-	-	-	23,056
Revaluation decreases recognised in the Revaluation Reserve	-	(2,276)	(801)	-	-	(5)	-	-	(3,082)	(3)	-	-	-	(3,085)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	2,559	2,411	4,004	-	-	-	-	-	8,974	12	9,244	-	-	18,230
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(2,701)	-	-	-	(10)	-	-	(2,711)	(103)	(1,028)	-	-	(3,842)
Derecognition - Disposals	(11,483)	(72)	(5,681)	-	-	-	-	-	(17,236)	-	(7,851)	-	(350)	(25,437)
Derecognition - Other	-	(23)	-	-	(133)	-	-	-	(156)	-	-	(1,322)	-	(1,478)
Value of Assets at 31 March 2016	685,946	160,221	238,070	61,195	194,271	340	24,915	26,061	1,391,019	1,567	117,126	13,220	-	1,522,932
Accumulated Depreciation at 31 March 2015	(19,003)	(15,654)	(7,368)	(39,694)	(88,593)	-	(85)	-	(170,397)	(4)	(2)	(6,625)	-	(177,028)
Reclassifications	(16)	(51)	93	-	-	(7)	-	-	19	-	(19)	-	-	-
Writeback of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Service	40,303	-	-	-	-	-	-	-	40,303	-	19	-	-	40,322
Writeback of depreciation on revaluation recognised in the Revaluation Reserve	193	6,743	6,877	-	-	7	-	-	13,820	4	-	-	-	13,824
Derecognition - Disposals	-	6	466	-	-	-	-	-	472	-	-	-	-	472
Derecognition - Other	-	23	-	-	133	-	-	-	156	-	-	1,322	-	1,478
Depreciation charge	(21,477)	(5,221)	(8,280)	(3,413)	(11,240)	-	(28)	-	(49,659)	-	-	(1,267)	-	(50,926)
	-	(14,154)	(8,212)	(43,107)	(99,700)	-	(113)	-	(165,286)	-	(2)	(6,570)	-	(171,858)
Net book value of Assets at 31 March 2015	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
Net book value of Assets at 31 March 2016	685,946	146,067	229,858	18,088	94,571	340	24,802	26,061	1,225,733	1,567	117,124	6,650	-	1,351,074

Notes to the Accounts

Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2014/15

	Property, Plant and Equipment (PPE)								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	£'000	£'000	£'000	£'000	£'000	£'000						
Value of Assets at 31 March 2014	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 Assets under Construction	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Value of Assets at 31 March 2015	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
Accumulated Depreciation at 31 March 2014	(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	(19,003)	(4,241)	(7,203)	(3,361)	(10,858)	-	(29)	-	(44,695)	-	-	(658)	-	(45,353)
	(19,003)	(15,654)	(7,368)	(39,694)	(88,593)	-	(85)	-	(170,397)	(4)	(2)	(6,625)	-	(177,028)
Net book value of Assets at 31 March 2014	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
Net book value of Assets at 31 March 2015	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

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 (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:

Investment Properties	2015/16	2014/15
	£'000	£'000
Rental income from investment property	(2,746)	(2,797)
Direct operating expenses arising from investment property	-	-
Net gain	<u>(2,746)</u>	<u>(2,797)</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).

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

All investment properties are valued using level 2 observable inputs

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

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 (Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale) and asset lives are shown in the accounting policies (xiii).

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

Notes to the Accounts

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 Public Works Loan Board (PWLB) and market debt. Trade and other relevant payables (i.e. trade creditors) are classified as 'other liabilities' and measured at cost on the Balance Sheet.

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.

The three classifications for financial assets under the Code:

- 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. Trade and other relevant 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 2016 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 held or available for sale or 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:

Notes to the Accounts

	Long Term 31 March 2016 £'000	Long Term 31 March 2015 £'000	Current 31 March 2016 £'000	Current 31 March 2015 * £'000
Borrowing	304,704	304,735	1,433	2,777
PFI/Finance Lease Liabilities	16,401	16,780	378	334
Trade Creditors	-	-	62,333	42,502
Total Financial Liabilities at amortised cost	321,105	321,515	64,144	45,613
Loans	830	825	-	-
Investments	12,973	23,090	126,418	33,241
Cash and Cash Equivalent	-	-	47,212	189,657
Trade Debtors	-	-	95,852	87,437
Total Financial Assets	13,803	23,915	269,482	310,335

* Re-stated

The following table reflects the composition of investments and debt recorded on the Balance Sheet:

	Long Term 31 March 2016 £'000	Long Term 31 March 2015 £'000	Current 31 March 2016 £'000	Current 31 March 2015 £'000
Borrowing:				
Nominal Amount	304,080	304,080	-	-
Accrued Interest	-	-	1,433	2,777
Unamortised Discounts/(Premiums) on Modified Loan(s)	624	655	-	-
Total Borrowings as per Balance Sheet	304,704	304,735	1,433	2,777
Investments:				
Nominal Amount	12,952	22,953	161,600	203,700
Accrued Interest	21	137	641	712
Total Investments as per Balance Sheet	12,973	23,090	162,241	204,412

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 assets'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2016/17.

Current investments include £35.823m which appears on the Balance Sheet under cash and cash equivalents being investments repayable within 90 days. The balance of £126.418m is shown as short term investments.

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:

Notes to the Accounts

2015/16	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total £'000
Interest payable and similar charges	(11,747)	-	(11,747)
Interest income	-	1,535	1,535
Net (loss)/gain for the year	(11,747)	1,535	(10,212)

2014/15	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total £'000
Interest payable and similar charges	(11,705)	-	(11,705)
Interest income	-	1,497	1,497
Net (loss)/gain for the year	(11,705)	1,497	(10,208)

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.

The Council's long term loans are carried in the Balance Sheet at amortised cost. Investments consist of loans 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 requires the fair values of these assets and liabilities to be disclosed for comparison purposes.

The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Code sets out the fair value valuation hierarchy that should be followed to increase consistency and comparability in fair value measurements and related disclosures.

The valuation basis adopted in this report uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. These have been independently measured and provided by the Council's treasury advisor Capita Asset Services.

The following valuation basis has been used:

- Valuation of fixed term deposits (maturity investments): The valuation is made by comparing the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.
- Valuation of loans receivable: For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- Valuation of PWLB loans: For loans from the PWLB, fair value estimates using both redemption and new borrowing (certainty rate) discount rates have been used. As the

Notes to the Accounts

Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated this can be used for disclosure purposes.

- Valuation of non-PWLB loans payable: For non-PWLB loans, fair value estimates using both PWLB redemption and new loan discount rates has been used.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have included accrued interest in the fair value calculation.

Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Capita Asset Services from the market on 31 March 2016, using bid prices where applicable.

The fair value of a financial instrument on initial recognition is generally the transaction price. The council's debt outstanding at 31 March 2015 and 31 March 2016 consisted of loans from 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'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. 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.

Financial instruments and deferred liabilities	Carrying Amount		Fair Value	
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£'000	£'000	£'000	£'000
Financial Liabilities:				
Borrowing	306,137	352,670	307,512	413,558
PFI/Finance Lease Liabilities	16,401	16,780	378	334
Deferred Liabilities	14,255	14,255	13,444	13,444
Trade Payables (Creditors)	62,333	62,333	42,502	42,502
Total Financial Liabilities	399,126	446,038	363,458	469,504
Financial Assets:				
Long Term Investments	12,973	12,973	23,090	23,090

The fair value for financial assets and financial liabilities in the table above are measured as Level 2 inputs (other significant observable inputs).

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

	31 March 2016 £'000	31 March 2015 £'000
Stock	608	612
Total	608	612

18. Construction Contracts

At 31 March 2016 the council had no construction contracts in progress. The construction of a free school for the Department for Education (DfE) was completed in 2014/15 with final costs incurred in that year of £0.060m.

19. Debtors

	31 March 2016 £'000	31 March 2015 £'000
Central Government Bodies	17,869	10,759
Other Local Authorities	290	475
Public Corporations and Trading Funds	726	596
NHS bodies	3,888	99
Other Bodies	95,852	87,437
Payments in Advance	39,202	27,489
Sub total	157,827	126,855
Less: provision for bad debts	(33,873)	(32,655)
Net Total	123,954	94,200

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 sub-group:

- 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 debtor's 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

Notes to the Accounts

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 (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:

	31 March 2016	31 March 2015
	£'000	£'000
Cash	11,389	18,486
Short term deposits	35,823	171,171
Total	47,212	189,657

22. Creditors

	31 March 2016	31 March 2015
	£'000	£'000
Central Government Bodies	17,356	23,451
Other Local Authorities	5,240	5,299
Public Corporations and Trading Funds	5,970	8,924
NHS bodies	1,297	-
Other Bodies	62,333	42,502
Receipts in Advance	10,250	10,261
Creditor total	102,446	90,437

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 Deficit/Surplus on Continuing Operations within the Comprehensive Income and Expenditure Statement and are split between current and long term on the Balance Sheet.

Notes to the Accounts

Provisions

	Note	As at 1 April 2014 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 1 April 2015 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2016 £'000
Carbon Reduction Commitment		373	(373)	-	-	-	-	-	-	-
Grants to Voluntary Sector	i)	105	(71)	(12)	61	83	(102)	-	19	-
Housing and Property	ii)	256	-	-	-	256	(256)	-	117	117
Insurance	iii)	8,850	-	-	-	8,850	-	-	-	8,850
Legal	iv)	84	(29)	-	794	849	(744)	-	136	241
Services Provision	v)	795	(376)	-	347	766	(540)	-	261	487
Redundancy Costs		52	(52)	-	-	-	-	-	120	120
Business Rates Appeals	vi)	-	-	-	2,640	2,640	-	-	1,800	4,440
Total		10,515	(901)	(12)	3,842	13,444	(1,642)	-	2,453	14,255
					Short Term	7,691			Short Term	7,698
					Long term	5,753			Long term	6,557

- 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 and Property - Relates predominately to the North London Business Park service charges.
- 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 ongoing legal case.
- v) Service Provision – The majority of items relate to residential care- ordinary residents cases.
- vi) Business Rates Appeals - Provision is to cover the Council's share of the 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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. 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.

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 financing 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.

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 under 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 Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

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

Notes to the Accounts

Comprehensive Income and Expenditure Statement. This will include the benefits 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 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 ratepayers 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 Accumulated Absences Account.

Notes to the Accounts

26. Operating Activities

Net Cash Flows from Operating Activities	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Net Surplus on the Provision of Services		31,022		92,442
Adjust net Surplus on the Provision of Services for non cash movements				
Depreciation	52,816		46,699	
Impairment and downward valuations	(49,502)		(65,396)	
Amortisation	1,265		659	
Increase/(Decrease) in Creditors	7,084		(2,404)	
(Increase)/Decrease in Debtors	(28,739)		14,643	
Decrease in Inventories	4		51	
Increase in Pension Liability	16,097		14,274	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	23,016		23,356	
Other non-cash items charged to the net Surplus on the Provision of Services	(6,146)		(9,928)	
		15,895		21,954
Adjust for items included in the net Surplus on the Provision of Services that are investing or financing activities				
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(22,230)		(26,307)	
Any other item of which the cash effects are investing or financing cashflow	(31,946)		(47,469)	
		(54,176)		(73,776)
Net Cash Flows from Operating Activities		(7,259)		40,620

Operating activities within the cash flow statement include the following cash flows relating to interest	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Ordinary interest received	1,364		1,325	
Interest charge for year	(4,696)		(7,733)	
Net Interest		(3,332)		(6,408)

Notes to the Accounts

27. Investing Activities

Cash Flows from Investing Activities	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment purchased	(103,681)		(53,747)	
Purchase of short term investments	(126,405)		(38,241)	
Other payments for Investing Activities	(71)		-	
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	22,296		26,379	
Proceeds from short term investments	43,345		26,832	
Other Receipts from Investing Activities	31,946		47,485	
Total Cash Flows from Investing Activities		(132,570)		8,708

28. Financing Activities

Cash Flows from Financing Activities	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(335)		(296)	
Other payments/receipts for financing activities	(2,281)		2,871	
Total Cash Flows from Financing Activities		(2,616)		2,575

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 Performance and Contracts 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).

Notes to the Accounts

- 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.

Service Area	2015/16		
	Budget	Actual	(Under)/ Overspend
	£'000	£'000	£'000
Adults and Communities	87,756	90,591	2,835
Assurance	4,193	4,132	(61)
Central Expenses	49,279	47,216	(2,063)
Education and Skills	7,248	7,248	-
Family Services (inc DSG)	48,415	48,466	51
Commissioning Group	21,019	21,019	-
Customer and Support Group	22,107	22,607	500
HB Public Law	2,011	2,329	318
Housing Needs and Resources	5,560	5,772	212
Parking and Infrastructure	(717)	(752)	(35)
Public Health	15,835	15,835	-
Regional Enterprise (Re)	1,130	1,712	582
Registrar Service	(161)	(34)	127
Street Scene	14,290	14,152	(138)
Total Expenditure	277,965	280,293	2,328
Schools Services contribution			1,444
Movement on General Fund (MiRS)			3,772

School balances at 31 March 2016 were £11.635m (£13.079m as at 31 March 2015). This is a decrease in the schools balances of £1.444m which combined with the outturn decrease in the General Fund of £2.328m shown in the table above gives the overall decrease of £3.772m as seen in the Movement in Reserves Statement.

Notes to the Accounts

Subjective Analysis by Service Area

Service Area Income and Expenditure 2015/16	Adults and Communities	Assurance	Central Expenses	Education and Skills	Family Service (inc DSG)	Commissioning Group	Customer and Support Group	HB Public Law	Housing Needs and Resources	Parking and Infrastructure	Public Health	Regional Enterprise (Re)	Registrar Service	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income															
Grants, Fees and Charges	(33,470)	(874)	(2,277)	(13,419)	(230,000)	(271,413)	(9,888)	(1,003)	(20,174)	(12,877)	(312)	(33,051)	(733)	(4,580)	(634,071)
	(33,470)	(874)	(2,277)	(13,419)	(230,000)	(271,413)	(9,888)	(1,003)	(20,174)	(12,877)	(312)	(33,051)	(733)	(4,580)	(634,071)
Expenditure															
Employment Costs	16,389	3,683	4,564	11,861	30,674	11,208	15	-	-	1,349	1,559	30	511	14,926	96,769
Other Service Costs	107,672	1,323	44,929	8,806	247,792	281,224	32,480	3,332	25,946	10,776	14,588	34,733	188	3,806	817,595
	124,061	5,006	49,493	20,667	278,466	292,432	32,495	3,332	25,946	12,125	16,147	34,763	699	18,732	914,364
Outturn reported to Management	90,591	4,132	47,216	7,248	48,466	21,019	22,607	2,329	5,772	(752)	15,835	1,712	(34)	14,152	280,293
Recharges	6,863	(461)	29	3,169	10,103	(19,530)	(15,908)	(2,329)	1,409	982	209	4,042	98	11,324	-
Net employer pension costs (IAS 19)	201	42	(1,585)	167	792	139	-	-	-	24	-	-	-	220	-
Capital charges	202	19	(41,760)	494	25,886	330	(4,632)	-	128	2,088	-	14,315	28	2,902	-
Directorate Outturn	97,857	3,732	3,900	11,078	85,247	1,958	2,067	-	7,309	2,342	16,044	20,069	92	28,598	280,293

Service Area Income and Expenditure 2014/15	Adults and Communities*	Assurance*	Central Expenses	Education and Skills*	Family Service (inc DSG)*	Commissioning Group*	Customer and Support Group	HB Public Law	Housing Needs and Resources	Parking and Infrastructure	Public Health	Regional Enterprise (Re)	Registrar Service*	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income															
Grants, Fees and Charges	(29,358)	(974)	(2,612)	(12,658)	(226,363)	(259,030)	(18,436)	(773)	(15,840)	(14,727)	-	(25,043)	(642)	(7,479)	(613,935)
	(29,358)	(974)	(2,612)	(12,658)	(226,363)	(259,030)	(18,436)	(773)	(15,840)	(14,727)	-	(25,043)	(642)	(7,479)	(613,935)
Expenditure															
Employment Costs	17,312	3,883	3,573	10,926	30,772	10,295	12	-	-	1,210	32	30	530	15,889	94,464
Other Service Costs	103,696	1,505	63,391	9,141	245,133	258,612	41,765	2,656	21,010	12,391	14,303	26,270	100	6,989	806,962
	121,008	5,388	66,964	20,067	275,905	268,907	41,777	2,656	21,010	13,601	14,335	26,300	630	22,878	901,426
Outturn reported to Management	91,650	4,414	64,352	7,409	49,542	9,877	23,341	1,883	5,170	(1,126)	14,335	1,257	(12)	15,399	287,491
Recharges	4,671	(631)	29	5,243	10,620	(5,183)	(19,008)	(1,883)	469	238	130	1,926	11	3,368	-
Net employer pension costs (IAS 19)	(135)	(30)	1,707	(98)	(1,206)	(79)	-	-	(15)	-	-	-	-	(144)	-
Capital charges	526	19	(42,220)	-	36,783	2,602	(18,167)	-	129	1,837	-	15,563	769	2,159	-
Directorate Outturn	96,712	3,772	23,868	12,554	95,739	7,217	(13,834)	-	5,768	934	14,465	18,746	768	20,782	287,491

Notes to the Accounts

Reconciliation to Subjective Analysis

Reconciliation to Subjective Analysis 2015/16	Service Area Analysis	Services not in Analysis (HRA)	Services not in Analysis (The Barnet Group)	Amounts not reported to Committee	Total Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	(634,071)	(66,893)	3,800	-	(697,166)	-	(697,166)
Depreciation, Amortisation and Impairment	-	-	-	29,055	29,055	(42,029)	(12,974)
Interest and Investment Income	-	(243)	-	-	(243)	(2,869)	(3,112)
Income from Council taxation and non specific grants	-	-	-	-	-	(305,958)	(305,958)
Income	(634,071)	(67,136)	3,800	29,055	(668,352)	(350,856)	(1,019,208)
Employment Costs	96,769	18	-	-	96,787	(27,821)	68,966
Other Service Costs	817,595	32,772	(4,009)	(76,641)	769,717	26,062	795,779
Depreciation, Amortisation and Impairment	-	34,346	-	25,448	59,794	-	59,794
Loss on disposal of non-current assets	-	-	-	-	-	3,110	3,110
Expenditure	914,364	67,136	(4,009)	(51,193)	926,298	1,351	927,649
Total Comprehensive Income and Expenditure	280,293	-	(209)	(22,138)	257,946	(349,505)	(91,559)

Reconciliation to Subjective Analysis 2014/15	Service Area Analysis	Services not in Analysis (HRA)	Services not in Analysis (The Barnet Group)	Amounts not reported to Committee	Total Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	(613,935)	(69,234)	1,349	-	(681,820)	-	(681,820)
Depreciation, Amortisation and Impairment	-	-	-	40,540	40,540	(8,164)	32,376
Interest and Investment Income	-	(1,522)	-	(19,603)	(21,125)	(2,913)	(24,038)
Income from Council taxation and non specific grants	-	-	-	-	-	(325,439)	(325,439)
Income	(613,935)	(70,756)	1,349	20,937	(662,405)	(336,516)	(998,921)
Employment Costs	94,464	157	-	-	94,621	97,189	191,810
Other Service Costs	806,962	51,027	(1,297)	(133,610)	723,082	6,657	729,739
Depreciation, Amortisation and Impairment	-	19,572	-	56,473	76,045	-	76,045
Gain on disposal of non-current assets	-	-	-	-	-	(806)	(806)
Expenditure	901,426	70,756	(1,297)	(77,137)	893,748	103,040	996,788
Total Comprehensive Income and Expenditure	287,491	-	52	(56,200)	231,343	(233,476)	(2,133)

Notes to the Accounts

Reconciliation of Outturn reported to Council and the Total Comprehensive Income and Expenditure Statement

	2015/16	2014/15
	£'000	£'000
Reconciliation to CIES		
Outturn reported to Council	280,293	287,491
Group transactions (The Barnet Group)	(209)	52
Revaluations and Pension costs charged to services	(22,138)	(56,200)
Deficit on Continuing Operations	257,946	231,343
Loss on transfer of Schools to Academies	5,280	-
Other operating expenditure	2,931	4,255
Net Interest received or paid on investments and loans	9,857	(1,317)
Council Tax, Business Rates and Grant Income	(305,958)	(325,439)
Surplus on the Provision of Services	(29,944)	(91,158)
Surplus on revaluation of non-current assets	(33,794)	(8,164)
(Gains) or Losses on the pension fund	(27,821)	97,189
Total Comprehensive Income and Expenditure	(91,559)	(2,133)

30. Acquired and Discontinued Operations

The 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 Local Government Act and of the Local Government (arrangements for the discharge of functions) (England) Regulations 2000. In October 2015 a further part of this service - the commissioning 0-5 children's public health services element was transferred from the Department for Health.

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 undertakings. 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

2015/16	Income	Internal Expenditure recharges	Expenditure	Trading surplus/ (deficit)
	£000	£000	£000	£000
Catering	9,378	(49)	(9,183)	146
Transport	414	7,372	(7,636)	150
Other	-	(209)	-	(209)
Total	9,792	7,114	(16,819)	87

2014/15	Income	Internal Expenditure recharges	Expenditure	Trading surplus/ (deficit)
	£000	£000	£000	£000
Catering	8,698	(2,052)	(8,565)	(1,919)
Transport	488	7,226	(7,824)	(110)
Other	-	(161)	-	(161)
Total	9,186	5,013	(16,389)	(2,190)

32. Pooled Budgets

The authority has eight pooled budget arrangements with Barnet Clinical Commissioning Group (CCG).

The arrangements are for the provision of the following:-

- community equipment services
- 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
- to develop an approach to commissioning preventative services
- to reduce duplication, maximise outcomes and improve health and social care outcomes for service users of speech and language therapy, occupational therapy and looked after children.
- Agreements in respect of Better Care Fund.
From 1 April 2015 the council entered into an aligned budget arrangement with the CCG for the Better Care Fund, identifying spend and jointly reporting on income and expenditure. The fund is used for continued delivery of services in the Better Care Fund plan under the existing integrated health and social care section 75.

Notes to the Accounts

Section 75 agreement in respect of Community Equipment Services

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Equipment, servicing and repairs	1,900	665	1,235	2,214	1,143	1,071
Contract management (including delivery, collection and storage)	622	397	225	563	344	219
	2,522	1,062	1,460	2,777	1,487	1,290

Section 75 agreement in respect of Learning Disability Services

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Social Work Team (Staff & Non-staff budget)	2,639	1,017	1,622	2,786	1,164	1,622
Head of Service contribution	80	40	40	80	40	40
Transition Team (Staff & non-staff budget)	234	234	-	189	189	-
Accommodation & IT support	227	-	227	227	-	227
	3,180	1,291	1,889	3,282	1,393	1,889

Section 75 agreement in respect of Learning Disability Services for the campus re-provision programme.

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Campus re-provision services	1,707	870	837	1,546	800	746
	1,707	870	837	1,546	800	746

Notes to the Accounts

Section 75 agreement in respect of Voluntary Services Commissioning within a Prevention Framework

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	2,504	1,772	732	2,504	1,772	732
	2,504	1,772	732	2,504	1,772	732

Section 75 agreement in respect of Better Care Fund

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Carers Support	300	300	-	-	-	-
Integrated Care	1,159	1,159	-	-	-	-
Personalised Support	993	993	-	-	-	-
Reablement	238	238	-	-	-	-
Social Care	2,373	2,373	-	-	-	-
Care Act	846	846	-	-	-	-
Disabled Facilities Grant	1,066	1,066	-	-	-	-
Social Care Capital Grant	806	806	-	-	-	-
Community Equipment (see note above)						
Frail Elderly	508	-	508	-	-	-
Community Services	10,125	-	10,125	-	-	-
Enablement	377	-	377	-	-	-
Hospice Contracts	1,245	-	1,245	-	-	-
Memory Assessment	215	-	215	-	-	-
Additional Enablement	845	-	845	-	-	-
	21,096	7,781	13,315	-	-	-

Section 75 agreement in respect of the provision of Occupational Therapy services in relation to Speech and Language Therapy

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	1,999	349	1,650	1,999	349	1,650
	1,999	349	1,650	1,999	349	1,650

Notes to the Accounts

Section 75 agreement in respect of the provision of Occupational Therapy services

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	401	60	341	401	60	341
	401	60	341	401	60	341

Section 75 agreement in respect of the provision of Occupational Therapy services in relation to Looked After Children

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	132	41	91	132	41	91
	132	41	91	132	41	91

33. Members' Allowances

	2015/16	2014/15
	£'000	£'000
Member Allowances	1,098	1,143
Member Expenses	61	63
	1,159	1,206

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:

Notes to the Accounts

Remuneration band	2015/16	2014/15
	Total Number of Employees	Total Number of Employees
£50,000 - £54,999	156	95
£55,000 - £59,999	75	69
£60,000 - £64,999	45	46
£65,000 - £69,999	36	39
£70,000 - £74,999	24	21
£75,000 - £79,999	15	16
£80,000 - £84,999	11	18
£85,000 - £89,999	10	11
£90,000 - £94,999	6	10
£95,000 - £99,999	5	4
£100,000 - £104,999	3	3
£105,000 - £109,999	5	3
£110,000 - £114,999	4	4
£115,000 - £119,999	-	2
£120,000 - £124,999	1	1
£125,000 - £129,999	2	1
£130,000 - £134,999	-	1
>£150,000	2	4
Total	400	348

Senior Officers

Senior Officers are defined as all those whose salary is £150,000 or above, the following statutory posts; Head of Paid service, Director of Children's service, Director of Adults social service, Chief Education officer, Monitoring Officer and the Section 151 officer, and any office that reports directly to the Head of Paid Service whose salary is more than £50,000.

Post Title and Name	Note	Salary (including fees & allowances)	Expenses/ Allowances	Pension Contributions	Total Remuneration
		£	£	£	£
Chief Executive (Head of Paid Service) - Mr Andrew Travers		187,613	-	48,592	236,205
Chief Operating Officer (Section 151 Officer) - Mr John Hooton		145,548	-	39,796	185,344
Strategic Director for Commissioning - Ms Kate Kennally	(i)	123,178	70	31,885	155,133
Commissioning Director (Adults and Health), (Director of Adults Social Service) - Mrs Dawn Wakeling		129,870	-	33,636	163,506
Commissioning Director (Environment) - Jamie Blake	(ii)	102,325	1,027	26,502	129,854
Interim Commissioning Director (Environment)	(iii)	41,974	-	-	41,974
Education and Skills Director (Chief Education Officer) - Mr Ian Harrison		113,846	-	29,486	143,332
Assurance Director (Monitoring Officer) - Mrs Davina Fiore	(iv)	82,387	147	21,300	103,834
Interim Assurance Director	(v)	22,800	-	-	22,800
Commissioning Director (Children and Young People) (Director of Children's Services) - Mr Christopher Munday		111,107	-	28,777	139,884

Notes to the Accounts

- i) Ms Kate Kennally was an employee at LB Barnet until 10 January 2016.
- ii) Mr Jamie Blake began employment at LB Barnet on 11 May 2015.
- iii) This figure represents the fees paid in respect of an interim director appointed until 22 May 2015.
- iv) This employee was appointed as Assurance Director for LB Barnet on 29 June 2015.
- v) This figure represents the fees paid in respect of an interim appointed until 28 June 2015.

The table includes individuals whose annual equivalent salary exceeds £150,000.

2014/15

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / Allowances	Pension Contributions	Total Remuneration
		£	£	£	£
Chief Executive (Head of Paid service) - Mr Andrew Travers		187,613	-	48,545	236,158
Chief Operating Officer (Section 151 officer) - Mr Chris Naylor	(i)	132,053	-	34,162	166,215
Deputy Chief Operating Officer and Chief Operating Officer (Section 151 officer) - Mr John Hooton	(ii)	110,925	2,486	29,346	142,757
Strategic Director for Commissioning (Director of Children's Service) - Ms Kate Kennally	(iii)	156,703	-	40,548	197,251
Commissioning Director (Adults and Health)-(Director of Adults social service) - 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 (Chief Education officer) - Mr Ian Harrison		113,846	-	29,458	143,304
Assurance Director (Monitoring Officer)	(vi)	80,397	-	13,422	93,819
Interim Assurance Director	(vii)	62,400	-		62,400

- i) Mr Chris Naylor was an employee at LB Barnet until 31 January 2015.
- ii) Mr John Hooton was the Deputy Chief Operating Officer at LB Barnet until 18 March 2015; he was then appointed Chief Operating Officer.
- iii) Ms Kate Kennally was the Strategic Director for Communities at LB Barnet until 4 January 2015; she was then appointed Strategic Director for Commissioning.
- iv) Mrs Dawn Wakeling was the Adults and Communities Director at LB Barnet until 4 January 2015; she was then appointed Commissioning Director (Adults and Health).
- v) This employee left the employment of LB Barnet on 31 March 2015.
- vi) This employee left the employment of LB Barnet on 9 January 2015.
- vii) This figure represents the fee paid in respect of an interim director until 31 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.

The number of exit packages, all compulsory redundancies, with total cost per band, is set out in the table below.

Notes to the Accounts

	2015/16 Exit Packages by Band	2015/16 Exit Packages by Band	2014/15 Exit Packages by Band	2014/15 Exit Packages by Band
	Number	£'000	Number	£'000
£nil to £20,000	70	586	80	548
£20,001 - £40,000	14	391	7	219
£40,001 - £60,000	-	-	1	43
	84	977	88	810

35. Audit Costs

The cost to the council of external audit and inspection fees is as follows:

	2015/16 £'000	2014/15* £'000
Fees payable to the council's appointed external auditors for:		
-Audit and inspection fee	170	226
-Certification of grant claims and returns	29	27
	199	253

*Re-stated

In 2014/15 the council's external auditor was Grant Thornton UK LLP and in 2015/16 the external auditor BDO LLP.

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 2012.

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.

Notes to the Accounts

	2015/16			2014/15		
	Central	Individual	Total	Central	Individual	Total
	Expenditure £'000	Schools Budget £'000		Expenditure £'000	Schools Budget £'000	
Final DSG for 2015/16 before Academy recoupment	-	-	295,446	-	-	278,346
Academy figure recouped for 2015/16	-	-	90,407	-	-	73,979
Total DSG after academy recoupment for 2015/16	-	-	205,039	-	-	204,367
Plus: Brought forward from 2014/15	-	-	4,856	-	-	3,428
Less: Carry-forward to 2016/17 agreed in advance	-	-	(4,856)	-	-	(3,428)
Agreed initial budget distribution in 2015/16	64,693	140,346	205,039	66,723	137,644	204,367
In-year adjustments	3,131	(493)	2,638	1,940	143	2,083
Final budget distribution for 2015/16	67,824	139,853	207,677	68,663	137,787	206,451
Less: Actual central expenditure	(65,022)	-	(65,022)	(65,152)	-	(65,152)
Less: Actual ISB deployed to schools	-	(139,853)	(139,853)	-	(137,787)	(137,787)
Plus Local authority contribution for 2015/16	-	-	-	-	-	-
Carry-forward from in year grant received	2,802	-	2,802	3,511	-	3,511
Carry-forward from prior years			2,217			1,345
Total DSG Carried forward			5,019			4,856

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:

	2015/16 £'000	2014/15 £'000
Credited to Services		
Education (excluding DSG)	23,245	22,327
DSG	205,039	204,367
Community Care and Other Social Services	1,590	700
Asylum Seekers	904	760
Other	4,090	5,666
	234,868	233,820

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 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.

	2015/16 £'000	2014/15* £'000
Capital Grants Unapplied		
S106	9,174	22,890
Grants and Contributions	8,813	6,667
Total	17,987	29,557

* restated

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 and note 11.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 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' interests. In addition, every year members are asked to complete a Declaration of any related party transactions. In financial year 2015/16 several members declared that they had acted as Trustees for local voluntary organisations and as School Governors. The Council paid grants totalling £2.927m (£2.596m in 2014/15) to voluntary organisations in which seventeen members (eleven members in 2014/15) had positions on the governing body. The council paid £31.546m (£38.788m in 2014/15) to schools in which 26 members (25 members in 2014/15) 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 Barnet Clinical Commissioning Group (CCG) 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 Services line of the Comprehensive Income and Expenditure account. In 2015/16 investments in line with the council's Treasury Management Strategy were placed with other local authorities and totalled £30.3m as at the financial year end.

Every year all senior officers are required to complete a related party transactions declaration. For the financial year 2015/16 three officers were directors for companies with which net transactions of £22.5m (£15.5m in 2014/15) took place.

- Barnet Holdings Ltd - expenditure £29.3m and income of £0.5m (payables of £18.7m and receivables of £0.5m in 2014/15)
- Inglis Consortium - income of £6.3m (£2.7m in 2014/15)

The Council is the administering authority for the London Borough of Barnet Pension Fund. In 2015/16 the council's employer's contributions to the Fund were £20.239m (£19.387m in 2014/15). The Council charged the Fund £0.663m (£0.609m in 2014/15) 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.

Notes to the Accounts

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 2016 were £6.323m (£10.196m in 2014/15) and £9.151m (£1.883m in 2014/15) respectively.

The Barnet Group Ltd had a board consisting of six members, of which two are Members of the council.

The reported (profits)/losses for the subsidiaries mentioned above were:

	2015/16	2014/15*
	£'000	£'000
Barnet Group Ltd	9	18
Barnet Homes Ltd	(2,456)	9,021
Your Choice (Barnet) Ltd	(703)	1,119

* Restated

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd. which 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 RE 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 LLP and the council's profit share for 2015/16 as recorded in the accounts was £6.859m (2014/15 £3.479m). The Chief Operating Officer and Director of Finance and the Director of Strategy sit on the Board of the Inglis Consortium LLP.

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.

Notes to the Accounts

Capital Investment	2015/16	2014/15
	£'000	£'000
Adults and Communities	3,977	956
Education and Skills	24,430	31,183
Family Service	961	1,240
Commissioning Group	18,445	1,308
Housing Needs and Resources	-	1
Parking and Infrastructure	364	-
Regional Enterprise (Re)	44,629	15,272
Street Scene	743	2,525
Housing Revenue Account	38,787	25,572
	132,336	78,057

Sources of Finance	Capital financed in 2015/16	Capital financed in 2014/15
	£'000	£'000
Capital receipts	25,137	3,520
General fund revenue contributions	657	6,679
Reserves	18,302	2,268
HRA revenue contributions/MRA	27,525	24,555
Contributions including S 106 receipts	3,868	5,286
Borrowing	28,709	8,516
Grants	28,138	27,233
	132,336	78,057

The total capital expenditure of £132.336m is made up of £109.373m additions (less the £0.430m of Infrastructure that relates to PFI) and the £23.393m of Revenue Expenditure Funded from Capital under Statute shown in note 7.

The Capital Financing Requirement as at the 31 March 2016 was £383.087m (at 31 March 2015 it was £387.783m).

40. Leases

Operating Lease.

The Council does not own all of the property, vehicles and other equipment that it uses. The items it does not own are held under Operating Leases.

In the year 2015/16 the council paid £3.655m in respect of Operating Leases (£4.673m in 14/15) and there were commitments representing the total of future minimum lease payments in place of £25.890m (£34.213m in 2014/15) for future years.

Properties were leased out and in 2015/16 this produced an income of £4.006m (£4.041m in 14/15) with £125.976m (£128.065m in 2014/15) contracted for future years.

Notes to the Accounts

Operating Lease Payments 2015/16

	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
less than one year	14	2,326	(3,648)
one to five years	-	8,440	(7,732)
greater than five years	-	15,124	(114,596)
Total	14	25,890	(125,976)

Operating Lease Payments 2014/15

	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
less than one year	32	3,316	(3,897)
one to five years	9	8,182	(8,447)
greater than five years	-	22,715	(115,721)
Total	41	34,213	(128,065)

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 five 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	2014/15 £'000	In Year Movement £'000	2015/16 £'000
Gross book value	25,914	430	26,344
Accumulated depreciation	(6,864)	(1,395)	(8,259)
Net book value	19,050	(965)	18,085

Notes to the Accounts

Below is the movement in the lease liability for the PFI arrangement:

	2014/15	In Year Movement	2015/16
	£'000	£'000	£'000
Lease liability	17,114	(335)	16,779

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
2016/17	378	2,256	1,552	1,140	5,326
2017/18 - 2020/21	2,082	8,443	6,700	5,356	22,581
2021/22 - 2025/26	4,572	8,549	9,603	9,442	32,166
2026/27 - 2030/31	9,546	4,503	11,174	10,182	35,405
2031/32	201	27	201	78	507
Total Commitments	16,779	23,778	29,230	26,198	95,985

If the assumptions around inflation were to vary by 2% it would result in a £1.4m 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.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring unreduced early retirement benefits of £0.200m (£0.809m in 2014/15) of which £0.200m (£0.809m in 2014/15) was payable to the employees and there was no effect on the pension strain.

44. Pension Schemes Accounted for as Defined Contribution Schemes

The Council contributes to the Department for Education's Teachers' Pension Fund at a rate of 16.4% of pensionable pay. The rate changed from 14.1% in September 2015. The amount paid in the year, £16.933m is included in the Children's and education service costs (2014/15 £16.631m).

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.

Notes to the Accounts

The council's contributions to the Local Government Pension Scheme (LGPS) for the year to 31 March 2016 are 25.8% and expected contributions to March 2017 are 25.8%. Additional information is included in Note 45.

45. Defined Benefit Pension Schemes

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 service costs of the scheme for the year of account are included in the Deficit on Continuing Operations. The net pension interest costs are included in financing and investment income. Pension interest cost is the amount by which 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.

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 gains of £23.592m in 2015/16, compared to losses of £88.315m in 2014/15. 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

Comprehensive Income and Expenditure Statement	2015/16		2014/15	
	£'000	£'000	£'000	£'000
<i>Cost of Services</i>				
Service Cost	(23,126)		(19,629)	
Administration expenses	(663)		(609)	
Net interest expense	(14,890)		(15,980)	
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		(38,679)		(36,218)
Return on plan assets (excluding the amount included in the net interest expense)	(28,849)		36,705	
Change in financial assumptions	52,509		(129,145)	
Experience loss on defined benefit obligation	(68)		4,125	
Remeasurement of the net defined benefit liability*		23,592		(88,315)
Charged to CIES for the year		(15,087)		(124,533)
Amount charged to General Fund for the year		22,204		21,944
Pension Reserve	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Balance at the beginning of the year		(476,254)		(373,665)
Remeasurement of the net defined benefit liability	23,592		(88,315)	
Adjustments between accounting basis and funding basis under regulations	(16,475)		(14,274)	
Balance at the end of the year		(469,137)		(476,254)

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Notes to the Accounts

Pension assets and liabilities recognised in the Balance Sheet

	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	1,005,676		1,031,554	
Fair Value of Plan Assets	(561,449)		(581,710)	
Net Liability		444,227		449,844
Present Value of Unfunded Obligation		24,910		26,410
Net Liability in Balance Sheet		469,137		476,254

The movements in the funded and unfunded obligation are explained in the Scheme Asset and Benefit Obligation Reconciliation table on the following page.

Barnet as the administrating authority receives administration expenses that were £0.663m in 2015/16 (£0.609m in 2014/15).

The deficit is calculated by the assets minus the present value of the obligation (liabilities). The decrease in liabilities exceeded the decrease in assets. The underlying assets and liabilities for retirement benefits attributable to the council were:

Scheme assets and liabilities	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Estimated liabilities of the scheme	(849,881)	(932,387)	(907,591)	(1,057,964)	(1,030,586)
Estimated assets of the scheme	507,479	554,532	533,926	581,710	561,449
Net Liability	(342,402)	(377,855)	(373,665)	(476,254)	(469,137)

Reconciliation in the movements in the fair value of scheme assets

	2015/16	2014/15
	£'000	£'000
Opening fair value of Scheme assets	581,710	533,926
Interest on assets	18,469	23,257
Return on assets less interest	(28,849)	36,705
Administration expenses	(663)	(609)
Contributions by employer including unfunded	22,204	21,944
Contributions by scheme participants	5,188	3,166
Estimated benefit paid plus unfunded net of transfers in	(36,508)	(38,546)
Settlement prices (paid)/received	(102)	1,867
Closing Fair Value of Scheme assets	561,449	581,710

The estimated asset allocation for the London Borough of Barnet as at 31 March 2016 is as follows:

Notes to the Accounts

Scheme Asset and Benefit Obligation Reconciliation

	2015/16 £'000	2014/15 £'000
Opening Defined Benefit Obligation	1,057,964	907,591
Current service cost	23,011	18,985
Interest cost	33,359	39,237
Actuarial change in financial assumptions	(52,509)	129,145
Actuarial change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	68	(4,125)
Liabilities (extinguished)/assumed on settlements	(187)	2,372
Estimated benefits paid net of transfers in	(34,921)	(36,829)
Past service costs, including curtailments	200	139
Contributions by scheme participants	5,188	3,166
Unfunded pension payments	(1,587)	(1,717)
Closing Defined Benefit Obligation	1,030,586	1,057,964

Employer Asset Share - Bid Value

	31 March 2016		31 March 2015	
	£'000	%	£'000	%
Equities	267,599	48	388,101	67
Gilts	55,431	10	-	-
Other Bonds	234,458	41	187,703	32
Cash	3,961	1	5,906	1
	561,449	100	581,710	100

Basis for estimating assets and liabilities

To assess the value of the Employer's liabilities at 31st March 2016, the council's actuary rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31st March 2013, using the financial assumptions that comply with IAS 19.

To calculate the asset share the assets allocated to the Employer at 31st March 2013 have been rolled forward allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%. These tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% per annum.

	31 March 2016		31 March 2015	
		Years		Years
Assumed life expectancy from age 65 years:				
	Retiring today			
	Males	22.1	Males	22.1
	Females	24.5	Females	24.4
Retiring in 20 years				
	Males	24.4	Males	24.2
	Females	26.9	Females	26.8

Notes to the Accounts

It is assumed that scheme members will exchange half of their commutable pension for cash at retirement, scheme members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age and 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions	31 March 2016		31 March 2015	
	% pa	Real	% pa	Real
RPI increases	3.2	-	3.1	-
CPI increases	2.3	(0.9)	2.3	(0.8)
Salary increases	4.1	0.9	4.1	1.0
Pension increases	2.3	(0.9)	2.3	(0.8)
Discount rate	3.5	0.3	3.2	0.1

The figures are from the Barnett Waddingham IAS 19 disclosures report, and these assumptions are set with reference to market conditions at 31 March 2016. The estimate of the Employer's liabilities is 17 years.

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Employer's liabilities.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 17 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.2% per annum. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuaries have made a further assumption about CPI which is that it will be 0.9% per annum below RPI i.e. 2.3%. This is a slightly higher differential than last year. This is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.8% per annum above CPI in addition to a promotional scale.

Notes to the Accounts

Sensitivity Analysis

	2015/16			2014/15		
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,013,513	1,030,586	1,047,964	1,040,386	1,057,964	1,075,856
Projected Service Cost	20,784	21,244	21,714	22,952	23,461	23,982
Adjustment to long term salary increase	0.1%	0.0%	-0.1%	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,032,043	1,030,586	1,029,137	1,059,640	1,057,964	1,056,298
Projected Service Cost	21,254	21,244	21,234	23,472	23,461	23,450
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	-0.1%	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,046,695	1,030,586	1,014,746	1,074,320	1,057,964	1,041,882
Projected Service Cost	21,709	21,244	20,789	23,975	23,461	22,958
Adjustment to mortality age rating assumption*	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present Value of Total Obligation	1,062,663	1,030,586	999,507	1,020,107	1,057,964	1,096,183
Projected Service Cost	21,786	21,244	20,715	22,647	23,461	24,282

*For the adjustment to the life expectancy assumption, the actuaries are assuming a member will live a year longer or a year less. For example, under +1 year the actuaries have assumed that a member with a 25 year life expectancy is actually expected to live for 26 years.

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

31/03/2016
% pa
(2.0)

Expected return on assets

Expected return on assets

31/03/2015
% pa
3.2

Expected return on assets

Amounts for the Current and Previous Periods:

Notes to the Accounts

Scheme history	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(720,595)	(849,881)	(932,387)	(907,591)	(1,057,964)	(1,030,586)
Scheme assets	484,111	507,479	554,532	533,926	581,710	561,449
Surplus (Deficit)	(236,484)	(342,402)	(377,855)	(373,665)	(476,254)	(469,137)
Gains and losses on Scheme liabilities	64,522	(1,000)	(1,276)	(22,344)	(125,020)	(52,441)
Percentage of liabilities	9.0%	-0.1%	-0.1%	-2.46%	11.82%	5.09%
Gains and losses on Scheme assets	7,802	(7,167)	27,881	17,420	36,705	23,592
Percentage of assets	1.6%	1.4%	5.0%	3.3%	6.3%	4.2%
Cumulative Actuarial Gains and (Losses)	5,263	(109,589)	(137,841)	(147,895)	(236,210)	(212,618)

	£'000	£'000
Service Cost	23,126	19,629
Net interest on the defined liability	14,890	15,980
Administration expenses	663	609
Total cost	38,679	36,218

Projections for the year to 31 March 2017

Service Cost	21,244
Net interest on the defined liability	16,061
Administration expense	640
Total	37,945

Employer Contributions

19,079

Projections for the year to 31 March 2016

Service Cost	23,461
Net interest on the defined liability	14,931
Administration expense	663
Total	39,055

Employer Contributions

19,446

Contributions are set every three 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 ten 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 2017 is £19.079m.

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 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 Council has received appeals from various NHS trusts and limited companies seeking charitable relief for business rates. This is an on-going issue and the outcome of these appeals will not be known until future years.
- The council is a partner in the Inglis Consortium LLP. As part of the contract with the consortium the council needs to deliver the vacant land to the Consortium by January 2017. Due to unforeseen circumstances the council will not be in a position to meet the January 2017 deadline. This may result in financial implications the extents of which are not yet known.
- There are a number of Ordinary Residence cases in relation to people who lack the capacity to make decisions about their accommodation and community care services, where until the Secretary of State has made a ruling a decision cannot be made. The liability arises if the decision is made that their residence is within the London Borough of Barnet.

47. Contingent Assets

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

- There are a number of Ordinary Residence cases in relation to people who lack the capacity to make decisions about their accommodation and community care services, where until the Secretary of State has made a ruling a decision cannot be made. The asset arises if the decision is made that their residence is outside of the London Borough of Barnet.

48. Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments - Risks

Notes to the Accounts

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 Government.

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 DCLG's Guidance on local government investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The council's Treasury Management 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

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 ten years and £100m total in non-specified investments. In 2015/16 investments were placed for less than 365 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 for 2015/16, approved by Council on 3 March 2015.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2016, and confirms that all investments were made in line with the council's approved credit rating criteria at the time of placing the investment:

Notes to the Accounts

Counterparty	Credit Rating	Credit Rating	Balance Invested as at 31 March 2016					Total
	Criteria Met When Investment Placed	Criteria Met on 31 March 2016	Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	>12 months and <24 months	
	Yes/No	Yes/No	£'000	£'000	£'000	£'000	£'000	
Other Local Authorities	Yes	Yes	20,218	-	8,139	-	5,021	33,378
Banks – UK	Yes	Yes	25,081	21,058	15,925	-	-	62,064
Banks – Non UK	Yes	Yes	-	-	10,013	12,537	-	22,550
Total Banks			25,081	21,058	25,938	12,537	-	84,614
Building Societies – UK	Yes	Yes	-	2,406	-	-	-	2,406
Money Market Funds	Yes	Yes	21,312	-	-	-	-	21,312
Call Accounts	Yes	Yes	4,502	21,050	-	-	-	25,552
Total			71,113	44,514	34,077	12,537	5,021	167,262

The above analysis shows that all deposits outstanding as at 31 March 2016 met the Council's credit rating criteria on 31 March 2016. 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 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. 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	Bad Debt Provision
	£'000		£'000
2015/16 Sundry Debtors	95,852	5%	33,873
2014/15 Sundry Debtors	87,437	5%	32,655

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.

Notes to the Accounts

The maturity analysis of the nominal value of the council's debt at 31 March 2016 was as follows:

Maturity analysis	31 March 2016 £'000	% of total debt portfolio	31 March 2015 £'000	% of total debt portfolio
Long Term Borrowing				
Over 5 but not over 10 years	2,000	0.66%	2,000	0.66%
Over 10 but not over 15 years	48,516	15.95%	20,516	6.75%
Over 15 but not over 20 years	85,032	27.96%	70,516	23.19%
Over 20 but not over 25 years	20,516	6.75%	42,516	13.98%
Over 25 but not over 30 years	65,516	21.55%	86,032	28.29%
Over 35 but not over 40 years	29,500	9.70%	29,500	9.70%
Over 45 years	53,000	17.43%	53,000	17.43%
Total Long Term Borrowing				
Total Borrowing	304,080	100.00%	304,080	100.00%

Loans and other long term liabilities outstanding (nominal value):	31 March 2016 £'000	31 March 2015 £'000
Public Works Loan Board	241,580	241,580
Market Debt	62,500	62,500
Deferred Liabilities – PFI and finance leases	16,401	17,114
Total	320,481	321,194

Market Risk

Interest Rate Risk: The council is exposed to risks arising from movements in interest rates. 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 2016, 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:

Increase in interest receivable on variable rate investments	£'000 213
Impact on Surplus or Deficit on the Provision of Services	213
Share of overall impact debited/credited to HRA	19
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*	(2,113)

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure as these are carried at amortised cost.

Notes to the Accounts

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 had approximately £2.9 million in Icelandic Krona (ISK) remaining in escrow in Iceland as at 31 March 2016. The council has subsequently sold this interest.

Housing Revenue Account

HRA Income and Expenditure Statement

	2015/16	2014/15
	£'000	£'000
Income		
Dwelling rents	(52,878)	(53,356)
Non-dwelling rents	(1,715)	(1,595)
Charges for service and facilities	(7,449)	(7,744)
Total Income	(62,042)	(62,695)
Expenditure		
Repairs and maintenance	7,550	7,706
Supervision and management	21,035	20,716
Rents, rates and other charges	36	83
Depreciation and impairment of fixed assets	(22,191)	(44,505)
Debt management costs	-	5
Increase in bad debt provision	1,143	763
Total Expenditure	7,573	(15,232)
Net income of HRA services included in the Comprehensive Income and Expenditure Account	(54,469)	(77,927)
Gain on sale of HRA non-current assets	(526)	(2,394)
Interest payable and similar charges	6,698	6,691
Interest and investment income	(156)	(149)
Surplus for the year on HRA services	(48,453)	(73,779)
 Movement on the HRA Statement		
	2015/16	2014/15
	£'000	£'000
Surplus for the year on the HRA Income and Expenditure Statement	(48,453)	(73,779)
EIR interest costs on stepped loans	-	(5)
Loss on HRA fixed assets	526	2,394
Transfer to Major Repairs Reserve	32,720	28,109
Transfer to Capital Adjustment Account (Dwellings)	21,329	43,170
Movement on HRA at end of current year	6,122	(111)
 Balance on the HRA at end of previous year	14,942	14,831
(Deficit)/Surplus for the year	(6,122)	111
Housing Revenue Account balance carried forward	8,820	14,942

Notes to the Housing Revenue Account

1	Number of Dwellings	2015/16 units	2014/15 units
	Houses	3,413	3,433
	Bungalows	180	179
	Flats	5,139	5,292
	Maisonettes	1,137	1,272
	Hostels	61	61
	Bedsits	34	26
		9,964	10,263

2	Value of HRA Assets	2015/16 £'000	2014/15 £'000
	Valuation for Social Housing use		
	Dwellings	685,946	640,094
	Other land and buildings	53,159	49,738
		739,105	689,832

	Vacant Possession Valuation	2,698,000	2,525,000
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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	2015/16 £'000	2014/15 £'000
	Balance as at 1 April	(17,930)	(10,921)
	Capital expenditure charged to reserve	27,525	21,149
	Depreciation - dwellings	(21,479)	(19,008)
	- non dwellings	(667)	(528)
	Transfer to HRA - dwellings	8,611	5,892
	Interest on balances	(88)	(49)
	Voluntary Contribution	(19,185)	(14,465)
	Balance as at 31 March	(23,213)	(17,930)

The major repairs allowance (MRA) was a government subsidy, representing the capital cost of keeping the council's dwelling stock in its current condition; the allowance was discontinued in April 2012, with the introduction of HRA self-financing. Regulation permits that the MRR value to be used as a proxy for depreciation, for a five year transitional period, after which traditional depreciation methods are required. The Major Repairs Reserve (MRR) represents balances carried forward.

Notes to the Housing Revenue Account

4	Capital Expenditure and Financing	2015/16 £'000	2014/15 £'000
	Capital Expenditure		
	Dwellings	38,787	25,572
		38,787	25,572
	Financed by		
	Capital Receipts Reserve	7,490	1,017
	Borrowing	314	-
	Major Repairs Reserve	27,525	21,149
	Other Contributions	3,458	3,406
		38,787	25,572
	5 Capital Receipts from Disposals	2015/16 £'000	2014/15 £'000
	Other	1,803	2,164
	Dwellings	11,611	16,821
	Paid over to "pool"	(2,585)	(1,583)
		10,829	17,402

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. Since 2012/13 local authorities have been able to retain further amounts of right to buy receipts upon agreement with the Department for Communities and Local Government (DCLG). These funds must be spent on the provision of new build dwellings.

6	Depreciation	2015/16 £'000	2014/15 £'000
	Dwellings	21,479	19,008
	Other property	667	528
		22,146	19,536
	7 Impairments	2015/16 £'000	2014/15 £'000
	Dwellings	(43,474)	(62,705)
	Other property	544	36
	Investment Properties	(1,407)	(1,373)
		(44,337)	(64,042)

Notes to the Housing Revenue Account

8	Arrears	2015/16 £'000	2014/15 £'000
	Leaseholder service charges	6,395	5,995
	less bad debt provision	(1,178)	(1,019)
		5,217	4,976
	Housing rents	3,911	3,722
	less bad debt provision	(1,607)	(1,404)
		2,304	2,318
	Commercial rents	240	903
	less bad debt provision	(28)	(140)
		212	763
		7,733	8,057

9 **Barnet Homes Limited**

The management of the council's housing stock is undertaken by Barnet Homes Limited, a subsidiary of The Barnet Group Limited that is wholly owned by the authority.

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	2015/16			2014/15		
		NNDR £'000	Council Tax £'000	Total £'000	NNDR £'000	Council Tax £'000	Total £'000
Income							
Council Tax	1	-	191,069	191,069	-	180,931	180,931
Business Rates Receivable	2	108,281	-	108,281	108,596	-	108,596
BRS Income		2,609	-	2,609	2,836	-	2,836
		110,890	191,069	301,959	111,432	180,931	292,363
Disbursement							
Apportionment of Previous Year's (Surplus)/Deficit							
- Central Government	3	7,872	-	7,872	4,081	-	4,081
- London Borough of Barnet		4,723	(11,642)	(6,919)	2,448	(11,831)	(9,383)
- Greater London Authority		3,149	(3,576)	(427)	1,633	(3,220)	(1,587)
		15,744	(15,218)	526	8,162	(15,051)	(6,889)
Precepts, Demands and Shares							
- Central Government		51,323	-	51,323	55,493	-	55,493
- London Borough of Barnet		30,794	145,640	176,434	33,296	141,575	174,871
- Greater London Authority		20,529	38,985	59,514	22,197	38,410	60,607
- Crossrail		2,600	-	2,600	2,825	-	2,825
		105,246	184,625	289,871	113,811	179,985	293,796
Charges to Collection Fund							
- Cost of collection allowance		418	-	418	418	-	418
- Cost of collection allowance BRS		9	-	9	11	-	11
- Change in bad debt provision		1,543	3,344	4,887	(591)	(722)	(1,313)
- Change in provision for appeals		6,000	-	6,000	4,100	-	4,100
- Write off of uncollectable amounts	4	-	(971)	(971)	1,264	-	1,264
Total disbursed		7,970	2,373	10,343	5,202	(722)	4,480
Surplus/(Deficit) for year		(2,326)	4,071	1,745	(7,581)	1,668	(5,913)
Collection Fund Balances							
London Borough of Barnet		(5,421)	10,956	5,535	(4,723)	11,642	6,919
Greater London Authority		(3,614)	3,378	(236)	(3,149)	3,576	427
Central Government		(9,035)	-	(9,035)	(7,872)	-	(7,872)
Cumulative Surplus/(Deficit)		(18,070)	14,334	(3,736)	(15,744)	15,218	(526)

Collection Fund

1. Council tax

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each property 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.

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 £1,397.07 (2014/15 £1,401.07) 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	1,181
B	0.78	4,112
C	0.89	16,270
D	1.00	25,744
E	1.22	29,763
F	1.44	23,890
G	1.67	23,591
H	2.00	7,519
MOD Contribution		81

Tax Base

132,151

2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the year end was £272,678,661 (2014/15: £275,928,486) and the national non-domestic rate multiplier for the year was 49.3p (2014/15: 48.2p).

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 continue to be pursued.

Group Accounts

Group Movement in reserves Statement

Consolidated Movement in Reserves Statement 2015/16

	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
Balance as at 31 March 2015	29,280	116,155	14,942	45,602	17,930	75,532	299,441	329,172	628,613
Surplus / (Deficit) on provision of services	(18,465)	-	48,454	-	-	-	29,989	-	29,989
Other comprehensive expenditure and income	-	-	-	-	-	-	-	61,570	61,570
Total comprehensive income and expenditure	(18,465)	-	48,454	-	-	-	29,989	61,570	91,559
Adjustments between accounting basis and funding basis under regulations	11,200	-	(54,576)	(5,427)	5,283	(289)	(25,507)	43,809	-
Net increase / decrease before transfers to earmarked reserves	(7,265)	-	(6,122)	(5,427)	5,283	(289)	4,482	105,379	91,559
Transfer to / from earmarked reserves	4,155	(4,155)	-	-	-	-	(18,302)	-	-
Increase / decrease in year	(3,110)	(4,155)	(6,122)	(5,427)	5,283	(289)	(13,820)	105,379	91,559
Balance at 31 March 2016	26,170	112,000	8,820	40,175	23,213	75,243	285,621	434,551	720,172

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 Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	32,586	91,624	14,831	24,326	10,921	64,788	239,076	387,404	626,480
Surplus / (Deficit) on provision of services	17,402	-	73,779	-	-	-	91,181	-	91,181
Other comprehensive expenditure and income	-	-	-	-	-	-	-	(89,048)	(89,048)
Total comprehensive income and expenditure	17,402	-	73,779	-	-	-	91,181	(89,048)	2,133
Adjustments between accounting basis and funding basis under regulations	3,098	3,479	(73,668)	17,797	7,009	11,494	(30,791)	30,791	-
Net increase / decrease before transfers to earmarked reserves	20,500	3,479	111	17,797	7,009	11,494	60,390	(58,257)	2,133
Transfer to / from earmarked reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
Increase / decrease in year	(3,281)	24,531	111	21,276	7,009	10,744	60,390	(58,257)	2,133
Balance at 31 March 2015	29,305	116,155	14,942	45,602	17,930	75,532	299,466	329,147	628,613

*Re-stated

This shows the consolidated income and expenditure for the council and its subsidiaries.

Group Accounts

Group Comprehensive Income and Expenditure Statement

	2015/16			2014/15*		
	Consolidated Gross expenditure	Consolidated Gross income	Net expenditure	Consolidated Gross expenditure	Consolidated Gross income	Net expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	2,552	(2,918)	(366)	2,807	(2,616)	191
Cultural & Related Services	16,622	(2,105)	14,517	18,514	(3,610)	14,904
Environmental & Regulatory Services	38,963	(8,356)	30,607	41,012	(9,220)	31,792
Planning Services	3,443	(17,030)	(13,587)	12,007	(22,006)	(9,999)
Public Health	16,195	(312)	15,883	14,383	-	14,383
Children's and education services	338,270	(234,416)	103,854	339,527	(233,402)	106,125
Highways and transport services	43,342	(15,860)	27,482	46,351	(17,783)	28,568
Housing services	318,127	(351,762)	(33,635)	278,924	(343,000)	(64,076)
Adult social services	138,025	(34,567)	103,458	132,235	(28,972)	103,263
Corporate and democratic core costs	6,131	(1,022)	5,109	7,156	(1,376)	5,780
Non distributed costs	4,628	(4)	4,624	832	(420)	412
Surplus on Continuing Operations	926,298	(668,352)	257,946	893,748	(662,405)	231,343
Other Operating Expenditure	8,211	-	8,211	5,061	(806)	4,255
Financing and Investment Income & Expenditure	23,903	(14,046)	9,857	25,472	(26,789)	(1,317)
Taxation and Non-Specific Grant Income	-	(306,003)	(306,003)	-	(325,462)	(325,462)
Surplus on Provision of Services			(29,989)			(91,181)
(Surplus) / Deficit on revaluation of non-current assets			(33,794)			(8,164)
Remeasurement of the net defined benefit liability			(27,821)			97,189
Corporate taxation			45			23
Other Comprehensive Income and Expenditure			(61,570)			89,048
Total Comprehensive Income and Expenditure			(91,559)			(2,133)

*Re-stated

Group Accounts

Group Balance Sheet

	31 March 2016		31 March 2015*	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	1,226,356		1,119,788	
Heritage Assets	1,567		1,080	
Investment Properties	117,124		101,264	
Intangible assets	8,084		9,020	
Long term debtors	830		825	
Long term investments	12,973		23,090	
Total long term assets		1,366,934		1,255,067
Inventories	608		612	
Short term investments	126,418		33,241	
Short term debtors	122,999		94,515	
Assets held for sale	-		350	
Cash and cash equivalents	62,045		198,589	
Total Current Assets		312,070		344,187
Short term Creditors	(116,330)		(100,648)	
Short term Borrowing	(1,433)		(2,777)	
Cash and cash equivalents				
Provisions	(7,698)		(7,691)	
Total Current Liabilities		(125,461)		(127,996)
Long term borrowing	(304,704)		(304,735)	
Long term Creditors	-		-	
Government grants deferred	-		-	
Capital grants received in advance	-		-	
Provisions	(6,616)		(5,875)	
Pensions Scheme	(505,650)		(515,255)	
Long term lease	(16,401)		(16,780)	
Total Long Term Liabilities		(833,371)		(842,645)
Net Assets		720,172		628,613
Usable reserves	285,621		299,441	
Unusable reserves	434,551		329,172	
Total Equity		720,172		628,613

*Re-stated

Group Accounts

Group Cashflow Statement

This consolidated statement summarises the movement within the group both for capital and revenue purposes.

	2015/16		2014/15*	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services	29,989		91,181	
Adjustment to surplus or deficit on the provision of services for noncash movements	23,571		29,381	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(54,176)		(73,776)	
Net Cash flows from operating activities		(616)		46,786
Net Cash flows from Investing Activities		(133,312)		7,749
Net Cash flows from Financing Activities		(2,616)		2,575
Net increase or decrease in cash and cash equivalents		(136,544)		57,110
Cash and cash equivalents at the beginning of the reporting period		198,589		141,479
Cash and cash equivalents at the end of the reporting period		62,045		198,589

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 six 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 have been prepared using similar accounting policies and practices to that of the reporting authority. However some accounting policies and practices do differ in some respects from the authority's due to legislative requirements. The accounts of Barnet Holdings have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102. Any material differences are highlighted within the accounts themselves.

The detailed accounting policies are disclosed in note 1 of the notes to the accounts.

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

Group Accounts

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

Under the Code of Practice, 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 2015/16 the company made an operating profit of £0.209m (£0.051m loss in 2014/15).

iv) Transactions with the company

The authority paid and received from the company £60.001m and £5.676m in 2015/16 for the provision of housing management services and repair and maintenance works to housing stock (£54.541m and £2.279m in 2014/15) respectively. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2016 were £6.323m and £9.151m (£10.196m and £1.883m in 2014/15) 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 Practice, Barnet (Holdings) Ltd, Company Registration No. 08632530, 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 in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102. Barnet Holding's is exercising the subsidiaries exemption, where the entity is exempt from the requirements of this Act relating to the audit of accounts under section 479A of the Companies Act 2006.

iii) Financial performance

The company has not traded during the financial year. During the current and prior year, the company received no income and incurred no expenditure and therefore made neither profit nor loss.

iv) Transactions with the company

The outstanding balance owed from Barnet Holdings Ltd at 31 March 2016 was £48 (£48 in 2014/15).

5. Group cash flow statement

Group Accounts

The group cash flow statement, prepared in accordance with the Code of Practice, 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.

6. Pension Reserve and Creditors

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 considered material due to the respective pension scheme/reserve of the subsidiaries and the creditor balances. As such, the relative single entity pension funds, creditors and the consolidated group pension fund and creditors are highlighted below;

Pension scheme

	2015/16	2014/15
	£'000	£'000
Single entity accounts		
London Borough of Barnet	469,137	476,254
The Barnet Group Ltd	36,513	39,001
Barnet Holdings Ltd	-	-
Total	505,650	515,255
Group Accounts		
Group	505,650	515,255

The detailed breakdown of the London Borough of Barnet Pension balance of £469.137m can be seen in note 45 to the accounts.

The Barnet Group Pension liability

	31 March 2016	31 March 2015
	£'000	£'000
Net pension liability as at		
Present Value of Funded Obligation	(84,769)	(86,277)
Fair Value of Scheme Assets (bid value)	48,822	47,884
Net liability	(35,947)	(38,393)
Present Value of Unfunded Obligation	(566)	(608)
Unrecognised Past Service Cost		
Net liability in statement of financial position	(36,513)	(39,001)

Group Accounts

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2015/16 £'000	2014/15 £'000
Opening Defined Benefit Obligation	86,885	70,310
Current service cost	3,056	2,519
Interest cost	2,941	3,146
Change in financial assumptions	(6,758)	11,892
Experience gain on defined benefit obligation	(8)	(129)
Estimated benefits paid (net of transfers in)	(1,495)	(1,667)
Past service cost	25	108
Contributions by Scheme participants	714	729
Unfunded pension payments	(25)	(23)
Closing Defined Benefit Obligation	85,335	86,885

Reconciliation of opening and closing balances of the fair value of scheme assets

	2015/16 £'000	2014/15 £'000
Opening fair value of scheme assets	47,884	41,353
Interest on assets	1,660	1,900
Return on assets less interest	(2,537)	2,889
Administration expenses	(54)	(47)
Contributions by employer including unfunded benefits	2,675	2,750
Contributions by scheme participants	714	729
Estimated benefits paid (net of transfers in)	(1,520)	(1,690)
Fair value of scheme assets at end of period	48,822	47,884

7. Creditors

	2015/16 £'000	2014/15* £'000
Central Government Bodies	17,356	23,451
Other Local Authorities	5,240	5,299
Public Corporations and Trading Funds	5,970	8,924
NHS bodies	1,297	-
Bodies External to General Government	59,036	31,464
Receipts in Advance	10,250	10,261
Barnet Group creditors	20,207	21,249
Creditor total	119,356	100,648

*Re-stated

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 Acts 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.
 - 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.
 - Council dwellings - these are residential properties owned by the council providing homes for social rent.
 - Operational land and buildings – these are owned by the council to provide services to the community. 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 precepting 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 are 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 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 assets 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

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 was a government subsidy that was introduced to replace Housing Revenue Account borrowing for repairs to maintain the housing stock to a good standard. This allowance was discontinued in April 2012, with HRA self-financing. Regulation permits that value to be used as a proxy for depreciation for a five year transitional period.

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.

Non-domestic rates (NDR)

Rates are payable on business premises based on their rateable value and a national rate poundage multiplier. Barnet acts as the "billing authority" for its area and under the Localised Business Rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%.

Net book value (NBV)

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.

Operational assets

Glossary

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 material errors. 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, the Greater London Authority and the Government.

Provisions

Amounts held 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 of a property's value from which rates payable are 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:

- (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

Glossary

(iii) the parties, in entering into 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 future financing commitments. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts unlike provisions which are not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Revenue support grant

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

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

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 a fixed asset.

**London Borough of Barnet
Audit Committee Work
Programme - 2016-17**

Contact: Kirstin Lambert 020 8359 2177 kirstin.lambert@barnet.gov.uk

Subject	Decision requested	Report Of	Contributing Officer(s)
28 July 2015			
<p>Internal Audit Exception Recommendations Report and Progress Report up to June 2016</p>	<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>	<p>Head of Internal Audit</p>	
<p>CAFT Q1 Quarterly Report (April – June 2016)</p>	<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>	<p>Assurance Assistant Director</p>	

Subject	Decision requested	Report Of	Contributing Officer(s)
External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2015/16	To consider the External Auditors report to those charged with governance on issues arising from the audit of the Council's accounts. The committee will also be asked to approve the audited Statement of Accounts 2015/16.	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 Assistant Director	
Annual Report of the Audit Committee	The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness.	Chairman of Audit Committee	
3 November 2015			
Internal Audit Exception Recommendations Report and Progress Report up to 30 September 2016	To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2016-17 and high priority recommendations.	Head of Internal Audit	
CAFT Progress Report Q2 (July – September 2016)	To note the the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st July 2016 – 30 September 2016.	Assurance Assistant Director	

Subject	Decision requested	Report Of	Contributing Officer(s)
External Auditor Progress Report	Provides a progress report from BDO on their progress of external audit activities for 2016/17.	Director of Finance / Section 151 Officer	
30 January 2017			
Internal Audit Exception Recommendations Report and Progress Report up to 31 January 2017	To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2016-17 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Progress Report Q3 October 2016 - December 2016	To note the the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st July 2016 – 30 September 2016.	Assurance Assistant Director	
External Audit Annual Audit Letter 2015-16	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.	Director of Finance / Section 151 Officer	
Grants Certification Work Report 2015/2016	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants	Director of Finance / Section 151 Officer	

Subject	Decision requested	Report Of	Contributing Officer(s)
20 April 2017			
Internal Audit Annual Opinion 2016-17	Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council	Head of Internal Audit	
CAFT Annual Report 2016-17	The CAFT annual report provides a summary on the outcome of all CAFT work undertaken during 2016-17 including the objectives as set out in our annual strategy and work plan.	Assurance Assistant Director	
Internal Audit Exception Recommendations Report and Progress Report up to 31 March 2017	To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2016-17 and high priority recommendations.	Head of Internal Audit	
Internal Audit and Anti-Fraud Strategy and Annual Plan 2017-18	To approve the 2016/17 Internal Audit & CAFT plan	Head of Internal Audit Assurance Assistant Director	
External Audit Planning Report 2017-18	This report advises the committee of BDO's audit planning report for 2016/17.	Director of Finance / Section 151 Officer External Auditors	
Items to be allocated			

Subject	Decision requested	Report Of	Contributing Officer(s)
Ad Hoc Audit Reports	To commission work from Internal and External Audit arising from the consideration of other scheduled reports subject to them being proportionate to risk identified and with agreement from the Chief Executive. To review any issue referred to the Committee by the Chief Executive, a Director or any Council body		