

MEETING

AUDIT COMMITTEE

DATE AND TIME

MONDAY 30TH JANUARY, 2017

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)

Councillor Geof Cooke Councillor Hugh Rayner Councillor Kathy Levine
Councillor Arjun Mittra Councillor Peter Zinkin

Independent Members

Geraldine Chadwick Richard Harboard

Substitute Members

Melvin Cohen Eva Greenspan Anne Hutton
John Marshall Reema Patel 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 Deadline at 10AM, Wednesday 25 January. Requests must be submitted to Maria Lugangira at maria.lugangira@barnet.gov.uk

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

Andrew Charlwood – Head of Governance

Governance Service contact: Maria Lugangira 020 8359 2761

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
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2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Report of the Monitoring Officer (If any)	
5.	Public Question and Comments (If any)	
6.	Members' Items (If any)	
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14.	Any item(s) the Chairman decides are urgent	

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Decisions of the Audit Committee

3 November 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 Hugh Rayner

Also in attendance

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

1. MINUTES OF LAST MEETING

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

2. ABSENCE OF MEMBERS (IF ANY)

There were none.

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

Councillor Geof Cooke declared a non-pecuniary interest in item 7, Internal Audit Exception and Recommendations Report and Progress report to 30 September 2016, as he is a governor of Summerside Primary School and Chairman of the governing body's Personnel, Finance and Premises Sub-Committee.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

There was none.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

Details of the questions asked and the published answers were provided with the agenda papers for the meeting. Verbal responses were given to supplementary questions at the meeting.

Public comments were received from Mr Nichlas Dixon (on agenda item 7) and Ms Jasmine Parsons (on agenda items 7 and 8).

6. MEMBERS' ITEMS (IF ANY)

There were none.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS AND PROGRESS REPORT Q2 - 1ST JULY - 30TH SEPTEMBER 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 Insurance which received limited assurance, and on the Information Technology Disaster Recovery (ITDR) - Follow up review. The Committee also discussed and asked questions on audit follow up items which received partly implemented and not implemented assessments including Grant Identification, Procurement - Compliance with Contract Procedure Rules, Street Scene Operations Review (Joint Internal Audit & CAFT review), Schemes of Delegation and Customer Support Group (CSG) – Invoicing and Monitoring Arrangements.

With regards to insurance claims, the Deputy s151 officer agreed to provide information to clarify what the council / contractors are liable for with respect to pavement trips where there are maintenance issues.

With regards to ITDR – follow up review, the ICT Director, CSG agreed to provide examples of how Capita has responded to disaster recovery events at other clients.

The Committee recommended that Internal Audit seek to ensure that the design and delivery of the new Depot notes and considers the recommendations made in the Street Scene Operations Review (Joint Internal Audit & CAFT review).

The Head of Internal Audit introduced the Cross Council Assurance Service (CCAS) Annual Report 2016. With regards the benefits of being part of CCAS, at the request of Councillor Geof Cooke the Head of Internal Audit agreed to provide information regarding the benefits to Barnet specifically.

RESOLVED –

- 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 note the Internal Audit Follow-up Report - IT Disaster Recovery.**
- 3. That the Committee note the Cross Council Assurance Service (CCAS) Annual Report 2016.**

8. CORPORATE ANTI-FRAUD TEAM (CAFT) Q2 PROGRESS REPORT: JULY - SEPTEMBER 2016

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

RESOLVED - That the Committee note the CAFT Progress Report covering the period 1st July 2016 – 30th September 2016

9. AUDIT COMMITTEE WORK PROGRAMME

It was noted that a future Internal Audit Exception Recommendations and Progress report to include Re operational review – phase 2 would include information on the alignment of Re – planning with counter-fraud operations.

The Committee noted the work programme for 2016-17.

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

There were none.

The meeting finished at 9.26 pm

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	<p>Audit Committee 30th January 2017</p>
<p style="text-align: right;">Title</p>	<p>Internal Audit Exception Recommendations and Progress Report Q3 1st October – 31st December 2016</p>
<p style="text-align: right;">Report of</p>	<p>Caroline Glitre, Head of Internal Audit</p>
<p style="text-align: right;">Wards</p>	<p>Not Applicable</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;">Enclosures</p>	<p>Appendix 1 - Internal Audit progress report Q3 covering the period 1st October – 31st December 2016 Appendix 2 - IT Change Management Follow-Up Phase 2 audit</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

<p>Summary</p>
<p>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.</p> <p>The full IT Change Management Follow-Up Phase 2 audit report is included as Appendix 2.</p>

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 note the Internal Audit Follow-up Report - IT Change Management Phase 2.**

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.

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.

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 internal audit findings are analysed alongside finance and performance information it can provide management with the ability to assess value for

money.

5.2.2 The Internal Audit Plan 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 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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Appendix 1

Internal Audit

Quarter 3 Progress Report 2016-17 1st October – 31st December 2016

Caroline Glitre, Head of Internal Audit

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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 October 2016 to 31st December 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 25 reports in relation to the 16/17 plan. In summary, the assurance ratings provided for reports issued in final were as follows:

Substantial ✓✓✓	2
Reasonable	20
Limited	-
No	-
N/A	3
Total	25

Table 1: Work completed during quarter 3 including assurance levels

	Systems Audits	Assurance	Number of findings by risk category				
			Critical	High	Medium	Low	Advisory
1	Statutory Complaints – Adults & Communities	Reasonable	-	1	2	1	-
2	Contract Management Toolkit Compliance - Mortuaries	Reasonable	-	1	1	1	-
3	Regional Enterprise (Re) Invoicing and Monitoring Arrangements	Reasonable	-	1	1	1	-
4	Statutory Complaints – Family Services	Reasonable	-	-	5	1	-
5	Parks & Green Spaces - Health & Safety	Reasonable	-	-	5	1	-

6	Special Projects Initiation Request (SPIR) Process	Reasonable	-	-	2	3	-
7	Accounts Receivable	Reasonable	-	-	1	1	-
8	Housing Benefits	Reasonable	-	-	1	-	-
9	Accounts Payable	Reasonable	-	-	-	-	-
10	General Ledger	Reasonable	-	-	-	-	-
11	Schools Payroll	Reasonable	-	-	-	-	-
12	NNDR	Reasonable	-	-	-	-	-
13	Cambridge Education ADM Governance	Substantial	-	-	1	1	-
14	Council Tax	Substantial	-	-	-	-	-
15	Re Operational Review Phase 2 – Operating Effectiveness*	N/A	-	1	2	3	-
16	IT Change Management follow up- Phase 2	N/A					
Grants / Payments by Results							
17	Troubled Families PbR– Q3	N/A					
School Audits							
18	Frith Manor	Satisfactory	-	-	4	-	-
19	Summerside	Satisfactory	-	-	6	-	-
20	Holly Park	Satisfactory	-	1	7	-	-
21	Church Hill	Satisfactory	-	-	4	-	-
22	Orion	Satisfactory	-	-	5	-	-
23	Monken Hadley	Satisfactory	-	-	3	-	-
24	Colindale	Satisfactory	-	1	5	-	-
25	Queenswell Infants	Satisfactory	-	-	3	-	-

*Joint Internal Audit & CAFT review

3. Key Financial Systems – Continuous Audit Methodology (CAM) - DRAFT

A summary of the outcome of the 2016/17 Phase 1 reviews is below.

Number	Department	Overall Opinion 2016/17		Overall Opinion 2015/16		Direction of Travel	Number of controls tested	Controls where operating exceptions were found		Control design exceptions found		Comments
								2016/17	2015/16	2016/17	2015/16	
1.	Accounts Payable	Reasonable	●	Limited	●	↑	6	1	2	-	-	
2.	Accounts Receivable	Reasonable	●	Reasonable	●	↔	8	1	1	2	1	
3.	Council Tax	Substantial	●	Reasonable	●	↑	8	-	1	-	-	
4.	General Ledger	Reasonable	●	Reasonable	●	↔	5	1	1	-	-	
5.	Housing Benefits	Reasonable	●	Reasonable	●	↔	9	2	1	1*	1	<i>*Control design issue noted in the previous period and has not yet been fully resolved</i>
6.	NNDR	Reasonable	●	Reasonable	●	↔	8	1	1	-	1	
7.	Schools Payroll	Reasonable	●	Reasonable	●	↔	8	2	1	-	-	

4. Re Operation Review - Phase 2: Operating Effectiveness of Controls

Executive Summary

Background

Regional Enterprise (Re) is a joint venture (JV) between Capita and the London Borough of Barnet (LBB) to deliver development and regulatory services within the Borough. The venture commenced in October 2013 and is in its fourth year of a ten year term, providing the following services:

- Development: Building Control, Planning Administration (Development Management), Strategic Planning and Regeneration, Highways Services and Land Charges
- Regulatory Services: Environmental Health, Trading Standards and Licensing and Cemetery and Crematorium

The contract between Capita and LBB documents the expected outputs from the joint venture but has been formulated not to detail the specific procedures which will be undertaken by Re to achieve the agreed deliverables.

Scope

This review is the second part of a two-phased testing approach. The first phase assessed whether there are appropriate policies and procedures in place to support key operational activity undertaken by Re. This second phase considered the operating effectiveness of a sample of eight key controls identified to support operational activity undertaken by Re in three areas: Planning and Building, Regulatory Services and Highways. Eight key controls were selected to test based on risk and informed by the Council's statutory responsibilities. The key controls selected for testing have been outlined in the summary of findings below and Appendix 2. As at the date of this report the findings on one of the eight controls tested, Investigating and resolving alleged breaches of planning control, were still under discussion and will be reported separately.

Summary of findings

Of the seven key controls tested, control design issues were identified with one of the key controls:

- **Highways: ad hoc inspections** – The Partnership do not have an agreed documented process to guide the timeliness of ad hoc inspections or the performance of follow up actions in response to service user requests. It is down to the customer service representative and inspector's judgement of the risk based on the reported issue as to whether an inspection is needed and when it needs to be performed by. Timescales

determining how quickly an inspection should be performed and when the service request should be closed after receiving an enquiry have not been defined and set out in the contract. The Council do not have mechanisms in place to provide assurance that ad hoc inspections are being performed when required and being done within a reasonable timeframe. **(High risk)**

Of the seven key controls tested, **operating effectiveness issues** were identified with four of the key controls. The medium risk findings are below:

- **Planning complaints timeliness** - In 2/5 (40%) cases, stage 1 and 2 complaints were not acknowledged, nor responded to in line with the policy in place. In 1/2 (50%) cases, stage 3 complaints were not acknowledged in a timely manner in line with the policy in place **(Medium risk)**.
- **Completing routine inspections of the highway network** - In 3/25 (12%) cases the routine inspection had not been performed in a timely manner. Inspections were performed between 10 and 37 days outside of required timescales. **(Medium risk)**

Further detail is provided below on the High risk audit finding.

Detailed Findings

Ref	Control Tested	Exception details
2	<p>Completing routine and ad hoc inspections of the highway network</p> <p>Inspections are performed in a timely manner and evidence is retained to demonstrate the performance of inspections.</p>	<p>Ad hoc inspections</p> <p>Control Design issue (High risk)</p> <p>Customers contact the customer hub team by phone, email, post or the web page to raise any issues or concerns they have regarding Highways. An officer within the customer hub team then creates a Service User Request on Exor (the system used to manage inspections) based on the details provided.</p> <p>The officer assigns the case to the relevant officer in the Highways team. To help them to do this, the customer hub team has been provided with a map showing the areas that the Council covers and the inspector responsible for each area.</p> <p>The inspector updates the Service request on Exor with their comments based on the nature of the issue, the results of any inspection performed and any associated works required.</p> <p>Where a repair is needed based on the inspection, this is communicated to the back office team who raise the order on Exor. The Exor system is interfaced with the contractor's system and they can view their request orders.</p> <p>Timescales determining how quickly an inspection should be performed and when the service request should be closed after receiving an enquiry have not been defined and set out in the contract.</p> <p>The Partnership does not have an agreed documented process to guide the timeliness of inspections and processing of service user requests. It is down to the inspector's judgement of the risk based on the reported issue as to whether an inspection is needed and when it needs to be performed by.</p> <p>Re do not have a contractual obligation to close service user requests and perform associated inspections within a specified timeframe. Contractual requirements are in place around responding to service request and completing works within certain timescales and there are Key Performance Indicators (KPI's) in place to monitor performance against these requirements. It should be noted that <i>responding</i> to a service user request may simply consist of acknowledging the request. The timescales relating to the completion of works commence once a formal inspection has been performed. There are therefore limited mechanisms currently in place to ensure that service user requests are investigated, including the performance of ad hoc inspections, in a timely manner.</p> <p>This control design issue means that defects could be flagged to Re and not followed up appropriately. The cyclical inspection and complaints processes do act as mitigating controls to an extent to ensure that</p>

Ref	Control Tested	Exception details
		defects and other issues get escalated and resolved eventually. However the current process does not ensure that issues raised by the public get investigated adequately and in a timely manner. The Council does not monitor the performance of Re in this area and do not have mechanisms in place to provide assurance that ad hoc inspections are being performed when required and are being done within reasonable timescales. (See <i>Control Design Issues</i> below).

Control design issues

1	Detailed finding	Agreed Action
High	<p>Highways: ad hoc inspections – Control Design</p> <p>Customers contact the customer hub team by phone, email, post or the web page to raise any concerns they have over highways. An officer within the customer hub team then creates a Service User Request on Exor (the system used to manage inspections) based on the details provided.</p> <p>We found:</p> <ul style="list-style-type: none"> - The Partnership does not have an agreed documented process to guide the timeliness of inspections and processing of service user requests. It is down to the customer service representative and inspector’s judgement of the risk based on the reported issue as to whether an inspection is needed and when it needs to be performed by. - Timescales determining how quickly an inspection should be performed and when the service request should be closed after receiving an enquiry have not been defined and set out in the contract. Re therefore does not have a contractual obligation to follow up enquiries with an inspection within a specified time. <p>This control design issue means that defects could be flagged to Re and not followed up appropriately. The cyclical inspection and complaints processes do act as mitigating controls to an extent to ensure that defects and other issues get escalated and resolved eventually. However the current process does not ensure that issues raised by the public get investigated adequately and in a timely manner. The Council do not monitor the performance of Re in this area and do not have mechanisms in place to provide assurance that ad hoc inspections are being performed when required and being done within reasonable timescales.</p>	<p>Re will establish prioritisation criteria to be applied by the Customer Hub team to systematically assess the severity of a reported defect and to enable enquiries to be prioritised accordingly. These criteria will be shared and agreed with the Council.</p> <p>The Council and Re will agree an ongoing assurance mechanism to enable the Council to monitor the performance of ad hoc inspections. This will consist of the Council reviewing a sample of enquiries to assess the reasonableness of the assessment applied and assess whether follow up action was appropriate and performed in a timely manner based on the severity of the issue.</p>
Responsible Officers		Deadline
Commissioning Director of Environment Service Director, Highways, Re		31/03/17

5. Follow up reviews

Information Technology Change Management Follow-Up – Phase 2

See report attached as Appendix 2.

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 2 – Operating Effectiveness - Investigating and resolving alleged breaches of planning control*	Draft Report
2	Residential Care Homes – Provider Sustainability	Draft Report
3	Estates Health and Safety	End of Fieldwork
4	Establishment List follow-up	End of Fieldwork
5	Review of Barnet Group Internal Audit Plan and Reports	End of Fieldwork
6	Highways Programme	Fieldwork
7	Transformation – Family Friendly Barnet	Fieldwork
8	No Recourse to Public Funds*	Fieldwork
9	SWIFT to Mosaic Data Migration	Planning
10	Key Financial Systems (Continuous Audit Monitoring): <ul style="list-style-type: none"> • Non-Schools Payroll • Treasury Management • Teachers Pensions • Pension Administration • Cash & Bank • Budget Monitoring – Parking & Infrastructure 	Planning
11	Contract Management - Maintenance of Contracts Register	Planning
12	Staff Performance Management	Planning
13	Troubled Families PbR – Q4	Planning
14	Safeguarding - Statutory Responsibilities	Planning
15	Nursery Places – Free Early Education Funding*	Planning
16	Estates – Subcontractor Ordering Processes*	Planning
17	Regeneration – Dollis Valley	Planning
18	Capital Development Pipeline - Re projects - Lessons Learnt	Planning
19	Section 106	Planning
20	Contest Framework – Prevent, Protect and Prepare	Planning

*Joint Internal Audit & CAFT review

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 (31 December 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 pro-</p>	<p>1 September 2015</p> <p>Assistant Director of Finance (CSG)</p> <p>Operations Director (CSG)</p> <p>Supported by</p>	<p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> Q2, 2016/17 - The recommendation was considered Partly Implemented until the following action was taken: <p><i>CSG will re-subscribe to the</i></p>	<p>Partly Implemented</p> <p>A three year subscription to the Grantfinder system, the system used to scan and identify potential grants, was taken out 3/1/2017. The system will be set-up in January 2017 and the first report of identified grants for discussion with Delivery Units at their monthly budget meeting will be generated. Delivery Unit representatives will be challenged as to how they have progressed the applicable grant opportunities.</p> <p>Agreed actions for full implementation: Once evidence of the Grantfinder report and</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (31 December 2016)
<p>actively identifying grants could be undertaken as part of existing structures as follows:</p> <p>(i) Delivery Units together with their Commissioning Directors should consider the options available, including the possibility of a dedicated team/officer for pro-actively identifying grants depending on resources / the significance of grants available in that area.</p> <p>(ii) Service area leads pro-actively identify grants in their area. Local business improvement / performance teams challenge 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</p>	<p>Director of Resources (LBB)</p>	<p><i>Grant Finder system. The system will be interrogated on a weekly basis and services notified of relevant grants.</i></p> <p><i>Potential grants will be added as a standing agenda item within the monthly finance report going to SMT meetings.</i></p> <ul style="list-style-type: none"> Q1, 2016/17 – 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.</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</i></p>	<p>discussion has been provided, the action will be regarded as implemented.</p> <p>Revised implementation date: 28 February 2017</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (31 December 2016)
<p>to undertake this role, with SRO monitoring CSG identification activity.</p> <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>		<p><i>Agreements and the completion of the relevant templates in the required format, we will be able to move the status to implemented.</i></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 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</i></p>	

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Outcomes of previous audit follow-up assessments	Audit follow-up assessment (31 December 2016)
		<p><i>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 proactive 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>	

<p>2. 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>Operations Director (CSG)</p>	<p>Previously we followed up and reported:</p> <ul style="list-style-type: none"> Q2, 2016/17 - The recommendation was considered Partly Implemented until the following action was taken: <p><i>The supplier e-form will be rolled out to all users incorporating any changes required from the testing phase.</i></p> <ul style="list-style-type: none"> Q1, 2016/17 – The recommendation was considered Partly Implemented as the following remained outstanding: <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>Partly implemented</p> <p>The supplier e-form has been refined following user acceptance testing and is ready to be installed into the live environment. Following issues experienced with other e-forms, however, it been decided to make it available initially to a limited number of users before being fully rolled out to all users. Assuming no issues are identified, full rollout is expected by 1 February.</p> <p>Agreed action for full implementation:</p> <p>The action will be regarded as implemented once e-forms have been fully rolled out to all users.</p> <p>Revised implementation date:</p> <p>1 February 2017</p>
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Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
<p>3. IT Disaster Recovery</p> <p>March 2016</p> <p>ITDR Governance</p>	<p>Immediate</p> <p>Service Delivery Manager (CSG)</p>	<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><i>Not implemented (October 2016)</i> Final RTO's and RPO's have been submitted by the council (September 2016) for discussion with Capita. Until these are finalised Capita will not be able to report on them.</p> <p><i>Not implemented (July 2016)</i> Please see 4 (b) below. RTO's are still being reviewed with the council this cannot complete until they are agreed.</p>	<p>Partly Implemented RTOs and RPOs have been finalised, and the contract change documentation is being agreed. This level of reporting will be tabled at the next quarterly BC forum in Feb 2017.</p> <p>Agreed action for full implementation: Contract change to be made incorporating revised agreed RTOs and RPOs.</p> <p>Reporting as described to be made to the BC forum.</p> <p>Revised implementation date: 28 February 2017</p>
<p>4. IT Disaster Recovery</p> <p>March 2016</p>	<p>Immediate</p> <p>Service Delivery Manager (CSG)</p>	<p>b) Capita should immediately engage the Council to ensure that the recovery bandings, i.e. platinum, gold, silver and</p>	<p><i>Partially implemented (October 2016)</i> Capita have, with management, agreed that Platinum and Gold are now Tier 1 and Silver</p>	<p>Partly Implemented The bandings have been changed to Tier 1 and Tier 2 and the contractual issue</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
<p>Alignment of BCM recovery requirements with ITDR capability</p>		<p>bronze, are being delivered as per the contractual agreement. Where not, Capita should provision as part of the project. (Contract Specification)</p>	<p>and Bronze are Tier 2 based as their recover capabilities within Tier are identical. Capita have received an updated list of IT services from management (September 2016) and are in discussion with respect to moving them between tiers.</p> <p><i>Partially implemented (July 2016)</i> 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</p>	<p>(about the RPO not meeting the contractual obligation) has been resolved. The contract change documentation is now being finalised.</p> <p>Agreed action for full implementation: Contract change to be made incorporating the above.</p> <p>Revised implementation date: 31 January 2017</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
			<p>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 recovery requirements of IT services.</p>	

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
<p>5. IT Disaster Recovery – March 2016</p> <p>Alignment of BCM recovery requirements with ITDR capability</p>	<p>Immediate</p> <p>Emergency Planning and Business Continuity Manager (LBB)</p>	<p>c) In line with the governance finding (Recommendation 2.1d per report) 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><i>Not implemented (October 2016)</i> As per 4(b) Tiering of applications is still on going. Once complete this activity can start.</p> <p><i>Not implemented (July 2016)</i> As Capita and the council have not re-baselined this action is not possible.</p>	<p>Partly Implemented</p> <p>The base-lining activity has now been concluded and regular engagement will take place in line with the quarterly BC forums.</p> <p>Agreed action for full implementation: Engagement at quarterly BC forums.</p> <p>Revised implementation date: 28 February 2017</p>
<p>6. Insurance October 2016</p> <p>Third party insurance arrangements- Contractor liability</p>	<p>31 December 2016</p> <p>Head of Insurance</p>	<p>a) Parameters will be introduced and guidance included in procurement processes to ensure that contracts of a certain nature/value are reviewed by the insurance team to ensure that appropriate insurance provisions are included in the agreement and that third party insurance arrangements are verified. This is a</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly implemented</p> <p>Procurement confirmed required base insurance levels are highlighted in procurements they support together with a request that service leads/contract managers liaise with Insurance to confirm this is appropriate for the contract in question.</p> <p>Annual evidence of</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
		<p>corporate/Commercial risk and has been shared with the commercial team to ensure that commercial work with the insurance team to ensure that the appropriate contract processes, procedures and documentation fully reflect the practices needed.</p>		<p>insurances, as required by the contract, occurs in respect of the main CSG, DRS and Education Skills contracts. Proposed wording for inclusion in CPR and toolkit agreed between Insurance, Commercial and Procurement will support smaller procurements and contracts.</p> <p>Procurement are updating the CPRs, the scheduled review is at the beginning of 2017 for presentation to the Ethics & Probity Committee March 2017.</p> <p>The updates to CPR and toolkit will ensure that contract managers liaise with Insurance about insurance provisions in the contract regardless of value.</p> <p>Agreed actions for full implementation:</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
				<p>The recommendation will be regarded as implemented once evidence of the appropriate update of CPR and toolkit is provided.</p> <p>Revised implementation date: 31 March 2017</p>
<p>7. Insurance</p> <p>October 2016</p> <p>Third party insurance arrangements- Contractor liability</p>	<p>31 December 2016</p> <p>Head of Insurance</p>	<p>c) For outsourcing arrangements / contracts management will clarify with them when respective parties will be liable and this should be understood and applied by the claims handling team. We will develop a clear register of in/out sourced services linked to underwriting records and claims procedures.</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly implemented</p> <p>A Service Responsibility (SR) document is being prepared for review and use by insurance claims handlers as part of the claims handling process. The SR document will identify services delivered by contractors so that claims can be referred to the correct contractor where applicable. The SR document is specifically referred to in the updated Claims Handling procedure which is available to claims handlers to ensure that they are</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
				<p>aware of their responsibility to consider contractor liability for a claim, where applicable.</p> <p>Agreed actions for full implementation: A copy of the updated Service responsibility document referred to in the Claims handling procedures will be provided to audit.</p> <p>Revised implementation date: 31 March 2017</p>
<p>8. Insurance</p> <p>October 2016</p> <p>Third party insurance arrangements- Contractor liability</p>	<p>31 December 2016</p> <p>Commissioning Director - Environment</p>	<p>e) An agreement regarding liability and payment for claims in relation to services provided by Re will be progressed and resolved.</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly Implemented</p> <p>Re. have agreed in principal to liability arising from the contract (subject to limits and finer details) and Highways Claims Responsibility.</p> <p>Agreed actions for full implementation: Re. to provide a full response/comments on scenarios and claims process in advance of</p>

Audit Title, Date and Recommendation	Deadline and Responsible Officer(s)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Summary finding for reporting to January 2017 SCB and Audit Committee
				<p>follow up meeting scheduled for Thursday 26th Jan.</p> <p>LBB to provide costed claims data matched to scenarios in advance of meeting.</p> <p>Revised implementation date: 31st March 2017</p>

8. Re Operational Review – Phase 1 – Counter-Fraud follow-up

Policies and Procedures: Alignment with Council policies, Statutory Legislation and Roles and Responsibilities (Counter Fraud Framework extract)

At the November 2016 Audit Committee it was requested that the deadline against the following Medium priority recommendation be brought forward to 31st December 2016 and the implementation status confirmed back to the January 2017 Audit Committee meeting:

Detailed finding	Risk	Recommendation	Risk Category	Management response	Audit Assessment January 2017
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Detailed finding	Risk	Recommendation	Risk Category	Management response	Audit Assessment January 2017
<p><u>Alignment to Counter Fraud Framework</u></p> <p>We also assessed whether the procedure documents in place were aligned to the Council's Counter Fraud Strategy and whether counter fraud provisions were embedded within procedure documents.</p> <p>We found:</p> <ul style="list-style-type: none"> • 4/16 (25%) procedures tested were areas susceptible to fraud/ money laundering, however, procedure documents did not include fraud indicators or highlight where Officers should refer cases to the Council's Corporate Anti-Fraud Team for advice and assistance; <ul style="list-style-type: none"> ○ Food hygiene inspections; ○ Investigating and resolving Trading Standards offences; ○ Awarding pick up licenses for scrap 	<p>If policies and procedures do not define related expectations clearly and do not align to other relevant Council policies, available legislation or national guidance/standards then there is a risk that activity may be undertaken inappropriately or inconsistently resulting in required outcomes not being achieved and the objectives of the Council and Joint Venture may not be realised.</p> <p>If policies and</p>	<p>a) Management should ensure that procedure documents include where Officers should make referrals relating to internal fraud, External fraud against the Council or money laundering offences to the Corporate Anti-Fraud team</p>	<p>Medium</p>	<p>Action 1: Capita already have in place online anti-fraud awareness training in place.</p> <p>Compare and contrast Barnet policies to Capita policies and if there are any gaps add gaps to the module and introduce onto desktop (as was done in the conflict of interest training).</p> <p>Responsible officer: Senior Commercial Manager, to advise QHSE Manager of any adaptation to the module required</p> <p>Original Target date: March 2017</p> <p>Revised Target Date (post November Audit Committee): December 2016</p>	<p>Partly Implemented</p> <p>Re have reviewed the content of the training module against LBB's Policy and confirmed that the Capita Financial Crime online training does match the Council's Policy.</p> <p>Agreed Action for Full Implementation</p> <p>CAFT to review content of training module as part of ongoing liaison arrangements (see Action 2 below)</p> <p>Revised Implementation Date:</p> <p>31 March 2017</p>

Detailed finding	Risk	Recommendation	Risk Category	Management response	Audit Assessment January 2017
<p>metal; and</p> <ul style="list-style-type: none"> o Planning Applications. 	<p>procedures do not refer officers to the appropriate role/team where applicable then decisions or responsibilities may be discharged by personnel without the prerequisite knowledge or experience resulting in required outcomes not being achieved.</p>			<p>Action 2: Re service areas to meet with CAFT colleagues to discuss procedures which are susceptible to fraud/ money laundering, ensure service areas are aware of CAFT and highlight routes to make referrals where there is a suspicion of frau/money laundering.</p> <p>Responsible Officer: Interim Assistant Director, Planning and Building Control</p> <p>Service Director – Highways</p> <p>Service Director – Regeneration & Strategic Planning</p> <p>Service Director – Regulatory Services</p> <p>Target date: December 2016</p>	<p>Partly Implemented</p> <p>Conversations have taken place between Re and CAFT with follow up actions identified.</p> <p>Agreed Action for Full Implementation</p> <p>Follow-Up Action dates to be agreed and actions to be completed.</p> <p>Revised Implementation Date:</p> <p>31 March 2017</p>

9. Implemented actions

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

Audit Title, Date and Recommendation / Agreed Action
1. Procurement - Compliance with Contract Procedure Rules - November 2015 - Contracts Register - Re
2. Schemes of Delegation - February 2016 - Changes to standing data
3. IT Disaster Recovery - March 2016 - ITDR planned technical recovery capability
4. IT Disaster Recovery - March 2016 - Interim IT Disaster Recovery
5. Supervision - Adults and Communities - July 2016 - Quality review: Compliance with supervision policies and procedures
6. Insurance - October 2016 - Third party insurance arrangements- Contractor liability: The assessment of liability, accepting liability or declining liability process in the Insurance Claims Process Manual will be updated to include details and prompts around the determination of contractor liability for insurance claims
7. Insurance - October 2016 - Third party insurance arrangements- Contractor liability: Contractors processing claims in relation to services provided on behalf of the Council will be made aware of the Council's expected standards for claims processing.

10. Internal Audit effectiveness review

Performance Indicator	Target	End of Quarter 3
% of plan delivered	65%*	62%
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 / Reasonable • Limited • No Assurance • N/A 	N/A	7% 75% 5% - 14%
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> • Implemented • Partly implemented • Not implemented in quarter when due	90%	47% 53% 0%

* 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 7 above, the progress of the 15 high priority recommendations / actions due for implementation in quarter 3 is that 47% of recommendations have been fully implemented compared to a target of 90%. 53% have been partly implemented.

A summary of the status is as follows:

Status	Number	%
Implemented	7	47%
Partly Implemented	8	53%
Not implemented	0	0%
Total	15	100

11.Changes to our plan

Since the Internal Audit Plan was agreed in April 2016 there have been changes to audits originally planned for Q2 as follows:

Type	Audit Title	Reasons
Additional	Contract Management – Contract Register Maintenance	Added to plan in response to emerging risk identified through risk register update discussions
Additional	Capital Development Pipeline - Re projects - Lessons Learnt	Added to plan due to 'Tranche 0' having completed and 'Tranche 1' being considered no longer viable
Additional	Section 106	Added to plan as agreed with Commissioning Director for Growth
Deferred	DLO audit	Deferred to 2017/18 in light of ongoing considerations around the restructuring of the service and operating model
Deferred	SWIFT to MOSAIC data migration	Deferred to Q4 to better align with the project's data migration plan
Deferred	Investing in IT – Lessons Learnt	Deferred to delays with implementation of MOSAIC
Deferred	IT Risk Diagnostic	Deferred to Q1 of 2017/18 due to the prioritisation of follow up work around ITDR and IT Change Management and potential duplication with the CSG 3 Year review
Deferred	IT Strategy Phase 2 - Implementation	Deferred pending outcome of IT Risk Diagnostic exercise
Deferred	Catering traded service	Deferred as completed review of wider Education & Skills ADM in Q3. Report stated that recommendations relevant to all Boards, including Catering Partnership Board or Catering Contract Monitoring Board. The Catering boards will be included in the 2017/18 follow-up review

12.Risk Management

The performance report for Quarter 2 2016/17 was presented to the Performance and Contract Monitoring Committee on 15th November 2016 and can be found via the link below:

<http://barnet.moderngov.co.uk/documents/s35981/Q2%20PCM%20report%20for%20PCM%20FINAL.pdf>

Appendix J to the report is the Quarter 2 corporate risk register.

As highlighted in the Quarter 1 update the Interim Chief Executive commissioned a thorough review of the risk management across the organisation. This review provided 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.

The updated Risk Management Framework was included within the November Performance and Contract Monitoring Committee papers and can be found here:
<http://barnet.moderngov.co.uk/documents/s35996/Appendix%20K%20-%20Risk%20Management%20Framework%20V2%20PCM%20FINAL%20261016.pdf>

The Risk Management Framework was not discussed at the November meeting and was therefore added to the agenda for the 5th January 2017 meeting.

Appendix A: Definition of risk categories and assurance levels

Findings rating	Description
<p>Critical</p> <p>40 points per finding</p>	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or • 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; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • 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</p> <p>10 points per finding</p>	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • 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</p> <p>3 points per finding</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • 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; or • 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; or • 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</p> <p>1 point per</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or

finding	<ul style="list-style-type: none"> • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Advisory 0 points per finding	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.

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.

Appendix 2

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

Executive Summary

An internal audit was conducted 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 issues and as a result, 6 overarching recommendations were made with 30 agreed actions underpinning them.

The follow up reviews have been undertaken using a two phased approach. Phase 1 was conducted in June 2016 and considered the recommendations that were made regarding control design to address deficiencies identified in the internal audit. Phase 1 was also determined by the actions that were marked as either completed within the internal audit report, or where the action due date was set for April or May 2016.

Phase 2 was conducted in November 2016 and considered all the outstanding actions considering the extent to which controls have been designed, embedded and are operating effectively over a period of time. Of the 30 actions highlighted from the original audit in March 2016, 14 were followed up during Phase 1 from which 8 were implemented. Therefore, it resulted that 22 actions were still open to be reviewed during Phase 2 and final follow up. From those, 5 (23%) have been implemented while 11 (50%) are still in progress and 6 (27%) have not been addressed (no progress has been made with implementing the original agreed action).

During the Phase 2 review, we were informed that the service management toolset in use (ServiceNow) will be enhanced during the first half of 2017 to help better manage some of the IT service management processes, including Change Management. We have been informed that some of the outstanding findings have therefore not yet been addressed, due to this impending project and their due dates have therefore been revised accordingly.

Status	Description	Phase 1 Results	Phase 2 Results	Current Status
Implemented	Evidence provided to demonstrate that the action is complete	8 / 14	5 / 22	13 / 30
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	3 / 14	11 / 22	11 / 30
Unconfirmed	Exceptional case where evidence was unable to be provided but both the Council and Capita CSG confirm that the action is complete	1 / 14	-	-
Not Implemented	No evidence seen of the action being progressed or completed	2 / 14	6 / 22	6 / 30

Status	Description	High Priority	Medium Priority	Low Priority	Total
Implemented	Evidence provided to demonstrate that the action is complete	4 / 14	6 / 13	3 / 3	13
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	6 / 14	5 / 13	-	11
Not Implemented	No evidence seen of the action being progressed or completed	4 / 14	2 / 13	-	6

Since the audit fieldwork in November, management have taken further action and a summary of progress at January 2017 as per management is below. **This has not been verified by audit** but is included here for reference.

Status	Description	High Priority	Medium Priority	Low Priority	Total
Implemented	Evidence provided to demonstrate that the action is complete	10 / 14	9 / 13	3 / 3	22
Partially Implemented	Evidence provided to show that progress has been made but the action is not yet complete	3 / 14	3 / 13	-	5
Not Implemented	No evidence seen of the action being progressed or completed	1 / 14	1 / 13	-	2

2) Detailed Status Updates

Audit finding, date and recommendation (March 2016)	Audit follow-up status (November 2016)
1) Process Lifecycle: Control design – High Risk	
1.1 Configuration records are not updated in a timely manner after an IT change resulting in inaccurate IT configuration information available for future IT change impact assessment and dependency analysis. The lack of auditable updates to configuration information post change implementation means that dependency and configuration information cannot be relied upon when assessing an IT change increasing the likelihood that future IT changes will fail.	
<p>a) Upgrade to a scalable relational Configuration Management Database (CMDB) tool to enable the auditable capture of CI dependencies and configuration information.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 31st August 2016 New target date: 30th June 2017</p>	<p><u>Not Implemented</u></p> <p>We examined <i>P0073 Operational Procedure for CMDB updates</i> (issued 12th October 2016).</p> <p>We noted that this document is in a draft stage and outlines the process to update the <i>Current Fixed Asset v7</i> spreadsheet (in lieu of a relational CMDB). Since the last review, we noted that the spreadsheets have been updated to include the latest CMDB information and that the Change Management process is designed to keep this data current. However, the spreadsheet still does not record dependencies between CIs (Configuration Items) and therefore it is not possible to identify the dependent IT services that may be impacted by a change. Migration to a scalable relational configuration management database is planned but yet to be implemented.</p> <p>Capita has advised that this recommendation is planned to be addressed with the new implementation of ServiceNow in 2017.</p>
<p>b) Ensure that CIs are routinely updated into the CMDB through the IT Change Management process.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Implemented</u></p> <p>We examined <i>P0073 Operational Procedure for CMDB updates</i> (issued 12th October 2016) and the <i>Current Fixed Asset v7</i> spreadsheet.</p> <p>We noted that there is a process to update the spreadsheet (see finding 1.1a). When analysing it, we observed that:</p> <ul style="list-style-type: none"> • CIs are not deleted but are struck through when updates are made, preserving an auditable trail;

<p>Original target date: 31st August 2016</p>	<ul style="list-style-type: none"> • There is a version control page outlining the latest CIs for each asset; and • It is updated by the owner of each area (e.g. network, server estate, applications) and reviewed by the IT Change Manager prior to closing the change record. <p>We examined a sample of 25 change records between 7th June 2016 and 2nd November 2016 that were recorded within the ServiceNow service management toolset and noted that:</p> <ul style="list-style-type: none"> • The workflow has been updated with instructions to update the CMDB and Post Implementation review steps, prior to the IT Change Manager closing the ticket; and • Within the notes field of all 25 change records, we were able to confirm a note from the change implementer stating whether the CMDB needed to be updated or not. <p>Therefore, although a formal relational CMDB is yet to be implemented, a process to routinely update changes to configuration records through the IT Change Management process is in place.</p>
<p>1.2 Changes are not reviewed to determine whether they were 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.</p>	
<p>c) Perform post-change evaluations and ensure change records are closed</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 31st August 2016 New target date: 2nd January 2017</p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p>	<p><u>Partially Implemented</u></p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p> <p>As noted in 1.1b, as part of updating the change logs in the CMDB, post-change evaluations are conducted.</p> <p>We noted that the IT Change Manager reviews all the change records before closing them. However there is currently a backlog that the IT Change Manager is yet to complete.</p> <p>We have also examined a sample of 25 change records between 7th June 2016 and 2nd November 2016 recorded within ServiceNow and noted that 13 are not marked as closed (52%). From those, 10 were marked as implemented as follows:</p> <ul style="list-style-type: none"> • 3 were marked as implemented more than 2 months ago: <ul style="list-style-type: none"> ○ 1 Minor change;

	<ul style="list-style-type: none"> ○ 1 Significant change; and ○ 1 Major change. ● 4 were marked as implemented in September: <ul style="list-style-type: none"> ○ 3 Significant changes; ○ 1 Major change. ● 3 were marked as implemented in October: <ul style="list-style-type: none"> ○ 1 Minor change; ○ 2 Significant changes. <p>10 change records remain open due to the IT Change Manager needing to work through a backlog of change requests.</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 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>Original target date: 2nd September 2016 New target date: 30th June 2017</p>	<p><u>Partially Implemented</u></p> <p>We examined the <i>ICT Monthly Report July</i>, <i>ICT CSG Monthly Report August v2</i> and <i>ICT CSG Monthly Report September</i>.</p> <p>From the documents reviewed, metrics are provided on:</p> <ul style="list-style-type: none"> ● The number of major, significant and minor changes ● The number of changes progressed and approved via Technical and Customer CABs ● The number of failed changes raised. <p>The report currently lacks commentary to analyse the data. It should be noted that the process to extract the number of failed changes is manual as ServiceNow has not been configured to provide such information. Therefore, to mitigate the residual risk of the accuracy of data a new change request status (e.g. Cancelled, Failed, etc.) should be included in ServiceNow to reflect the real status of each change. We have been advised that this will be addressed as part of the new implementation of ServiceNow in 2017.</p>
<p>1.3. 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>b) Incorporate project-related changes to the existing reports.</p>	<p><u>Partially Implemented</u></p>

<p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 12th April 2016 New target date: 28th February 2017</p>	<p>We examined the <i>ICT Monthly Report July</i>, <i>ICT CSG Monthly Report August v2</i> and <i>ICT CSG Monthly Report September</i>.</p> <p>From the documents reviewed, we noted that only the September report included the number of project-related changes. However, it wasn't possible to understand how many major, minor, emergency or standard changes were raised regarding projects, or how many project related changes failed. We were also able to examine the final November report where details about project-related changes were provided, however the report lacked commentary to analyse the data.</p> <p>Given that this finding was due to be implemented in April and that evidence of the implementation was only seen at the end of this review (in November), we can conclude that the monthly report is still evolving and therefore not yet embedded or at the required level of maturity. Once the report format has been finalised, a template or documented procedure would be helpful, to ensure consistency with the information reported upon each month.</p>
<p>2) Change Testing & Validation: Control design - High Risk</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>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG) IT Contract Manager (LLB)</p> <p>Original target date: 28th October 2016 New target date: 31st March 2017</p>	<p><u>Partially Implemented</u></p> <p>We examined <i>P0066 Systems and Applications register v1</i> as well as a sample of emails exchanged with the business to address the criticality of each system.</p> <p>We noted that a re-classification of all IT service criticalities was performed as a one-off exercise for ascertaining IT DR requirements. A tiered (Tier 1, Tier 2 and no DR) approach was taken to re-classify the IT Services with the business involvement and approval.</p> <p>Capita stated that a formal annual review of the criticality list is planned, however no evidence of this formal process has been seen. In addition, the process to update system criticality from a change management perspective is not clearly documented or defined.</p> <p>We were also informed that changes required in the mid-year can be addressed in the monthly Service</p>

	<p>Review Meeting, Project Operating Board and Delivery Board, however, evidence of these reviews were not provided.</p> <p>It is also worth noting that technical work has yet to be undertaken to implement the DR arrangements in line with the reclassification of tiers. It is therefore not yet possible to differentiate the level of change control required by the criticality of each IT service.</p>
<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</p> <p>Responsible Officer: Head of Service Delivery (CSG) Operations Manager (CSG)</p> <p>Original target date: 8th July 2016 New target date: 2nd January 2017</p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p>	<p><u>Partially Implemented</u></p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p> <p>We examined <i>P0066 Systems and Applications Register v1</i>.</p> <p>We noted from the documentation reviewed that there is a record of which applications have a User Acceptance Testing (UAT) environment.</p> <p>Additionally, there is a record of whether test and production environments are like-for-like. Out of 129 applications, 100 (78%) do not have test environments. For the remaining 29, 11 (38%) do not have a like-for-like environment. During our interviews we were informed that whenever a change is requested to a system without a test environment, options are presented to Council for their consideration.</p> <p>Although an example has been provided where the implementation of a new Social Care system included a test environment, no documentation was provided to evidence that a solution was presented to Council regarding changes to an implemented system without a test environment. Therefore we were unable to confirm the extent to which this process is operationally embedded. Documentation that demonstrates alternative proposed options which were presented to Council, along with Council's response should be collated and attached to the change record in order to mitigate the risk.</p>
<p>c) Where proposed options are declined by the Council, ensure that the risk of IT change is formally accepted by the Council and is reviewed regularly by CSG and Barnet Council management.</p>	<p><u>Partially Implemented</u></p> <p><u>Note: As per management this was fully implemented on 9th January 2017. This has not been verified by audit.</u></p> <p>Based on the previous finding 2.1b and the sample reviewed, there was no evidence regarding a formal</p>

<p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Projects and Programs (CSG) Head of Service Delivery (CSG) Operations Manager (CSG)</p> <p>Original Target date: 8th July 2016 New target date: 9th January 2017</p> <p><u>Note: As per management this was fully implemented on 9th January 2017. This has not been verified by audit.</u></p>	<p>acceptance of risk by Council.</p> <p>However, Council has informed us that these discussions do take place and that the business is aware of the risks and accept them. As this risk acceptance is not formally recorded, we were unable to evidence that this is occurring. Documentation that demonstrates alternative proposed options which were presented to Council, along with Council's response should be collated and attached to the change record in order to mitigate the risk.</p>
<p>2.2 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) Where possible, test back-out plans. Testing may either be performed periodically (with an appropriate frequency schedule during the year) or in real time, specifically as part of the change request to ensure confidence that the back-out plan will work as expected. Where back-out plans cannot be tested, this risk should be made aware to the Technical and Customer CAB when presenting the RFC and formally documented in the change record.</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Not Implemented</u></p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p> <p>We reviewed 25 records between 7th June 2016 and 2nd November 2016.</p> <p>During a walkthrough of ServiceNow, we noted that:</p> <ul style="list-style-type: none"> • 8 out of 25 records (32%) were Cancelled (6 records) or Informational only (2 records); • There was no evidence showing testing of back-out plans for any of the remaining 17 change records.

<p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 12th April 2016 New target date: 2nd January 2017</p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p>	<p>Additionally, where back-out plans could not be tested, the associated risks were not escalated to the Technical and Customer CAB.</p>
<p>b) Specify under which conditions the back-out plan should be invoked.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 12th April 2016 New target date: 2nd January 2017</p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p>	<p><u>Not Implemented</u></p> <p><u>Note: As per management this was fully implemented on 2nd January 2017. This has not been verified by audit.</u></p> <p>We reviewed 25 change records between 7th June 2016 and 2nd November 2016 and noted that there is no defined criteria to invoke the back-out plan for any of the reviewed change records.</p> <p>Consequently, change requesters will not know when a back-out plan should be executed, increasing the likelihood and impact of a prolonged outage.</p>
<p>c) For back-out plans that are dependent upon data restoration from backup, CSG should ensure that the data restoration time is known and confirmed through testing.</p> <p>Action: Recommendation accepted & completed</p>	<p><u>Not Implemented</u></p> <p><u>Note: As per management this was fully implemented on 9th January 2017. This has not been verified by audit.</u></p> <p>During the walkthrough of change records in ServiceNow, we noted that there is no evidence of testing of a back-out plan. Therefore, when the procedure is dependent upon data restoration from backup, no</p>

<p>Responsible Officer: Operations Manager (CSG)</p> <p>Original target date: 4th April 2016 New target date: 9th January 2017</p> <p><u>Note: As per management this was fully implemented on 9th January 2017. This has not been verified by audit.</u></p>	<p>test is performed to ensure:</p> <ol style="list-style-type: none"> The restoration time is known. The back-out plan will work. <p>We have been advised that the time needed for a complete data restoration of the IT estate is 12 hours, however this 12-hour window is not built into the change time window. The current practice is to base the change time window on experience of previous data restorations. While experience may indicate that a shorter restoration time is possible, this is not guaranteed and as such, the data restoration time should be communicated as 12 hours (worst case scenario) for approval by the CAB.</p>
<p>3) Result of Sample Records Testing: Operating effectiveness – Medium Risk</p>	
<p>3.1 A lack of work plan increases the likelihood of unforeseen IT incidents during the Change Management process, causing a prolonged impact to Council services.</p>	
<p>a) The IT Change Manager must ensure that for all major changes, the full work plan is completed in line with Change Management procedures and attached to the change request.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Partially Implemented</u></p> <p><u>Note: As per management this was fully implemented on 5th December 2016. This has not been verified by audit.</u></p> <p>We reviewed 25 change records between 7th June 2016 and 2nd November 2016.</p> <p>Of the 25 change records sampled, 8 change records (32%) were marked as being major changes which, in line with Change Management procedures, require a full work plan. From the 8 major changes we noted:</p> <ul style="list-style-type: none"> 7 records (87.5%) included a full work plan; 1 record (12.5%) did not include a full work plan however, the IT Change Manager did not classify

<p>Original target date: 4th April 2016 New target date: 5th December 2016</p> <p><u>Note: As per management this was fully implemented on 5th December 2016. This has not been verified by audit.</u></p>	<p>that record as a major change.</p> <p>After further analysis, the record that did not include a full work plan referred to a firewall change which is templated and classified as a standard minor change. After reviewing the impact assessment, we noted that not all fields are correctly populated (they are blank) and cannot be changed (fields are blocked for amendments). We noted the change was reviewed at Technical CAB as a minor change. We were also informed by Capita that this was due to a manual error while reviewing the change.</p> <p>It is worth mentioning that the risk assessment was not fully populated in ServiceNow which, by default, should have flagged this change as a major change. This situation highlights the risk of human error leading to incorrect change classification which may lead to lack of governance on major changes (accidentally classified as minor changes) which can then lead to unexpected IT outages.</p>
<p>b) Release Management is the process responsible for planning, scheduling and controlling the build, test and deployment of releases. It is also responsible for delivering new functionality required by the business while protecting the integrity of existing services. The Release Manager should review Requests for Change (RFCs) to determine when these changes should be packaged as releases.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: IT Contract Manager (LBB) Head of Service Delivery (CSG)</p> <p>Original target date: 4th April 2016 New target date: 31st March 2017</p>	<p><u>Not Implemented</u></p> <p>We examined <i>P0035 Server Estate Patching by Capita Central Services v2</i> (issued 14th November 2015) and <i>P0020 v5 Desktop Patch Management Policy</i> (issued 5th November 2016).</p> <p>Changes are not reviewed to determine how they could be built, tested and deployed together. As a result, more releases may be raised than is necessary, resulting in an increased risk to the number of change-related outages.</p>

<p>3.2 A lack of back-out plan and testing of the back-out plan increases the likelihood of unforeseen IT incidents during release/implementation which may cause impact to Council services.</p>	
<p>The IT Change Manager must ensure that essential documentation such as back-out plans are in place for all standard and emergency change requests. Where not applicable, clear justification should be provided and documented in the change request ticket.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original Target date: 4th April 2016</p>	<p><u>Implemented</u></p> <p>We reviewed 25 change records between 7th June 2016 and 2nd November 2016 of which 8 were considered to be standard or emergency changes.</p> <p>6 of the 8 records (75%) included a back-out plan and although 2 of the 8 records (25%) did not have back-out plans defined, they were “Informational only” changes and as such, did not require a back-out plan to be provided.</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>a) The IT Change Manager must ensure that essential documentation including test plans are in place for all standard and emergency change requests. Where not applicable, clear justification should be provided and documented.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p>	<p><u>Partially Implemented</u></p> <p><u>Note: As per management this was fully implemented on 5th December 2016. This has not been verified by audit.</u></p> <p>We reviewed 25 records between 7th June 2016 and 2nd November 2016 of which 8 were considered to be standard or emergency changes.</p> <p>For 1 record (12.5%) from the 8, a test plan was not provided and no clear justification was documented.</p> <p>Additionally, for the remaining change records, results of testing were not documented.</p>

<p>Original target date: 4th April 2016 New target date: 5th December 2016</p> <p><u>Note: As per management this was fully implemented on 5th December 2016. This has not been verified by audit.</u></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.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 8th July 2016 New target date: 2nd December 2016</p> <p><u>Note: As per management this was fully implemented on 2nd December 2016. This has not been verified by audit.</u></p>	<p><u>Not Implemented</u></p> <p><u>Note: As per management this was fully implemented on 2nd December 2016. This has not been verified by audit.</u></p> <p>As mentioned in 2.1b, we examined <i>P0066 Systems and Applications Register v1</i> and noted that out of 129 applications, 100 (78%) do not have test environments. For the remaining 29, 11 (38%) do not have a like-for-like environment.</p> <p>We did not see evidence of stakeholders being aware of the risks of not having like-for-like configured test environments and their corresponding response in accepting the risks.</p>
<p>3.4 Change records are not closed 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</p>	
<p>a) The IT Change Manager must ensure that all change records are closed in a timely manner.</p>	<p><u>Partially Implemented</u></p> <p>As mentioned in 1.1b, we examined <i>P0073 Operational Procedure for CMDB updates</i> (issued 12th</p>

<p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 31st August 2016 New target date: 28th February 2017</p>	<p>October 2016) that outlines the process to update the <i>Current Fixed Asset v7</i> spreadsheet (considered to be the CMDB). As part of that process, the IT Change Manager is responsible for the review and closure of all the change records.</p> <p>For further information, please refer to finding 1.2 c. We have been advised that an additional resource is being recruited in January to assist with the Change and Configuration Management process and that this should help clear the backlog.</p>
<p>b) The Configuration Management process requires maturity, to ensure all configuration information is captured and updated in a timely manner.</p> <p>Action: Recommendation accepted</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 31st August 2016 New target date: 30th June 2017</p>	<p><u>Partially Implemented</u></p> <p>We examined <i>P0073 Operational Procedure for CMDB updates</i> which is still in draft (dated 12th October 2016). This document outlines the process to update the <i>Current Fixed Asset v7 Spreadsheet</i> and noted that:</p> <ul style="list-style-type: none"> • Within that process, CIs are not deleted but are struck through. • A version control front page is created in the spreadsheet, outlining the latest CIs for each asset. <p>From the walkthrough within ServiceNow, we were also able to note that:</p> <ul style="list-style-type: none"> • The ServiceNow workflow was updated to include a step to confirm whether the CMDB needs to be updated or not, which is reviewed by the IT Change Manager. • Within the notes field of each change record we were able to confirm a note from the implementer stating if the CMDB needed to be updated or not. <p>Although a process to update the CMDB is in place, we concluded that:</p> <ul style="list-style-type: none"> • A scalable relational configuration management database is yet to be implemented leading to a lack of dependency linkage between CIs. • The CMDB was initially updated based on discovery tools. However, since that period it now relies on manual updates from the change implementer and post-implementation review done by the IT Change Manager. <p>We noted that with an average of 80 change requests made each month, the process in place is not able to handle the volume of updates required, and this has resulted in a backlog of configuration updates. Consequently, there is still a risk of change records not being closed in a timely manner, resulting in</p>

	<p>inaccurate status reporting and potential inaccuracies to IT configuration information available for future IT change impact assessments.</p> <p>We have been advised that an additional resource is being recruited in January to assist with the Change and Configuration Management process and that this should help clear the backlog. Furthermore, we have been advised that the implementation of the ServiceNow upgrade is intended to address these process deficiencies.</p>
<p>4) Continuous Service Improvement – Operating Effectiveness - Medium Risk</p>	
<p>4.1 The root cause of incidents resulting from failed changes are not identified, resulting in opportunities for improvement not being identified and an increased likelihood of similar incidents occurring in the future. Not every failed change will result in an incident. Performing root cause analysis only in the event of a major incident is not effective in capturing the reasons behind failed changes. Design and operating deficiencies within the change management process cannot be effectively identified unless the cause of failed change is known. Lack of understanding behind failed changes prohibits service improvement and can result in a repeat of incidents.</p>	
<p>Investigate all failed changes. Failed change investigation reports must identify the root cause of change failure and actions taken against the root cause to improve the process.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 4th April 2016</p>	<p><u>Implemented</u></p> <p>We examined June 2016 Failed Change Review minutes (dated 27/07/2016) as well as Failed Change Reports CHG0054614, CHG0055977, CHG0054472, CHG0055824 and CHG0056343.</p> <p>We noted that, in each failed change report, information was provided documenting:</p> <ul style="list-style-type: none"> • The situation around the failed change; • Possible root cause; and • What steps should be taken to ensure that changes of a similar nature do not fail in the future.
<p>4.2 Actions identified from post change reviews are not input into a service improvement plan resulting in a repeat of incidents that could have been prevented.</p>	
<p>Review all failed changes for root cause analysis and lessons learned. Routinely review and consolidate the lessons learned into the</p>	<p><u>Partially Implemented</u></p>

<p>Service Improvement Plan, to prevent similar incidents repeating in the future.</p> <p>Action: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 4th April 2016 New target date: 28th February 2017</p>	<p>We examined <i>July 2016 Failed Change Review minutes</i> (dated 27/07/2016) as well as the <i>P0030 Change Management Procedure</i>.</p> <ul style="list-style-type: none"> We noted that failed changes are reviewed quarterly and that these are also reported in the monthly service report. Failed change reports are reviewed in the monthly meetings in order to validate trends and common issues. <p>However, a Service Improvement Plan in which to formally consolidate lessons learned and enable Continuous Service Improvement is not in place.</p> <p>It should also be noted that at the time of this review, a major incident and failed changes tracker has been recently designed. This is intended to centralise information relating to the root cause of incidents and failed changes as well as to enable analysis for lessons learned.</p> <p>We have been advised that since November, failed changes have started to be reviewed with the Council fortnightly. To consider this risk fully mitigated, we would need to evidence a fully embedded process where failed changes were reviewed and actions captured in the service improvement plan on a regular basis.</p>
<p>5) Governance of IT Change Management: Control design - Medium Risk</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 Changes fails or is scheduled at a time that is vital to business operations.</p>	
<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>Implemented</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.</p> <p>We were able to see evidence that further revisions have been made since the Phase 1 review. The document was approved by the CSG Service Delivery Manager on 22nd June 2016. Evidence to show</p>

<p>completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Original target date: 8th July 2016</p>	<p>review by the Council was no longer required as this is an internal Capita document.</p> <p>We also examined <i>P0069 Terms of Reference for Customer CAB for the London Borough of Barnet v1.1</i> dated 25th October 2016.</p> <p>This document was reviewed with Council management and acceptance was confirmed via an email dated 25th October 2016. Implementation of this document is considered complete.</p>
<p>6) Expectations Management – Control Design – Low Risk</p>	
<p>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>	
<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: Recommendation accepted & completed</p> <p>Responsible Officer: Head of Service Delivery (CSG)</p> <p>Target date: 28th October 2016</p>	<p><u>Implemented</u></p> <p>We examined the intranet page where the SLAs and KPIs are made available to the Council Staff.</p> <p>We noted that definitions for KPIs such as Critical Availability, User Satisfaction, Incident Resolution and Year 1 targets are provided as well as measurement periods for KPIs.</p> <p>We also examined <i>ICT Monthly Report July, ICT CSG Monthly Report August v2</i> and <i>ICT CSG Monthly Report September</i> where we were able to confirm that the Service Quality is reported to the Council's Senior Management Team.</p>

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	<h2>Audit Committee</h2> <h3>30th January 2017</h3>
Title	Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1st October – 31st December 2016
Report of	Clair Green – Interim Assurance Director
Wards	All
Status	Public
Enclosures	Appendix 1:- CAFT Q3 Progress Report: 1st October – 31 st December 2016.
Officer Contact Details	Clair Green clair.green@barnet.gov.uk 0208 359 7791

Summary

This report covers the period 1st October – 31st December 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 October – 31st December 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 they are able to investigate all referrals that are passed to them 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 of 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.

5.5.3 There are no particular equalities issues arising from this report.

5.5 **Consultation and Engagement**

5.1 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?CId=144&MId=8416&Ver=4> :

Appendix 1

Corporate Anti-Fraud Team (CAFT) Quarter 3 Progress Report 1st October – 31st December 2016

**Clair Green
Interim Assurance Director
18th January 2017**

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

1. Introduction

This report covers the period 1st September 2016 – 31st December 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.

In October 2016 CAFT introduced 'Simple Cautions' as a sanction where fraud and Blue Badge misuse had been proved in accordance with our Fraud, Bribery and Corruption Policy.

A 'Simple Caution' is an alternative sanction to prosecution with the following aims:

- To offer a proportionate response to low-level offending where the offender has admitted the offence;
- To deliver swift, simple and effective justice that carries a deterrent effect;
- To record an individual's criminal conduct for possible reference in future criminal proceedings or in criminal record or other similar checks;
- To reduce the likelihood of re-offending;
- To increase the amount of time police/council officers spend dealing with more serious crime and reduce the amount of time officers spend completing paperwork and attending court, whilst simultaneously reducing the burden on the courts.

A simple caution can form part of the defendant's criminal record and can be referred to in future court proceedings.

Between 1st October and 31st December 2016 The CAFT administered 19 cautions (see statistics and noteworthy cases below)

2. Pro-active fraud plan

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

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>A proactive exercise was carried out by CAFT during this period. This exercise took place on 30th November 2016 in the High Barnet area along with Met Police Officers and an NSL officer.</p> <p>The operation resulted in 4 blue badges being seized due to misuse (of these 1 was a cancelled badge and 3 were valid badges but the badge holder was not present), a further 2 badges were processed for further investigation; the operation therefore in total creating 6 new cases.</p> <p>This half day operation also resulted in 5 Penalty Charge Notices being issued for other parking contraventions.</p>
<p>Secondary Schools Admissions Exercise</p> <p>Secondary Schools Admissions applications closed on the 31st October 2016.</p>	<p>As part of this exercise we have used 7,893 school admissions entries from seven heavily subscribed secondary schools in order to proactively check and validate applications before offers are made.</p> <p>This exercise is currently in progress and outcomes of this exercise will be reported in due course.</p>
<p>National Fraud Initiative Exercise</p> <p>The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.</p>	<p>Various data sets from across the Council and Barnet Homes data sets were uploaded in October 2016.</p> <p>Data matches are expected to be received at the end of January 2017.</p>

3. Performance Information

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	Q3 2016-17	Comments
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		
Number of carried forward Fraud investigations from Q2	34	
Number of new fraud investigations	8	
Total Number of closed fraud investigations	25	Please refer to noteworthy investigations sections of the report for further details if fraud is proven.
Total number of on-going fraud investigations	17	Of these 17 investigations, 2 relate to Adults, 5 relate to schools and family services, 4 relate to Street Scenes, 2 relate to CSG, 3 relate to the Commissioning Group and 1 relates to Assurance Group
Number of staff no longer employed / dismissed as a result of CAFT investigations.	Nil this quarter	
Disabled Blue Badge Misuse and Fraud 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 Q2	82	
Number of new BB referrals received	50	
Number of BB cases closed	84	9 cases were successfully prosecuted and 17 were given Formal Cautions (Please refer to noteworthy investigations sections) 2 closed fraud Proven, 9 closed No fraud, 20 Warning letters issued, 23 Closed insufficient evidence and 4 cases referred to the police
Open On-going BB investigations	48	5 cases are already with our legal team for prosecution 7 are being considered for Formal cautions and 36 are on-going investigations
Financial Investigations - 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 Q2	10	

Number of new Financial investigations	3	
Number of closed Financial investigations	1	
Total Number of on-going Financial investigations	12	Of these investigations, 6 relate to planning, 1 relates to Revs and Bens, 1 relates to Trading standards and 3 relate to Adults and Communities, 1 relates to Children's services. Details of cases are reported on closure if fraud is proven or another sanction given.
<p>Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.</p> <p>CAFT provide a detailed monthly statistical report, along with a more comprehensive quarterly 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.</p>		
Number of carried forward Tenancy Fraud investigations from Q2	102	
Number of new Tenancy Fraud investigations this quarter	60	
Total Number of closed Tenancy Fraud investigations this quarter	86	
Total number of on-going Tenancy Fraud Investigations.	76	Of the 76 on-going investigations there are currently 3 cases with legal awaiting criminal hearings and 5 cases are awaiting civil hearings. Please note 2 cases are both criminal and civil the remaining cases are under investigation.
Number of properties recovered this quarter.	11	<p>Overall there have been 42 properties recovered this year so far and these include:-</p> <ul style="list-style-type: none"> • 2 succession applications being denied • 8 emergency accommodation properties being cancelled. <p>The savings that this number of recovered properties equates to is £6,300,000*</p> <p>*according to audit commission calculation of £150k per recovered property</p>
Number of 'Right to Buy' applications denied as a result of CAFT intervention this quarter	2	There is a maximum discount of £103,900 per property on right to buy cases. CAFT have saved £812,300 in discounts in the current

		financial year stopping 9 applications overall to date.
Number of Housing Applications denied as a result of CAFT intervention this quarter	3	CAFT have a close working relationship with the housing options team and liaise with them on a regular basis. We have stopped 7 housing applications so far in the current financial year and are intent on assisting the team further.
Regeneration properties where number of bedrooms has been reduced following CAFT investigation	Nil	These are when tenants are stating other persons are resident in order to obtain extra bedrooms in regeneration properties. There have been 2 prevented so far this year
Joint tenancy denied this quarter	Nil	This is when a tenant has attempted to add another person onto the tenancy. This has happened on 1 case this year to date.
Downgrading of housing application banding	2	This is when a housing applicant applies to have a higher banding in order to get a higher position on the waiting list. There have been 2 prevented so far this year

Other information reported as per requirements of Counter Fraud Framework	
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.	One whistleblowing referral was received this quarter which was passed to appropriate service to deal with under the corporate complaints procedure.

4. Noteworthy investigation summaries:-

Tenancy Fraud Investigations

Mr A had a three bedroom house in Barnet. A referral was received from the neighbourhood housing team as there were concerns Mr A was not resident in the property. Following an investigation, Mr A was found to be linked to a property in another area where his girlfriend was the tenant. Mr A was spoken to and he agreed to relinquish the property.

Mrs B had a one bedroom flat in Barnet. A referral was received stating that Mrs B actually resided in another area and another family member was residing in her property. Investigations confirmed that Mrs B was resident in another area and that the family member had various financial credit at the flat in Barnet which indicated they were indeed resident in the Barnet property. Notices were served as we were satisfied the tenant was living elsewhere and when Mrs B made contact, she was informed that we had concerns that she was living elsewhere, she rang back later on the same day to say that she wished to hand the keys back to the property and the keys were returned shortly afterwards.

Ms C had a two bedroom house in Barnet. This property was looked into as part of a pro-active exercise undertaken by CAFT. Initial checks showed that Ms C owned a property elsewhere, though this had been purchased after her tenancy had commenced in Barnet. Ms C initially did not disclose the fact she owned a property elsewhere, but when questioned further she decided to relinquish the tenancy to the property in Barnet.

Mr D had a three bedroom maisonette in Barnet. A referral was received stating there were concerns that the tenant was not resident. Various visits were made to the property and other family members were there. Mr D was seen on one occasion and stated that it was his main residence. Further investigations showed that he spent the vast majority of his time abroad and notices to seek possession were issued and an outright possession order was granted. Bailiffs attended the premises to recover the property.

Mr E had an emergency accommodation studio flat in N4. A referral was received from the emergency accommodation team that there were concerns Mr E was not resident. Unannounced visits were made to the property without response and information obtained from neighbours stating the tenant had not been seen for some time. In view of this, the emergency accommodation was cancelled and no further contact has been received from Mr E.

Ms F made a homeless application for her three children and herself. A referral was received from housing needs asking CAFT to look further into the application. Checks showed that the property that she was currently living in had links to her husband, who she alleged she was estranged from. Ms F was asked to attend an interview regarding the matter. When she was asked about her husband, she became very nervous and subsequently asked for her application to be withdrawn.

Mrs G had a flat in Barnet. A right to buy application was received in respect of herself and three relatives. A referral was received from the right to buy team as they had concerns about the application. Checks showed that two of the relatives were linked to addresses elsewhere and furthermore the tenant herself had passed away, even though a copy of her passport was received following her death. The right to buy application was refused and the matter is currently being investigated further by CAFT.

Blue Badge misuse Cases Resulting in Prosecution

Mr Xaaji

Mr Xaaji was found to be using a deceased relatives Blue badge in Watling Avenue, Edgware. The case was brought before Willesden Magistrates court where he pleaded guilty.

The Court issued a Fine of £250 and ordered Costs of £808.32 and victim Surcharge of £25.00 to be paid.

Ms Anthony

Ms Anthony was found to be using her young sons blue badge in Finchley Road, whilst the child was at school. She failed to attend Willesden magistrates' court and was found guilty in her absence.

The Court issued a Fine of £420, and ordered costs of £829 and victim Surcharge of £42 to be paid.

Mr Dadey

Mr Dadey was found to be misusing a relatives blue badge in Babington Road, Hendon. The case was brought before Willesden Magistrates court where he pleaded guilty. The court issued a Fine of £40, and ordered costs of £699 and victim surcharge of £30 to be paid.

Mr Califf

Mr Califf was found to be displaying a stolen Blue badge in his vehicle which was parked in Golders Green, NW11. The case was brought before Willesden Magistrates court where he pleaded guilty. The court issued a fine of £300 and ordered costs of £85 and victim surcharge of £20 to be paid.

Ms Johnson

Ms Johnson was found to be misusing a relatives blue badge in Granville Road, Cricklewood, NW2. The case was brought before Willesden Magistrates court. Ms Johnson failed to attend Court and was found guilty in her absence. The court issued a fined of £660 and ordered costs of £758 and Victim surcharge £66 to be paid.

Ms Brown

Ms Brown was found to be misusing a relatives blue badge in High Barnet, EN5. The case was brought before Willesden Magistrates court where she pleaded guilty. The court issued a fine of £150 and ordered costs of £150 and victim surcharge of £30 to be paid.

Ms Ezra

Mrs Ezra misused a relatives blue badge in Hendon. She refused to attend an interview under caution so the case was referred to Willesden Magistrates Court where a guilty plea was entered. The Court issued a fine of £75.00, costs of £50.00 and a victim surcharge of £30.00 to be paid.

Mr Ahsak

Mr Ahsak was investigated for using a stolen blue badge on his vehicle in East Finchley to park up for work. The case was brought before the court on 18th October 2016. He entered a guilty plea by post for misuse of a disabled badge contrary to section 117 Road Traffic Regulation Act 1984. The court issued a Fine of £365 and ordered costs of £1,009 and a victim surcharge of £37 to be paid

Blue badge Misuse Cases resulting in a 'Simple Caution' being administered by CAFT;

Case 1

Mrs AA was caught by CAFT officers whilst she was misusing her mother in laws blue badge in Hutton Grove, Finchley, N12. She was formally interviewed under caution where she fully admitted the offence so was offered a simple caution and asked to make a contribution towards investigation costs of £120 which she paid.

Case 2

Mr BB was caught by CAFT officers in East Barnet Car Park whilst misusing his friends Blue Badge. He was formally interviewed under caution where he fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £170 which he paid.

Case 3

Ms CC was found to be using a copy of her father's blue badge in her vehicle which was parked in Millway, Mill Hill, NW7. She was formally interviewed under caution where she fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £112 which she paid.

Case 4

Mr DD was stopped by CAFT officers during a Blue badge operation in Finchley Central. He was found to be misusing his daughters blue badge. He was formally interviewed under caution where he fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £174 which he paid.

Case 5

Mr EE was stopped by CAFT officers during a Blue badge operation in Mill Hill Broadway, NW7. He was found to be using an expired blue badge belonging to his mother. He was formally interviewed under caution where he fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £138 which he paid.

Case 6

Mr FF was found to be using a cancelled blue badge in Station road, Edgware, HA8. He was formally interviewed under caution where he fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £155 which he paid.

Case 7

Ms GG was stopped by CAFT officers during a Blue Badge operation in Temple Fortune, NW11, on inspection it was found that she was misusing her mother's blue badge. She was formally interviewed under caution where she fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £174.00 which she paid.

Case 8

Mr HH was found to be misusing his father's blue badge in Bunns Lane car park, Mill Hill, NW7. He was formally interviewed under caution where he fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £130 which he paid.

Case 9

MRS II was found to be misusing her mother's blue badge, whilst her mother was in care home. She was formally interviewed under caution where she fully admitted the offence so was offered a simple caution and asked to make a contribution towards costs of £144.00 which she paid.

Case 10

Mr JJ was caught by CAFT officers misusing his sons Blue Badge in Burnt Oak, the badge was seized and a £60 PCN was issued. At interview Mr O fully admitted misuse and was offered a simple caution and was asked to make a contribution towards costs of the value of £200 which he is currently paying.

Case 11

Mrs KK's car was observed by CAFT Officers displaying a disabled blue badge in North Finchley, further checks on this badge revealed that the badge holder was deceased; a £60 PCN was issued. Mrs KK was interviewed under caution for the wrongful use of a disabled badge and gave a full admittance to the offence stating that she could not find parking and had left her bag at home. She was invited in to accept a simple caution and has paid a contribution towards the costs of the case amounting to £150.

Case 12

Mr LL had been observed misusing his grandfather's blue badge to park up for work in Golders Green after Officers established that the badge holder was at home. Officers attended his place of work to ask him to attend the vehicle where the badge was seized. Mr D attended an interview under caution and gave a full admittance to the offence. He was offered a simple caution and has paid £130 towards the costs of the investigation.

Case 13

Mrs MM's vehicle was observed by a Civil Enforcement Officer parked in Mill Hill displaying a blue badge. CAFT officers telephoned the badge holder who was at home at the time and stated that her daughter had her badge, a PCN was given. Mrs M attended an interview under caution and gave a full admittance to the wrongful use of her mother's blue badge. She was offered a simple caution and made a contribution towards the costs of the case amounting to £165.

Case 14

Mr NN was reported by a member of the public for using a badge on a regular basis to park up for work in Hendon. CAFT Officers established the badge holder was at home on one occasion and visited Mr G's place of work. He attended the vehicle and the badge was seized. Mr G gave a full admittance at interview and was offered a caution and paid £125 towards the costs of the case.

Case 15

Ms OO was found to be misusing her sons blue badge on three occasions in North Finchley and her vehicle was given three PCN's. On the third occasion she was contacted by CAFT Officers to attend the car and the badge was seized. At interview she stated that she had made a mistake using the blue badge without her son present. After the interview she sent an email admitting to misusing the badge. She was offered a caution and has paid £250 towards the costs of the case as well as the three parking fines.

Case 16

Mr PP's vehicle was observed parked in North Finchley displaying his mother's blue badge. It was established by CAFT officers that the badge holder was at home. The vehicle was given a £60 PCN and Mr P was invited in for an interview under caution. He gave a full admittance to misusing his mother's badge and was offered a caution and paid £134.89 towards the costs of the case.

Case 17

Mr QQ was observed parking up in Babington Road, Hendon where he had displayed a blue badge. When CAFT Officers asked to see the badge he stated that it was not his and the car belonged to his friend. Checks revealed that the badge had been reported stolen but at interview he was adamant that he was not aware of that but fully admitted the wrongful use of a Blue Badge. He was offered a caution and has paid a contribution towards costs of £204.

Corporate Fraud Cases resulting in a 'Simple Caution' being administered by CAFT

Case 18

Mr RR falsified an email purporting to be from the Parking Operations Manager at Barnet Council in order to avoid paying enforcement fees for an unpaid parking fine and requesting the return of £500. In an interview under caution his Solicitor read out a pre-prepared statement which gave a full and frank admission to fraudulently drafting and sending the email. Mr RR was offered a simple caution which he accepted. A record of the offence under Section 2 of the Fraud Act 2006 was recorded on the Police National Computer System.

Case 19

Mr SS was found to be displaying a Barnet parking Maintenance sign in his vehicle to obtain free parking, in Grove Road, N12. He was interviewed under Caution where he gave a full and frank account of how he used the sign to avoid paying for parking. He was issued with a simple caution for offences contravening the Fraud Act 2006 and requested to pay costs of £250 which he paid.

Corporate Fraud Cases resulting in Prosecution

Mr Badda

A Referral was received by CAFT from one of Barnet's delivery Units where there was suspicions that **Mr Badda**, who at the time was employed by the London borough of Barnet as a Social Worker, had been taking payments from a Carer of a Barnet council client and was in receipt of a direct payment to assist them in obtaining care.

In October 2016 **Mr Badda** pleaded guilty at Harrow crown court to offences contravening Section 4 of the fraud Act 2006 and was sentenced to 18 months imprisonment suspended for 2 years and ordered to carry out 150 hours of unpaid work. The Judge also signed a compensation order for £10,090 to be paid to LBB by April 2017.

	<p>Audit Committee 30th January 2017</p>
<p style="text-align: right;">Title</p>	<p>Invitation to opt-in to the national scheme for auditor appointments</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Executive and Section 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;">Enclosures</p>	<p>None</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Gillian Clelland – Assistant Director, CSG Finance Service Gillian.Clelland@barnet.gov.uk</p>

Summary

This paper recommends a sector-led approach to the procurement of external audit services on the basis of cost, resource availability and value for money.

Recommendations

1. That Audit Committee note and endorse for full Council approval the decision to accept the invitation for the Authority to opt into the sector-led procurement of external audit services.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Local Audit and Accountability Act 2014 received Royal Assent on 30th January 2014. The Act abolished the Audit Commission and the associated arrangements for appointing local authority external auditors and placed the responsibility on local authorities to appoint their own external auditor having taken account of the advice of an Auditor Panel. The new arrangements for future appointments will need to be in place by no later than 31st December 2017.
- 1.2 The Act requires that the appointment of the external auditor is a decision for Full Council following advice from an Auditor Panel. Appointments to the Panel (if appropriate) for this authority is also a decision for Full Council.
- 1.3 Since the introduction of the Act, further developments have included the issuing of guidance for local authorities on establishing Independent Auditor Appointment Panels as well as work by the Local Government Association (LGA) to establish a sector-led appointments body, Public Sector Audit Appointments Limited (PSAA). Authorities have the choice to opt into such a body, which would negate the requirement to establish an Auditor Panel. The decision whether to opt into a sector-led procurement exercise will be required to be taken by Full Council.
- 1.4 This paper provides a summary of the options available to the Authority and makes a recommendation that the Authority opts in to sector-led procurement arrangements with PSAA.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Local Government Association (LGA) established PSAA, the organisation it considered best placed to be the sector-led body. To act as a sector-led body, PSAA needed to be specified as an 'Appointing Person' by the Secretary of State, which it has been. This means that PSAA will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements for the 2018/19 financial year onwards.
- 2.2 PSAA will appoint an auditor for all opted in authorities for each of the five financial years beginning 1 April 2018, unless the Secretary of State chooses to terminate the role of PSAA as the appointing person beforehand. He or she may only do so after first consulting opted in authorities and the LGA.
- 2.3 The PSAA appointing person scheme will offer a way that will save time and resources for local government bodies. It is thought that a collective procurement, which PSAA will carry out on behalf of all opted in authorities, will secure the best prices and keep the cost of audit as low as possible for the bodies which choose to opt in. Through their current role, they will also offer unique experience and understanding of auditor procurement and the

local public audit market. Using the scheme will avoid the need for authorities to:

- establish an auditor panel with independent members;
- manage audit procurement and cover its costs;
- monitor the independence of appointed auditors for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with the auditor.

2.4 The PSAA appointing person scheme will endeavour to appoint the same auditor to other opted in bodies that are involved in formal collaboration or joint working initiatives, under the notion that a common auditor will enhance efficiency and value for money.

2.5 PSAA will also try to be flexible about changing auditor during the five year appointing period if there is good reason.

2.6 The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act. PSAA will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality of contract terms and in the quality criteria in tender evaluations;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in the Authority's feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

2.7 In developing its procurement strategy for the contracts with audit firms, PSAA will have input from the advisory panel it has established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback on proposals as they develop and help maintain effective channels of communication. PSAA recognise it is particularly important to understand opted in authorities' preferences and priorities, to ensure they develop a strategy that reflects these needs within the constraints set out in legislation and in professional requirements. In order to secure the best prices PSAA are minded to let audit contracts:

- for five years;
- in two large contract areas nationally, with three or four contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help manage independence issues.

- 2.8 PSAA intends to award larger amounts of work to the firms offering the best value but also having contracts with a number of firms, PSAA will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.
- 2.9 Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence. In order to uphold this 'independence' test, prior to the appointment of auditors, PSAA will consult with the Authority on:
- any potential constraints on the appointment of the Authority's auditor because of a lack of independence;
 - any joint working or collaboration arrangements that could possibly influence the appointment; and
 - other local factors that the Authority deems relevant to making the appointment.
- 2.10 The closing date for formal acceptance for the invitation to opt in is 9 March 2017. If the Council decides not to accept the invitation to opt in by the closing date, the Authority may still subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. PSAA are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 CIPFA guidance recently issued sets out an alternative option available to the Authority. If the Authority does not opt in to a sector-led body it will have to establish an auditor panel to advise on the appointment of the external auditor. There are four sub-options available:
- establish a separate and individual auditor panel solely for the Authority;
 - set up a panel jointly with one or more other authorities;
 - use an existing committee or sub-committee to act as the auditor panel (subject to compliance with the other provisions and regulations relating to auditor panels);
 - ask another authority's auditor panel to carry out the required functions.
- 3.2 These options are not being recommended primarily due to the following issues most relevant to the Authority:
- the likelihood of lower costs in terms of the procurement exercise through the sector-led body approach and, conversely, likely higher procurement costs should another option be chosen;
 - the likelihood of lower costs in terms of the resulting on going audit fees through the sector-led body approach and, conversely, likely higher on going audit fees should an alternative option be chosen;
 - significantly less call on Authority staff resources through the sector-led approach than the other options in terms of the procurement exercise;

- lower risk of contractual/relationship difficulties during the audit term should the sector-led option be chosen.

4. POST DECISION IMPLEMENTATION

4.1 PSSA expect the timetable for the new arrangements to be as follows:

- closing date for receipt of notices to opt in 9 March 2017
- contract notice published 20 February 2017
- award audit contracts by end of June 2017
- consult on and make auditor appointments by end of December 2017
- consult on and publish scale fees by end of March 2018

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The external audit of the Authority's accounts is a statutory requirement and a key element of the Authority's Assurance Framework. The Assurance Framework supports the delivery of all of the Authority's priorities and objectives through providing independent assurance to Members over the arrangements for governance, risk management, internal control and financial management and reporting.

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

5.2.1 The work of the external auditor supports the achievement of best value in the Authority. Our auditors provide supportive challenge for our work, as well as broader knowledge of other organisations that allows us to compare our practice with best practice elsewhere.

5.2.2 The 2016/17 budget for external audit fees for the Authorities' accounts and the pension fund is c£200k, which is contained within the Authority's Central Expenses budgets.

5.2.3 The report supports effective financial management at the Authority. There are no further financial implications as a direct result of this report.

5.3 Social Value

5.3.1 There are no implications as a direct result of this report.

5.4 Legal References

5.4.1 Section 7 of the Local Audit and Accountability Act 2014 ('the Act') requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 9 sets out the requirement to have an auditor panel.

5.4.2 Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) ('the Regulations') and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. The Regulations also make certain modifications to the Act to dis-apply or modify the provisions of the Act in relation to opted in authorities, including that the requirement to have an auditor panel does not apply to such an authority and similarly that the authority does not have to consult and take into account the advice of the auditor panel.

5.4.3 Regulation 19 of the Regulations requires that a decision for the Council to join the sector led approach must be made by Full Council and cannot be delegated.

5.5 Risk Management

5.5.1 The work undertaken by the external auditor helps to minimise financial and control risks to the Authority and the implementation of their recommendations will strengthen the internal control environment.

5.6 Equalities and Diversity

5.6.1 There are no implications as a direct result of this report.

5.7 Consultation and Engagement

5.7.1 There are no implications as a direct result of this report.

5.8 Insight

5.8.1 There are no implications as a direct result of this report.

6. BACKGROUND PAPERS

6.1 None.

	<h2 style="margin: 0;">Audit Committee</h2> <h3 style="margin: 0;">30th January 2017</h3>
<p style="text-align: right;">Title</p>	<p>Grants Certification Work Report 2015/16</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Executive and Section 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 – Grant Claims and Returns Certification Report 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>

Summary

The purpose of the report is to consider the report from the external auditors on the Council’s management arrangements in respect of the certification process for grants.

Housing benefit subsidy

Public Sector Audit Appointments Ltd (PSAA) has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim. BDO undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP). After completion of the tests contained within the CI, the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

The value of the housing benefit subsidy claim for 2015/16 was £267.8m compared with £260.5m in 2014/15. A number of errors were identified in the auditors’ initial sample testing which meant that, in two areas, further samples had to be selected and tested. This led to some delays in the audit process which, together with the fact that the audit started later than it normally would have, led to the claim being certified on 19 December which was after the Government’s deadline of 30 November. As a result of this delay, The DWP

temporarily withheld £1.1m of subsidy from the Council's December payment. The withheld amount was received in January.

The audit process identified amendments to the subsidy claim totalling of £1,443 (0.0005% of the total claim). The audit certificate was also qualified to refer to the adjustment for non-HRA self-employed earnings being based only on an extrapolation as the Council could not isolate and correct for all errors. The qualification letter also referred to some uncertainty in the application of the guidance for benefit calculations covering student loan income and term-time child care costs.

It is extremely common for benefit subsidy claims to be amended and/or qualified as they are very complex and, unlike other non-grant related audit work, there is no materiality threshold.

Other certification work

Government departments also require external assurance on two other grant claims and returns, however these assurance reviews are not covered by BDO's appointment by PSAA. The Council has therefore separately engaged BDO to undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant departments, of the pooling of housing capital receipts return and the teachers' pensions return for the year ended 31 March 2016.

The pooling of capital receipts return was certified and submitted in accordance with the deadline. However, the teachers' pension return, while submitted by the deadline, received a qualified opinion as, due to the omission of some schools from the return and errors found in sample testing, the auditors were unable to conclude that the form had been properly prepared and that all amounts payable had been collected, recorded and paid over.

The auditors have made a number of recommendations to improve the Council's management arrangements and processes in relation to grants claims and returns. Management responses to these recommendations, together with responsible officers and implementation dates are included in the report at Appendix A.

Audit fees

The fee paid to the auditors for certification work for 2015/16 was £29,117 which is a reduction of £10,583 from 2014/15.

Recommendations

- 1. That the Committee note the report;**
- 2. That the matters raised by the external auditors relating to the grant submission and certification process are noted by the Committee; and**
- 3. That the Committee consider whether there are any areas on which they require additional information.**

1. WHY THIS REPORT IS NEEDED

- 1.1 PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim. Government departments also require external assurance on two other grant claims and returns – the pooling of capital receipts return and the teachers' pensions return.

2. REASONS FOR RECOMMENDATIONS

- 2.1 So that the Council can consider the external auditor's certification report, be able to comment on the scope and depth of external audit work and to ensure it gives value for money.

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 Grants Certification Work Report addresses fundamental aspects of the Council's management arrangements which support the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 The grants submission process is the final stage in the process for receiving external funds from third parties. If there are weaknesses in the systems for monitoring and claiming monies, these funds could potentially be at risk.

5.3 Legal and Constitutional References

- 5.3.1 The recommendations of this report do not give rise to any specific legal issues.

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

5.4 Risk Management

- 5.4.1 The Grants Certification Work Report summarises BDO's overall assessment

of the Council's management arrangements in respect of the certification process of grant claims, however it also draws attention to significant matters in relation to individual claims. Failure to address these matters can place at risk the receipt of external funding that the Council is entitled to and has budgeted for.

5.5 Equalities and Diversity

5.5.1 The Grants Certification Work Report covers the arrangements in place for securing grants across services within the Authority. This in turn impacts on all members of the community.

5.6 Consultation and Engagement

5.6.1 There are no consultations or engagements relevant to this report.

6. BACKGROUND PAPERS

None



LONDON BOROUGH OF BARNET

GRANT CLAIMS AND RETURNS CERTIFICATION

In respect of claims and returns for the year ended 31 March 2016

DRAFT 9 January 2017



INTRODUCTION

Purpose of the report

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2016.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by PSAA and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the relevant Departments, of the Pooling of housing capital receipts return and the Teachers' Pensions return for the year ended 31 March 2016.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

Fees

We reported our planned fees for the housing benefits subsidy claim in our Audit Plan and this remains at the level proposed by PSAA.

We have not had to amend our planned fees.

AUDIT AREA	PLANNED FEES (£)	FINAL FEES (£)
PSAA regime		
Housing benefits subsidy claim	21,617	21,617
Total PSAA regime fees	21,617	21,617
Other certification work		
Pooling of housing capital receipts return	2,500	2,500
Teachers' pensions return	5,000	5,000
Total certification fees	29,117	29,117

KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2016. Where our work identified issues which resulted in either an amendment or a qualification, further information is provided. An action plan is included at the Appendix of this report.

CLAIM OR RETURN	VALUE	QUALIFIED	AMENDED?	IMPACT OF AMENDMENTS
Housing benefit subsidy	£267,764,200	YES	YES	+£1,443
Pooling of housing capital receipts	£11,685,180	NO	YES	(£40,303)
Teachers' pensions	£12,597,025	YES	YES	Unable to assess impact of errors

HOUSING BENEFIT SUBSIDY

FINDINGS AND IMPACT ON RETURN

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The methodology and sample sizes are prescribed by PSAA and DWP. We have no discretion over how this methodology is applied.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £267,764,200.

Our audit of an initial 60 individual claimant files across different benefit types highlighted a number of errors in administering benefit, calculating subsidy entitlement or in the preparation of the form.

Where an error in calculations suggests that benefit has been overpaid or amounts allocated to too high a subsidy recovery cell, guidance requires auditors to undertake extended 40+ testing of cases with similar characteristics or all cases in a small population. Such testing is also undertaken as part of our follow-up of prior year issues reported. The testing results in a correction of the error where this can be isolated or an extrapolation across the population.

Where there is no impact on subsidy claimed, for example where the error always results in an underpayment of benefit, we are required to report this within our qualification and observations letter.

Errors in the initial testing resulted in two areas of 40+ testing and three areas where all cases in the population were reviewed. Adjustments made as a result of this additional testing increased the amount of subsidy claimed by £1,443.

The claim was certified on 19 December after the Government's deadline of 30 November 2016 in order to complete the additional testing.

Our audit certificate was qualified to refer to the adjustment for non-HRA self employed earnings being based only on an extrapolation as the Council could not isolate and correct for all errors. We also referred to some uncertainty in the application of the guidance for benefit calculations covering student loan income and term time child care costs.

The Council is awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year.

A summary of our findings can be found on the next page.

KEY FINDINGS

BENEFIT TYPE	ERRORS	IMPACT
Non-HRA rent rebates	<p>The Council had made incorrect adjustments to the current year claim for overpayments identified and processes against claimants in the following year. These should fall into the following year's claim.</p> <p>Council staff carried out additional work to review all cases where a manual adjustment reflecting overpayments identified in the following year had been made and found £364 that should have been included as paid over the threshold (at 0% subsidy) rather than other benefit (at 100% subsidy).</p>	Claim form adjusted resulting in reduced subsidy of (£364).
Non-HRA rent rebates	<p>Non-recovered overpayment of Discretionary Housing Payments had been erroneously netted off against non-HRA subsidy amounts correctly paid.</p> <p>Council staff carried out additional work for all cases with negative adjustments greater than £100 and identified six cases totalling £5,451 where this error had occurred and should be added back to the form.</p>	Claim form adjusted resulting in additional subsidy of £5,451.
Non-HRA rent rebates	<p>In the initial testing we found three errors in calculating self employed earnings resulting in overpayments. In the 40+ testing, we found five further errors but these did not result in overpayment of benefit. The extrapolation of the error rate over all non-HRA rent rebate cases with self employed earnings suggested that the Council may have overpaid £6,406 of benefit.</p>	<p>Claim form adjusted resulted.</p> <p>However, as the Council remains below the lower threshold for overpayments made it has been able to recover this through the allowance for Local Authority and Administrative delays.</p>
HRA rent rebates	<p>Our initial testing found one case where a manual amendment had been incorrectly processed by the Council for a case where an overpayment was created within an extended payment period. Council staff carried out additional work to review all cases with adjustments for extended payments and identified four additional errors, with a total of £292 to be removed from the form.</p>	Claim form adjusted resulting in reduced subsidy of (£292).
HRA rent rebates	<p>Our initial testing found one case with incorrect non-dependant income amounts. In the 40+ testing, we found five further errors. For each case there was no impact on the benefit paid.</p>	No impact
Rent Allowances	<p>As part of the process for preparing the form, the Council was required to make a number of manual corrections. However, it failed to include the correction to reduce amounts claimed by £3,352 for payments made before year end that related to entitlement entirely for the following year.</p>	Claim form adjusted resulting in reduced subsidy claimed of (£3,352).

KEY FINDINGS

POOLING OF HOUSING CAPITAL RECEIPTS

Local authorities are required to pay a portion of any housing capital receipt (usually 75%) they receive into a national pool administered by central government. The Council is required to submit quarterly returns notifying central government of the value of capital receipts received.

The return provided for audit recorded total receipts of £11,685,180 for 76 disposals, of which £1,791,841 was payable to the Department for Communities and Local Government (DCLG). A significant amount of sales receipts were transferred into 1-4-1 new build budgets that are time limited to remain exempt from pooling.

FINDINGS AND IMPACT ON RETURN

Our review found the following errors in the draft return that were corrected:

- A transposition error in quarter 3 for one dwelling sale resulted in receipts being understated by £30,000 (but as taken to 1-4-1 budgets this did not impact on amounts payable in year)
- Mortgage repayments receipts were understated by £10,303 (increased amount payable by £7,727 at 75% of receipts)
- Amount of spend on 1-4-1 replacement social housing in 2015/16 had omitted expenditure of £7,555,000 (reduces the balance of 1-4-1 receipts to be used before becoming time exempt and repayable as pooled receipts)
- The draft return had removed the amount of attributable debt allocated to the dwellings disposed of at £557,108.

We noted that the Council retains a significant amount of receipts to be used to support 1-4-1 new social housing development at £84,730,872 to be applied before 31 March 2019. There are quarterly time limits to use this retained funding including £28.9 million by 31 March 2017 and £63.9 million by March 2018.

We recommend that the Council has a clear budget to demonstrate that these amounts will be applied by the due dates and a contingency plan in the event of any slippage on schemes.

KEY FINDINGS

TEACHERS' PENSIONS

Local authorities which employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.

The return provided for audit recorded total pensions payable at £12,597,025 on payroll costs of £47.2 million.

FINDINGS AND IMPACT ON RETURN

Our review found the following errors in the draft return that were corrected:

- Contributions Salary for Tier 2 employees in Period 1 in the return was understated by £4,164,000
- The section for amounts paid for the year had been left blank and was amended to include the amount notified by the Teachers' Pensions at £18,131,482. However, the Council could not provide records to reconcile this amount to amounts paid recorded in the ledger.

Our testing of a sample of deductions and contributions for 30 teachers found the following issues.

Incomplete submission

We found one teacher who had not been included in the return where it is believed that the school had started to submit its own returns. There is a requirement for the Council to include all schools under its control in the return including consolidating the records for schools who operate their own payroll and submit separate returns.

Further investigation suggests that there may be four schools where the Council had omitted the amounts from the return.

Incorrect reporting of Tiered pension rates

We found one teacher who had received a refund of contributions when opting out of the scheme, but where the relevant amounts in the Tiered rates had been incorrectly reported in the return.

We also found two teachers where the monthly payroll amount had been allocated into the incorrect Tiered rate table where there was a system error during the year that had not been resolved, although the deductions were correct. A review of deduction and pay records found potentially many other teachers that had amounts allocated into incorrect Tier bands.

Inappropriate netting off refunds

Our review of records noted refunds made for prior year contributions where the form had reported £0 for refunds. It appears that these are being incorrectly netted off against current year contribution amounts.

Qualification

As a result of the omission of some schools from the return and errors in our sample testing, we were unable to conclude that the form had been properly prepared and that all amounts payable had been collected, recorded and paid over.

APPENDICES

APPENDIX: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Housing benefits subsidy					
Testing in the prior year and current year found errors in the calculation of self employed earnings of claimants.	Develop quality assurance processes or other checking of calculations for self employed earnings cases.	Medium	We are compiling a list of issues raised as a result of the subsidy audit, quoting actual cases. This will then be reviewed by the Benefits Management Team and action points will be agreed in terms of which issues need highlighting to staff and which require formal training. We have contacted our Training Team to request a session on assessing self-employed income.	Patricia Driver	By 31/3/17
We noted that the Council did not have a policy for assessing the proportion of private use of assets for self employed claimants when assessing earned income. Our testing found two cases for use of a privately owned car used as a taxi where the basis of allocation as private or business use was not clear.	Develop a policy for assess the proportion of private or business use of assets used to assess earned income.	Medium	We note the recommendation but that the regulations do not dictate how this expense should be treated. Recognising that a consistent manner should be deployed across the authority, a procedure note and staff instruction will be distributed to the assessment teams. There is requirement for the council to set a formal policy for this.	Patricia Driver	By 31/3/17
Pooling of housing capital receipts					
The Council retains a significant amount of receipts to be used to support 1-4-1 new social housing development at £84,730,872 to be applied before 31 March 2019.	We recommend that the Council has a clear budget to demonstrate that 1-4-1 pooled receipts will be applied by the due dates and a contingency plan in the event of any slippage on schemes.	High	The Council has a complete breakdown of receipts and the 'need to spend' dates. Matched against this are projections on a quarter by quarter basis. This shows that there is a potential problem in quarters 3 and 4 of 2016/17 but thereafter projected spend exceeds the need to spend by an increasing amount. This is monitored on at least a quarterly basis.	Conway Mulcahy	In place and ongoing

APPENDIX: 2015/16 ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
Teachers' Pensions					
We found that some schools had not been included in the return. There is a requirement for the Council to include all schools under its control in the return including consolidating the records for schools who operate their own payroll and submit separate returns.	Ensure that all schools, regardless of whether they operate a separate payroll and payments to Teachers' Pension, are consolidated into the return.	High	We will ensure that all schools including those who operate a separate payroll, are included into the main Teachers' Pensions End of Year Return. We will send out communications to these schools to ensure we receive the required information so that we can submit the End of Year Certificate.	Capita HR Solutions	April 2017
The Council could not provide records to reconcile the amounts notified as received by the Teachers' Pension Agency to its own records of contributions paid over.	Reconcile amounts paid to Teachers' Pension notification.	High	We will ensure that the Teacher's Pension Agency have the correct contact details for communication and implement a reconciliation to our records	Capita HR Solutions	April 2017
We found instances where the teacher's pay had been allocated to an incorrect Tier banding in the return, although the amounts actually deducted appeared to be correct. A review of deduction and pay records found potentially many other teachers that had amounts allocated into incorrect Tier bands.	Ensure proper completion of the form per the guidance for Tiered banding of pay.	Medium	This issue was a reporting error and not an error in the actual monetary amount paid to Teachers' Pensions, after deduction from employees. Our system suffered a fault which resulted in contributions being deducted at the wrong rate. We subsequently corrected this which resulted in the pensionable pay total showing as being incorrect. We will ensure that the next End of year Certificate is accurately prepared to mitigate any confusion or error.	Capita HR Solutions	April 2017
Our review of records noted refunds made for prior year contributions where the form had reported £0 for refunds. It appears that these are being incorrectly netted off against current year contribution amounts.	Ensure proper completion of the form per the guidance for refunds of prior year contributions.	Medium	Capita have a specialist pensions team based in Edinburgh. We will ensure that the correct reporting method is used, and will ensure that refunds are reported in the correct section and are not netted off against current year contributions.	Capita HR Solutions	April 2017

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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www.bdo.co.uk

LEIGH LLOYD-THOMAS

Engagement Lead

T: 020 8783 2616

E: leigh.lloyd-thomas@bdo.co.uk

JODY ETHERINGTON

Audit Manager

T: 01473 320 790

E: jody.etherington@bdo.co.uk

	<p>Audit Committee 30th January 2017</p>
<p style="text-align: center;">Title</p>	<p>Annual Audit Letter 2015/16</p>
<p style="text-align: center;">Report of</p>	<p>Interim Chief Executive and Section 151 Officer</p>
<p style="text-align: center;">Wards</p>	<p>All</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;">Key</p>	<p>No</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix A – Annual Audit Letter 2015/16</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Gillian Clelland – Assistant Director, CSG Finance Service Gillian.clelland@barnet.gov.uk</p>

Summary

The purpose of the Annual Audit Letter is to summarise the key issues identified by the Council’s external auditor, BDO LLP, during their audit and inspection activity. The letter is designed to communicate messages to the Council and external stakeholders, including members of the public.

This covering report extracts the key messages from within the Annual Audit Letter 2015/16, which is attached to this report at Appendix A.

The following points are drawn to the attention of the Committee:

An unqualified opinion on the Statement of Accounts for 2015/16 was given by the external auditors, confirming that the accounts give a true and fair view of the Council’s financial position as at 31 March 2016 and its income and expenditure for the 2015/16 financial year.

The unqualified audit opinion was issued on 30 September 2016 which was within the statutory deadline.

An unqualified conclusion was also issued by the external auditors in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

An unqualified opinion on the Whole of Government Accounts submission for 2015/16 was also given by the external auditors.

The external auditors have completed the 2015/16 grant claim audit. Further details on this are provided within the external auditors grant claims and returns certification report, considered elsewhere on the Committee agenda.

The auditors have not yet completed their work on objections and concerns raised by local electors and are not able to issue the audit certificate to close the audit for 2015/16 until this is complete.

The audit fee for 2015/16 was £170,025 which is a significant reduction on the fee for 2014/15 (£226,700). The fee for certification of the housing benefits subsidy was £21,617 compared with £27,100 for 2014/15. The fee for the audit of the pension fund accounts was £31,000 compared with the estimate of £21,000. The additional fees of £10,000 will be met by Capita.

In addition the Council has also commissioned the services of BDO to audit the following claims which require an external auditor approval.

- Teachers' pensions return
- Pooling of housing capital receipts return

The charge for these additional services is £7,500 compared with £12,600 in 2014/15.

Recommendations

- 1. That the external auditor's Annual Audit Letter for 2015/16 be received; and**
- 2. That the Committee consider whether there are any areas on which they require additional information.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Commission's Code of Audit Practice requires auditors to prepare an Annual Audit Letter and issue it to each audited body.
- 1.2 The purpose of preparing and issuing annual audit letters is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body. The Annual Audit

Letter covers the work carried out by auditors since the previous Annual Audit Letter was issued.

2. REASONS FOR RECOMMENDATIONS

- 2.1 So that the Council can consider the external auditor's annual letter, be able to comment on the scope and depth of external audit work and to ensure it gives value for money.

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 Annual Audit Letter summarises the key performance issues and achievements of the Council. Those areas of weakness must be addressed over the coming year, failure to do so carries the risk of adverse financial and/or reputational consequences. This supports the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 This report deals with the audit of the Council's accounts, financial performance, value for money and financial resilience. The external auditor provided an unqualified opinion with regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

5.3 Legal and Constitutional References

- 5.3.1 Regulation 20 of the Accounts and Audit (England) Regulations 2015 require that, as soon as reasonably practicable after receipt of the Annual Audit Letter from the auditor, a committee of the Authority must meet to consider it and, following that consideration, must:

- Publish (which must include publication on the authority's website) the annual audit letter received from the auditor; and
- Make copies available for purchase by any person on payment of such sum the Council may reasonably require. The Council does not currently charge for requested copies.

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

governance”. and “to comment on the scope and depth of external audit work and to ensure it gives value for money”

5.4 Risk Management

5.4.1 The Annual Audit Letter has many positive things to say about the Council, but also highlights areas of weakness that must be addressed over the coming year. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.5 Equalities and Diversity

5.5.1 There are no matter of equalities and diversity arising from the content of this report.

5.6 Consultation and Engagement

There are no consultations or engagements relevant to this report

6. BACKGROUND PAPERS

6.1 None



LONDON BOROUGH OF BARNET COUNCIL

ANNUAL AUDIT LETTER

Audit for the year ended 31 March 2016



EXECUTIVE SUMMARY

Purpose of the letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the financial year ended 2015/16. It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public. It will be published on the website of Public Sector Audit Appointments Limited.

Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code), and to review and report on:

- the Council and pension fund financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to report where we have exercised our statutory powers under the Local Audit and Accountability Act 2014 in any matter and our grant claims and returns certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

BDO LLP
31 October 2016

Audit conclusions

FINANCIAL STATEMENTS

We issued unqualified true and fair opinions on the Council and pension fund financial statements on 30 September 2016.

We reported our detailed findings to the Audit Committee on 28 July and Pension Fund Committee on 13 September. The majority of audit differences were corrected in the published financial statements and the remaining uncorrected differences did not have a material impact on our opinions on the financial statements.

USE OF RESOURCES

We issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources on 30 September 2016.

While there is a recognised funding gap in the Medium Term Financial Strategy, we are satisfied that the Council has robust processes in place to deliver the necessary savings and income growth over the medium term.

EXERCISE OF STATUTORY POWERS

We received a number of objections and other information regarding the lawfulness of certain transactions included in the financial statements.

This work remains on going although we were satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

GRANT CLAIMS AND RETURNS CERTIFICATION

Our review of grant claims and returns is in progress and the results will be reported upon completion of this work.

FINANCIAL STATEMENTS

OPINION

We issued unqualified true and fair opinions on the Council and pension fund financial statements on 30 September 2016.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Council's and pension fund's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates, and the overall presentation of the financial statements.

Our assessment of risks of material misstatement

Our audit was scoped by obtaining an understanding of the Council and the pension fund and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and directing of the efforts of the audit team.

REVENUE RECOGNITION	RESPONSE	FINDINGS
Risks of fraud in revenue recognition may arise from the use of Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.	Our review of revenue recognition focused on testing completeness and existence of fees and charges, investment property rental income and whether any conditions attached to grants have been met.	We did not identify any issues.
For the pension fund, this included contributions income from employees and employers.	Our review of the pension fund income focused on testing the completeness and accuracy of contributions due.	We found that in recent years contributions income had been accounted for on a cash receipted basis rather than an accruals basis. Employers are able to pay over pension contributions in the month following the payroll (i.e. the March amounts due are received in April) but this remains amounts properly due in respect of that month's payroll. Management corrected the financial statements for the current and prior periods to include contributions due in the correct financial year.

FINANCIAL STATEMENTS

Continued

LAND AND BUILDINGS VALUATIONS	RESPONSE	FINDINGS
<p>The valuations for land and buildings included in Property, Plant and Equipment is estimated based on market values for existing use or depreciated replacement cost (DRC). The valuations for investment property is estimated based on the highest and best use method.</p> <p>We identified a risk that the basis of valuation for these assets may not be appropriate or may not be supported by available valuation data.</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.</p>	<p>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 available market data (such as local sales, regional price indices and BCIS tender prices) and follows 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>

FINANCIAL STATEMENTS

Continued

PENSION LIABILITIES	RESPONSE	FINDINGS
<p>An actuarial estimate of the pension fund liability to pay future pensions, and the Council's share of the local government pension scheme, is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.</p> <p>At 31 March 2016 the total liabilities for the pension fund decreased by £29 million to £1,572 million. Liabilities net of scheme assets held fell by £16 million to £666 million. The Council's share of the net liabilities decreased by £7 million to £469 million. This was mainly as a result of the lower discount rate applied to the liabilities.</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.</p> <p>The key changes to the financial assumptions related to:</p> <ul style="list-style-type: none"> • An increase in RPI from 3.1% to 3.2% • An increase in the discount rate from 3.2% to 3.5% (to place a current value on the future liabilities through the use of a market yield of corporate bonds). 	<p>We found that, whilst all assumptions used fall within the expected range, assumptions in respect of life expectancy were at the lowest point in the expected range, and 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.</p> <p>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 are in general reasonable but tend towards a lowering of the liability.</p>

FINANCIAL STATEMENTS

Continued

ALLOWANCE FOR NON-RECOVERY OF RECEIVABLES	RESPONSE	FINDINGS
<p>The Council's provision for estimated non-recovery of 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 identified a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates.</p>	<p>We reviewed provision rates applied by management with collection rates and write off data available.</p>	<p>The provision for non-recovery of aged debt was generally reasonable and supported by collections data.</p> <p>However, our review of the cumulative collection rates for council tax arrears, when taking into account the amounts that continue to be recovered some years after the debt becomes due, suggests that recoverable amounts are higher than included in management's estimates for non-recovery and the Council may be understating the income due from the Collection Fund.</p>

FINANCIAL STATEMENTS

Continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonably knowledgeable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Council's financial statements as a whole was set at £14.3 million. This was determined with reference to a benchmark of gross expenditure (of which it represents 1.5 per cent) which we consider to be one of the principal considerations for the Council in assessing the financial performance.

The materiality for the pension fund's financial statements as a whole was set at £9.1 million. This was determined with reference to a benchmark of net assets (of which it represents 1 per cent) which we consider to be one of the principal considerations for the pension fund in assessing the financial performance.

We agreed with the Audit Committee that we would report all individual audit differences in excess of £286,000. We agreed with the Pension Committee that we would report all individual audit differences in excess of £180,000.

Audit differences - Council

We identified a number of audit differences in the draft financial statements. The majority of the differences were corrected by management in the published financial statements, resulting in an increase of £1.368 million on the Surplus on the provision of services in the Comprehensive Income and Expenditure Statement.

The remaining uncorrected differences did not have a material impact on our opinion on the financial statements.

Audit differences - pension fund

We identified a number of errors in the draft financial statements relating to income due (for accrued contributions from employers incorrectly accounted for on a cash basis) and expenditure (for amounts payable) that were also found to have existed in recent years.

Management provided corrected financial statements that increased net assets at 31 March 2015 by £4.5 million (to £928.9 million), increased the loss for the 2015/16 year from £9.1 million to £12.6 million, and increased the closing net assets at 31 March 2016 by £1.0 million to £916.3 million.

The remaining uncorrected differences did not have a material impact on our opinion on the financial statements.

FINANCIAL STATEMENTS

Continued

Other matters we report on

Annual governance statement

We were satisfied that the Annual Governance Statement is not misleading or inconsistent with other information we were aware of from our audit.

Narrative reporting

Local authorities are required to include a narrative report in the Statement of Accounts to offer interested parties an effective guide to the most significant matters reported in the accounts. The narrative report should be fair, balanced and understandable for the users of the financial statements.

We were satisfied that the information given in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements. We noted that whilst the report includes information 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.

Internal controls

We identified the following significant deficiencies in internal controls for the pension fund:

- Maintaining accurate pension fund membership data and timely processing of changes
- Timely clearance of reconciling items in the bank reconciliation
- Review and reconciliation of receivables and payables balances.

We did not find any significant deficiencies in internal controls for the Council although a number of other areas for improvement were identified which we have discussed with management including having signed employment contracts for all staff and reconciliation of schools' income and expenditure at year end.

Whole of Government Accounts

Auditors are required to review Whole of Government Account (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding certain non current assets); liabilities (excluding pension liabilities); income or expenditure.

We have completed our review in accordance with the Group Audit Instructions issued by the National Audit Office. This requires that we compare the information in your Data Collection Tool (DCT) submission with the audited financial statements, undertake testing of completeness and accuracy of WGA counter party transactions and balances, and provide an assurance statement to the National Audit Office.

The DCT was amended as a result of the audit to reclassify a number of balances and we were able to conclude that the revised DCT was consistent with the audited financial statements. However, we were required to report that balances in last year's DCT were not mapped consistently with the current year as a result of these changes.

We also reported that we were unable to conclude that all WGA counter-party transactions and balances were properly allocated to CPID codes (counter-party identifier) in the DCT.

USE OF RESOURCES

CONCLUSION

We issued an unqualified conclusion on the arrangements for securing economy, efficiency and effectiveness in its use of resources on 30 September 2016.

Scope of the audit of use of resources

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources 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.

As part of reaching our overall conclusion we consider the following sub criteria in our work: informed decision making, sustainable resource deployment, and working with partners and other third parties.

Our assessment of significant risks

Our audit was scoped information obtained from your previous auditor, relevant findings from work undertaken in support of the opinion on financial statements, reports from the Council including internal audit, information disclosed or available to support the governance statement and annual report, and information available from the risk registers and supporting arrangements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and directing of the efforts of the audit team.

USE OF RESOURCES

Continued

SUSTAINABLE FINANCES	RESPONSE	FINDINGS
<p>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.</p> <p>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.</p>	<p>We carried out a review of the MTFS to review the key assumptions and the plans in place to deliver the necessary savings over the medium term.</p> <p>We also interviewed senior management and the Leader of the Council to discuss their understanding of the financial challenge and the savings plans.</p>	<p>In 2015/16 the Council delivered savings of over £13 million against planned savings of £17 million. The main reason for not hitting target was due to a rise in Adult Social care costs.</p> <p>The detailed corporate plan and MTFS outline how the £81 million funding gap will be closed through additional income and savings. The Council appear to have a good grasp of their finances and plans are prudent and as robust as they can be given the ever changing political landscape following Brexit.</p> <p>The Leader of the Council is confident that members are provided with accurate and timely reports allowing them to make informed decisions.</p> <p>Relationships with partners and third party providers are well managed and opportunities to enhance services whilst being conscious of the need to save money wherever possible are developed and nurtured.</p> <p>The Council had good levels of reserves to support the plans which can be drawn if required for unplanned rises in social care and children’s care over the short term.</p> <p>Overall, we are satisfied that the Council has robust processes in place to deliver the necessary savings and income growth over the medium term.</p>

EXERCISE OF STATUTORY POWERS

REPORT BY EXCEPTION

We received a number of objections and other information regarding the lawfulness of certain transactions included in the financial statements.

Use of statutory powers

Local electors submitted objections to the lawfulness of certain transactions included in the financial statements:

- Basis for accounting for Penalty Charge Notice (PCN) income
- Parking charge income on housing land
- Sale of Victoria Park Lodge.

We also received information from interested persons with concerns regarding the acquisition of the Abbott Depot site.

Our work on these objections and concerns remains on going although we were satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

We will formally respond to the objectors upon completion of our work.

Audit certificate

We are unable to issue the audit certificate to close the audit for 2015/16 until we have completed our investigations and responded to objectors for the matters raised.

GRANT CLAIMS AND CERTIFICATION

CERTIFICATION WORK

Our review of grant claims and returns for 2015/16 is in progress and the results will be reported upon completion of this work.

Housing benefit subsidy claim

Public Sector Audit Appointments Ltd has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

The audit of the 2014/15 housing benefits subsidy claim, completed by your predecessor auditor, found a small number of errors in self employed earnings calculations for non-HRA rent rebate benefit awarded resulting in potential overpayments of £218 based on the extrapolated results.

Our work on the 2015/16 housing benefits subsidy claim is currently in progress and will be completed ahead of the submission deadline of 30 November 2016.

We will report on the key findings separately once the work has been completed.

Other claims and returns

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by the Audit Commission or Public Sector Audit Appointments Ltd, and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Departments, for the following returns for 2015/16:

- Pooling of housing capital receipts return (deadline 30 November 2016)
- Teachers' pensions return (deadline 30 November 2016)

On work on these returns is currently in progress and the key findings will be reported separately.

APPENDIX

Reports issues

We have issued the following reports since our previous annual audit letter.

REPORT	DATE
Audit Plan - pension fund	22 February 2016
Audit Plan - Council	18 March 2016
Final audit report - Council	13 July 2016
Final audit report - pension fund	12 September 2016
Annual Audit Letter	31 October 2016

Fees

We reported our original fee proposals in our Audit Plan.

AUDIT AREA	PLANNED FEES	FINAL FEES
Code audit - Council	170,025	170,025
Code audit - pension fund	21,000	* 21,000
Certification of housing benefits subsidy	21,617	21,617
Fee for audit services	212,642	212,642
Audit related services:		
- Pooling of housing capital receipts	2,500	2,500
- Teachers' pensions return	5,000	5,000
Fee for audit related services	7,500	7,500
Non audit related services:		
- None	-	-
Total fees	220,142	220,142

* Due to significant additional work required for the pension fund audit, final outturn fees have yet to be agreed.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising.. No responsibility to any third party is accepted.

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LEIGH LLOYD-THOMAS
Engagement Lead

T: 0207 893 2616
E: leigh.lloyd-thomas@bdo.co.uk

JODY ETHERINGTON
Audit Manager

T: 01473 320 790
E: jody.etherington@bdo.co.uk

	<h2 style="margin: 0;">Audit Committee</h2> <h3 style="margin: 0;">30th January 2017</h3>
<p style="text-align: right;">Title</p>	<p>External Auditor Progress Report</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Executive and Section 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;">Enclosures</p>	<p>Appendix A – BDO Audit Progress Report</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Gillian Clelland – Assistant Director, CSG Finance Service Gillian.clelland@barnet.gov.uk</p>

Summary

BDO are the Council's appointed external auditors for the 2015/16 financial year. This report provides a summary of the key issues and progress in completing all audit work relevant to the 2015/16 financial year.

Appendix A to this report provides a progress report from BDO on their progress of external audit activities for 2015/16. The report confirms that all work has been completed, other than concluding on matters raised by members of the public regarding the lawfulness of transactions in the financial statements. Upon completion of these legal reviews, BDO will issue the audit certificate to close the audit for 2015/16.

BDO has highlighted concerns with regard to the following areas:

- Controls over pension fund accounting and the preparation of the pension fund financial statements
- Preparing the annual return on teachers' pension deductions paid to Teachers' Pension.

Recommendations

- 1. That the Committee note the content of Appendix A;**
- 2. That the Committee refer any matters relating to the pension fund to the Pension Fund Committee.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Council's external auditors have unrestricted access to those charged with governance which is the Audit Committee for the Council and the Pension Fund Committee for the Barnet Pension Fund.
- 1.2 Quarterly updates on audit progress are provided to the Audit Committee by the external auditors to highlight progress, concerns, issues and risks.

2. REASONS FOR RECOMMENDATIONS

- 2.1 None.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

- 4.1 None.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The audit progress report allows risks to the external audit process to be highlighted, which could highlight key performance issues and achievement of the Council objectives. Those areas of weakness must be addressed over the coming year; failure to do so carries the risk of adverse financial and/or reputational consequences. This supports the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 This report deals with the audit of the Council's accounts, financial performance, value for money and financial resilience and highlights any potential concerns before the final audit on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

5.3 Legal and Constitutional References

5.3.1 International Standards on Auditing allow the external auditors access to those charged with governance. The Council produces its financial statements in line with the standards.

5.3.2 The Council's Constitution, Responsibility for Functions - the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance" and "to comment on the scope and depth of external audit work and to ensure it gives value for money". The functions of the Pension Fund Committee include considering actuarial valuations and their impact on the Pension Fund.

5.4 Risk Management

5.4.1 Progress reports over the course of the year highlight areas of good control and areas of weakness which need to be addressed by the Council. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.5 Equalities and Diversity

5.5.1 There are no matter of equalities and diversity arising from the content of this report.

5.6 Consultation and Engagement

There are no consultations or engagements relevant to this report.

6. BACKGROUND PAPERS

6.1 None

REPORT CLEARANCE CHECKLIST

(Removed prior to publication and retained by Governance Service)

Report authors should engage with their Governance Champion early in the report writing process and record the date below. If the decision/report has been reviewed at an internal board please record the date and name of the meeting (e.g. SCB). Otherwise enter N/A. All reports must be cleared by the appropriate Director/AD, Legal, Finance and Governance as a minimum. **Legal, Finance and Governance require a minimum of 5 working days to provide report clearance. Clearance cannot be guaranteed for reports submitted outside of this time.**

AUTHOR TO COMPLETE TABLE BELOW:

Who	Clearance Date	Name
Committee Chairman	NA	NA

Governance Champion	NA	NA
Director / AD / Lead Commissioner	NA	NA
Enabling Board / Delivery Board	NA	NA
Commissioning and Policy	NA	NA
Equalities & Diversity	NA	NA
HR Business Director	NA	NA
Strategic Procurement	NA	NA
HB Public Law		Jessica Farmer
Finance		Patricia Phillipson
Governance		Kirsten Lambert



LONDON BOROUGH OF BARNET

Audit Progress Report - 2015/16

January 2017



INTRODUCTION

Background

This report is intended to provide the Audit Committee with a summary of all work completed in respect of the 2015/16 financial year.

The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act:

Audit of the financial statements

- to be satisfied that the accounts present a true and fair view, and comply with the requirements of the enactments that apply to them
- to be satisfied that proper practices have been observed in the preparation of the accounts

Value for money arrangements

- to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Reporting

- to issue an audit plan that sets out how the auditor intends to carry out their duties
- to report the findings of the audit to those charged with governance
- to express an opinion on the accounts
- to form an opinion on the organisation's arrangements to secure economy, efficiency and effectiveness in the use of resources
- to issue a statement on the consolidation schedules produced for the purposes of preparing Whole of Government accounts (whether these are consistent with the financial statements)
- to certify the completion of the audit
- to issue an annual audit letter highlighting the results of the auditor's work.




Certification work

- to certify the authority's Housing Benefit Subsidy claim form in accordance with instructions issued by PSAA.






We also perform certification work on the Pooling of Housing Capital Receipts and Teachers' Pension returns outside of the PSAA appointment.

Conclusions



We have included as a 'RAG' conclusion for all work completed in the report.

ASSESSMENT		EXPLANATION
RED		Expected modification of audit report or opinion.
AMBER		Some concerns over governance or finance.
GREEN		No issues to report




AUDIT PROGRESS


AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
PLANNING				
Planning letter	We are required to provide you with a planning letter setting out the scope of the audit for the year and the proposed fees set by Public Sector Audit Appointments Limited (PSAA).	Planning letters were issued for the Council's accounts and the pension fund.	No significant issues to bring to your attention.	
Audit plan	We are required to report to you the results of our audit planning, our risk assessment and the proposed audit response to significant audit risks ahead of commencement of the audit work.	Audit Plans were issued for the Council's accounts and the pension fund, and received by the respective committees on 19 April and 15 March 2016.	No significant issues to bring to your attention.	
FINANCIAL STATEMENTS				
Review of internal controls	Review of the significant financial systems that support the financial statements.	Interim reviews were undertaken in January and February 2016.	No significant issues to bring to your attention.	
Financial statements - Council's accounts	Audit of the financial statements to determine whether these give a true and fair view of the Council's financial position as at 31 March 2016 and the income and expenditure for the year.	Findings reported to Audit Committee 28 July 2016. True and fair opinion dated 30 September 2016.	No significant issues to bring to your attention.	
Financial statements - pension fund	Audit of the draft financial statements to determine whether these give a true and fair view of the pension fund financial position as at 31 March 2016 and the income and expenditure for the year.	Findings reported to Pension Fund Committee 13 September 2016. True and fair opinion dated 30 September 2016.	We identified a number of material errors in the draft financial statements relating to income due (for accrued contributions from employers incorrectly accounted for on a cash basis) and expenditure (for amounts payable) that were also found to have existed in recent years. Improvements are required in processing controls and year end arrangements for producing the pension fund financial statements.	

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
Whole of government accounts	We are required to provide assurance to the NAO to confirm the completeness and accuracy of the consolidation schedules prepared for Whole of Government Accounts purposes.	WGA assurance statement provided to NAO on 1 November 2016.	No significant issues to bring to your attention.	
USE OF RESOURCES				
Review of arrangements to secure economy, efficiency and effectiveness	We are required to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	Findings reported to Audit Committee 28 July 2016. True and fair opinion dated 30 September 2016.	No significant issues to bring to your attention.	
QUESTION AND OBJECTIONS				
Exercise of auditor powers	<p>Members of the public may question the auditor and object to the lawfulness of items of account.</p> <p>We received questions from members of the public or other stakeholders in respect of:</p> <ul style="list-style-type: none"> • Lender Option Borrower Option (LOBO) loans • Abbot Depot land purchase <p>Objections to the lawfulness of items in the accounts were received in respect of:</p> <ul style="list-style-type: none"> • Victoria Park Lodge sale • Penalty Charge Notice income (basis of accounting) • Parking charges on housing land 	<p>We have completed our review of LOBO loans and the acquisition of the Abbot Depot site, and are not minded to challenge the decisions taken by the Council or the lawfulness of these transactions.</p> <p>We have completed our review of the PCN income (basis of accounting) objection and concluded that the Council is accounting for this income appropriately.</p> <p>Work on the objection to the Victoria Park Lodge sale and parking charges on housing land remains in progress.</p>	Upon completion of the work, we will issue a statement of reasons to the objector summarising our findings and what, if any, further action we intend to take.	TBC

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
REPORTING				
Audit certificate	To certify the completion of the audit at the point that the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.	Note that the audit certificate can be issued only following the conclusion and reporting on all objections (see above).	The audit certificate will remain open until the objections work has been completed.	TBC
Annual audit letter	Public-facing summary of our audit work and key conclusions for the year.	Annual Audit Letter issued on 31 October 2016.	Summary of the issues noted above.	---
CERTIFICATION WORK				
Housing benefit subsidy claim	The scope of our certification is determined by PSAA, in consultation with the Department for Work and Pensions (DWP) to whom we report.	The return was certified on 19 December 2016.	No significant issues to bring to your attention.	
Teachers' pension return	The scope of this work is determined by the Department for Education (DfE).	The return was certified on 30 November 2016.	We found that the Council had not been including information for all schools under its control and was unable to provide supporting evidence of amounts paid over to Teachers' Pensions.	
Pooling of Housing Capital Receipts return	The scope of this work is determined by the Department for Communities and Local Government (DCLG).	The return was certified on 29 November 2016.	No significant issues to bring to your attention.	
Grants report	Summary of our certification work for the year.	Grants report issued 9 January 2017.	Summary of the issues noted above.	---



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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LONDON BOROUGH OF BARNET

Audit Progress Report - 2015/16

January 2017



INTRODUCTION

Background

This report is intended to provide the Audit Committee with a summary of all work completed in respect of the 2015/16 financial year.

The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act:

Audit of the financial statements

- to be satisfied that the accounts present a true and fair view, and comply with the requirements of the enactments that apply to them
- to be satisfied that proper practices have been observed in the preparation of the accounts

Value for money arrangements

- to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Reporting

- to issue an audit plan that sets out how the auditor intends to carry out their duties
- to report the findings of the audit to those charged with governance
- to express an opinion on the accounts
- to form an opinion on the organisation's arrangements to secure economy, efficiency and effectiveness in the use of resources
- to issue a statement on the consolidation schedules produced for the purposes of preparing Whole of Government accounts (whether these are consistent with the financial statements)
- to certify the completion of the audit
- to issue an annual audit letter highlighting the results of the auditor's work.




Certification work

- to certify the authority's Housing Benefit Subsidy claim form in accordance with instructions issued by PSAA.






We also perform certification work on the Pooling of Housing Capital Receipts and Teachers' Pension returns outside of the PSAA appointment.

Conclusions



We have included as a 'RAG' conclusion for all work completed in the report.

ASSESSMENT		EXPLANATION
RED		Expected modification of audit report or opinion.
AMBER		Some concerns over governance or finance.
GREEN		No issues to report



AUDIT PROGRESS


AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
PLANNING				
Planning letter	We are required to provide you with a planning letter setting out the scope of the audit for the year and the proposed fees set by Public Sector Audit Appointments Limited (PSAA).	Planning letters were issued for the Council's accounts and the pension fund.	No significant issues to bring to your attention.	
Audit plan	We are required to report to you the results of our audit planning, our risk assessment and the proposed audit response to significant audit risks ahead of commencement of the audit work.	Audit Plans were issued for the Council's accounts and the pension fund, and received by the respective committees on 19 April and 15 March 2016.	No significant issues to bring to your attention.	
FINANCIAL STATEMENTS				
Review of internal controls	Review of the significant financial systems that support the financial statements.	Interim reviews were undertaken in January and February 2016.	No significant issues to bring to your attention.	
Financial statements - Council's accounts	Audit of the financial statements to determine whether these give a true and fair view of the Council's financial position as at 31 March 2016 and the income and expenditure for the year.	Findings reported to Audit Committee 28 July 2016. True and fair opinion dated 30 September 2016.	No significant issues to bring to your attention.	
Financial statements - pension fund	Audit of the draft financial statements to determine whether these give a true and fair view of the pension fund financial position as at 31 March 2016 and the income and expenditure for the year.	Findings reported to Pension Fund Committee 13 September 2016. True and fair opinion dated 30 September 2016.	We identified a number of material errors in the draft financial statements relating to income due (for accrued contributions from employers incorrectly accounted for on a cash basis) and expenditure (for amounts payable) that were also found to have existed in recent years. Improvements are required in processing controls and year end arrangements for producing the pension fund financial statements.	

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
Whole of government accounts	We are required to provide assurance to the NAO to confirm the completeness and accuracy of the consolidation schedules prepared for Whole of Government Accounts purposes.	WGA assurance statement provided to NAO on 1 November 2016.	No significant issues to bring to your attention.	
USE OF RESOURCES				
Review of arrangements to secure economy, efficiency and effectiveness	We are required to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	Findings reported to Audit Committee 28 July 2016. True and fair opinion dated 30 September 2016.	No significant issues to bring to your attention.	
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**London Borough of Barnet
Audit Committee Work
Programme - 2017**

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

Subject	Decision requested	Report Of	Contributing Officer(s)
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.	Interim Assurance Director	
Invitation to opt-in to the national scheme for auditor appointments	To consider a sector-led approach to the procurement of external audit services on the basis of cost, resource availability and value for money.	Interim Chief Executive and Section 151 Officer	
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.	Interim Chief Executive and Section 151 Officer	

Subject	Decision requested	Report Of	Contributing Officer(s)
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	Interim Chief Executive and Section 151 Officer	
External Auditor Progress Report	To note the progress report from BDO on their progress of external audit activities for 2015/16.	Interim Chief Executive and Section 151 Officer	
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	

Subject	Decision requested	Report Of	Contributing Officer(s)
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 2016-17	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			
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		