

MEETING

AUDIT COMMITTEE

DATE AND TIME

THURSDAY 20TH APRIL, 2017

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Brian Salinger
Vice Chairman: Councillor Sury Khatri BSc (Hons) MSc (Lond)

Councillor Geof Cooke
Councillor Arjun Mittra

Councillor Hugh Rayner
Councillor Peter Zinkin

Councillor Kathy Levine

Independent Members

Geraldine Chadwick Richard Harbord

Substitute Members

Councillor Melvin Cohen Councillor Eva Greenspan Councillor Anne Hutton
Councillor John Marshall Councillor Reema Patel Councillor 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 at 10am, Thursday 13 April 2017. 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
1.	Minutes of last meeting	5 - 10
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)	
7.	Internal Audit Exception Recommendations Report and Q4 Progress Report - 1st January to 31st March 2017	11 - 74
8.	Corporate Anti-Fraud Team (CAFT) Annual Report 2016-17	75 - 96
9.	Internal Audit Annual Opinion 2016-17	97 - 124
10.	Internal Audit & Anti-Fraud Strategy and Annual Plan 2017-18	125 - 160
11.	External Audit Plan 2016/17	161 - 188
12.	Audit Committee Work Programme	189 - 196
13.	Any item(s) the Chairman decides are urgent	

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Decisions of the Audit Committee

30 January 2017

Members Present:-

AGENDA ITEM 1

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

Councillor Geof Cooke
Councillor Kathy Levine

Councillor Arjun Mitra
Councillor Peter Zinkin

Also in attendance
Geraldine Chadwick (Independent Member)
Richard Harbord (Independent Member)

Apologies for Absence
Councillor Hugh Rayner

1. MINUTES OF LAST MEETING

RESOLVED - That the minutes of the meeting held on 3 November 2016 be approved as a correct record.

2. ABSENCE OF MEMBERS (IF ANY)

Apologies for absence were received from Councillor Hugh Rayner.

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

Councillor Geof Cooke declared a non-pecuniary interest in Item 7, 1st October – 31st December 2016 Internal Audit Exception Recommendations and Progress Report Q3, as he is a governor at Summerside Primary School. He further declared that his child had been given a place at East Barnet School.

Councillor Brian Salinger declared a non-pecuniary interest in Item 7, 1st October – 31st December 2016 Internal Audit Exception Recommendations and Progress Report Q3, as he is a governor at Holly Park School.

Councillor Arjun Mitra declared a non-pecuniary interest in Item 7, 1st October – 31st December 2016 Internal Audit Exception Recommendations and Progress Report Q3 as he is GLA employee.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

There was none.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

The Committee noted the details of the received public questions and the public answers which were published ahead of the meeting. Responses to the supplementary public questions were provided verbally by Officers at the meeting. With regards to the questions put forward by Ms Theresa Musgrove (who was unable to attend the meeting), any supplementary questions were asked by Mrs Mary O'Connor and Ms Rita Singh on her behalf

Mr Nicholas Dixon addressed the Committee and made a public comment in relation to Agenda Item 7 – Internal Audit Exception Recommendations and Progress Report Q31st October – 31st December 2016.

6. MEMBERS' ITEMS (IF ANY)

There was none.

7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS AND PROGRESS REPORT Q3: 1ST OCTOBER - 31ST DECEMBER 2016

The Head of Internal Audit introduced the report. The Committee discussed the report and asked questions to the relevant Director(s), or their representatives on the Re Operation Review - Phase 2, the Information Technology Change Management and Insurance

The Committee noted the addendum report to this item which updated and detailed the finds of the eighth and final control tested as part of the **Investigating and resolving alleged breaches of planning control** review. The audit work on this control had now been completed and the 'final report' had been issued since publication of the original report.

Regarding the section 11 of Appendix 1, 'Changes to our plan – Capital Development Pipeline' Members sought clarification as to what Tranche 1 was why it was no longer considered 'viable'. Similarly with regards to Tranche 0 which had been added to the plan, further information was requested. The Head of Internal Audit undertook to circulate a detailed response to the Committee **[Action]**

RESOLVED -

- 1. That the Committee note the work completed to date on the Internal Audit Annual Plan 2016-17.**
- 2. That the Committee note the Internal Audit Follow-up Report - IT Change Management Phase 2.**

8. CORPORATE ANTI-FRAUD TEAM (CAFT) Q3 PROGRESS REPORT: 1ST OCTOBER - 31ST DECEMBER 2016

The interim Assurance Director introduced the report and provided the Committee with brief summary of work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st September 2016 – 31st December 2016.

The Head of Counter Fraud Operations provided further detail on some of the various activities covered in the quarter. The Committee were informed about the introduction of a 'Simple Caution' – he explained this is a sanction where fraud and Blue Badge misuse had been proved in accordance with our Fraud, Bribery and Corruption Policy. He further explained that in terms a defendant's criminal record a simple caution can be referred to in future court proceedings as it forms part of that criminal record.

He detailed for the Committee what the 'simple caution' sought to achieve, namely;

- 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.

This above introduced by the Corporate Anti-Fraud Team in October 2016. Between 1st October and 31st December 2016 the CAFT administered 19 cautions

With regards to the 2016/17 anti-fraud plan he highlighted for the Committee update on CAFT pro-active activity undertaken particular details relating to investigation of Blue Badge Misuse as well as Blue Badge fraud.

RESOLVED that the Committee note the CAFT Progress Report covering the period 1st October – 31st December 2016.

9. INVITATION TO OPT-IN TO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS

Mr Leigh Lloyd-Thomas from BDO presented the report. Following consideration of the Committee;

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

10. GRANTS CERTIFICATION WORK REPORT 2015/16

Mr Leigh Lloyd-Thomas from BDO presented the report.

The Committee sought clarification on the responsibilities and reporting arrangements for Teachers' pensions and the risk of having to return Right to Buy receipts.

In respect of the Right to Buy receipts it was agreed that the Director of Resources would circulate the details to the Committee **[Action]**

With regards to the Teachers' the following additional recommendation was moved;

"The Committee requested that the Director of Resources and Deputy Section 151 clarify the management responsibilities and reporting arrangements of teachers pensions and those schools who do not use Capita Payroll services".

It further agreed that the Director of Resources would circulate the details to the Committee **[Action]**

Following consideration of the Committee;

RESOLVED -

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;
3. That the Committee consider whether there are any areas on which they require additional information.
4. The Committee requested that the Director of Resources and Deputy Section 151 clarify the management responsibilities and reporting arrangements of teachers' pensions and those schools who do not use Capita Payroll services.

11. ANNUAL AUDIT LETTER 2015/16

Mr Leigh Lloyd-Thomas from BDO presented the report.

Following consideration of the item the Committee

RESOLVED - That the external auditor's Annual Audit Letter for 2015/16 be received.

12. EXTERNAL AUDITOR PROGRESS REPORT

Mr Leigh Lloyd-Thomas from BDO presented the report.

Following consideration of the item the Committee

RESOLVED -

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.

13. AUDIT COMMITTEE WORK PROGRAMME - JANUARY 2017 - MAY 2017

The Committee noted the work programme for 2016-17

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

There were none.

The meeting finished at 9.25 pm

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	<p>Audit Committee</p> <p>20th April 2017</p>
<p style="text-align: center;">Title</p>	<p>Internal Audit Exception Recommendations Report and Q4 Progress Report 1st January to 31st March 2017</p>
<p style="text-align: center;">Report of</p>	<p>Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: center;">Wards</p>	<p>N/A</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1 - Internal Audit Q4 progress report (1st January to 31st March 2017) Appendix 2 – LBB Response to the internal audit report Health and Safety – Estates Appendix 3 - updated Internal Audit Charter</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit & Corporate Anti-Fraud Team (CAFT) Plan 2016-17 and high priority internal audit recommendations.

Detail has been presented within the report on audits that were given ‘No’ or ‘Limited’ assurance or management letters that included high priority recommendations:

		Assurance rating
1	Highways Programme	Limited
2	Estates Health & Safety	Limited
3	Dollis Junior School	Limited

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

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

Management have provided a response to the internal audit report on Health and Safety – Estates which can be found at Appendix 2 which includes an update on the implementation of agreed actions. To note that this has not been verified by audit. As planned Internal Audit will follow this up in Q1 of 2017/18 as part of next year's audit plan and report back to Audit Committee.

An update to the Internal Audit Charter is also presented as an Appendix 3. The Charter was first approved in July 2013, and revised in April 2015 and July 2016, this is the third revision.

The reason for this revision is that for 2017/18 internal audit will align its reporting framework and associated scoring framework for **schools audits** with the methodology applied for non-schools audits and across the Cross Council Assurance Service (CCAS) of which Barnet is a member. This is part of on-going process of alignment and methodology improvements that have been facilitated through the framework.

Key points as follows:

- A systematic point's based scoring system will be used to determine aggregate assurance ratings for individual schools audits. Findings from each review will be assessed and a score applied based on the risk rating. The total number of points per the audit will determine the assurance rating.
- Reports that are "Limited assurance" and "No assurance" will be reported to Audit Committee in line with current arrangements.
- The revised system will assist in ensuring consistency in the application of overall assurance ratings for work performed.
- The report classification is determined by allocating points to each of the findings included in the report.
- Note terminology change from "Satisfactory" to "Reasonable"

The Charter has also been updated to reflect changes to the Public Sector Internal Audit Standards (PSIAs) in 2016. The PSIAs now define the Mission and Core Objectives of Internal Audit.

Recommendations

- 1. That the Committee note the work completed to date on Internal Audit Q4 progress report - 1st January to 31st March 2017.**
- 2. That the Committee note the LBB Response to the internal audit report Health and Safety – Estates.**
- 3. That the Committee approves the updated Internal Audit Charter.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2016-17 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.
- 1.2 The Audit Committee's role in receiving the updated Internal Audit Charter is to approve the Charter in line with the requirements of the Public Sector Internal Audit Standards.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

- 4.1 The Internal Audit Plan 2016-17 will continue to be delivered as reported to the Audit Committee with recommendations implemented in line with the report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

- 5.2.1 When 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 The Internal Audit Charter was first approved in July 2013 and updated in April 2015 and July 2016. This is the third revision.

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

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

<http://barnet.moderngov.co.uk/documents/s33716/Internal%20Audit%20Exception%20Recommendations%20Report%20and%20Progress%20Report%20up%20to%2030%20June%202016.pdf>

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

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

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Appendix 1

Internal Audit

Quarter 4 Progress Report 2016-17 1st January – 31st March 2017

Caroline Glitre, Head of Internal Audit

Contents

1. Introduction	3
2. Final Reports Issued	3
3. Key Findings from Internal Audit Work with No or Limited assurance	6
4. Work in progress	16
5. Implementation of Internal Audit recommendations	17
6. Implemented actions	23
7. Internal Audit effectiveness review	24
8. Changes to our plan	25
9. Risk Management.....	25
Appendix A: Definition of risk categories and assurance levels.....	26

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 January 2017 to 31st March 2017 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 24 reports in relation to the 16/17 plan. In summary, the assurance ratings provided for reports issued were as follows:

Substantial ✓✓✓	3
Reasonable	14
Limited	3
No	-
N/A	4
Total	24

Table 1: Work completed during quarter 4 including assurance levels

	Systems Audits	Assurance	Number of findings by risk category				
			Critical	High	Medium	Low	Advisory
1	Highways Programme	Limited	-	1	2	3	-
2	Estates - Health and Safety Compliance	Limited	-	1	4	2	-
3	Residential Care Homes – Provider Sustainability	Reasonable	-	-	2	4	-
4	Safeguarding - Statutory Responsibilities – Adults	Reasonable	-	-	5	2	-
5	No Recourse to Public Funds*	Reasonable	-	-	5	-	-
6	Regeneration – Dollis Valley	Reasonable	-	-	3	-	-
7	Estates – Subcontractor Ordering Processes*	Reasonable	-	-	2	1	-

Key Financial Systems:							
8	Budget Monitoring – Parking & Infrastructure	Reasonable	-	-	4	-	-
9	Teachers Pensions	Reasonable	-	-	2	-	-
10	Cash & Bank	Reasonable	-	-	1	-	-
11	Treasury Management	Substantial	-	-	-	-	-
12	Transformation – Family Friendly Barnet	Substantial	-	-	-	3	-
13	Staff Performance Management	N/A	-	-	1	2	-
14	Establishment List follow-up	N/A	-	-	-	2	-
15	Review of Barnet Group Internal Audit Plan and Reports	N/A	-	-	3	-	-
Grants / Payments by Results							
16	Troubled Families PbR– Q4	N/A					
School Audits							
17	Dollis Junior Last audit: Satisfactory Assurance Jan 2013	Limited 	-	1	2	5	-
18	Whitings Hill Last audit: Satisfactory Assurance Feb 2013	Satisfactory 	-	1	1	6	-
19	St. Margaret's Nursery Last audit: Satisfactory Assurance Jul 2013	Satisfactory 	-	-	6	1	-
20	Rosh Pinah Last audit: Limited Assurance Nov 2013	Satisfactory 	-	-	4	1	-
21	Danegrove Last audit: Satisfactory Assurance Dec 2012	Satisfactory 	-	-	4	1	-

22	St. Mary's N3 Last audit: Satisfactory Assurance Nov 2012	Satisfactory 	-	-	3	1	-
23	Moss Hall Junior Last audit: Satisfactory Assurance Dec 2012	Satisfactory 	-	-	2	1	-
24	Garden Suburb Junior Last audit: Satisfactory Assurance Nov 2012	Substantial 	-	-	-	-	-

*Joint Internal Audit & CAFT review

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

Title	Highways Programme
Audit Opinion	Limited Assurance
Date of report:	March 2017
Background & Context	<p>The Network Recovery Programme (NRP) is managed by Regional Enterprise (“Re”) Limited on behalf of the Council. Re also manage the contract that the Council has in place with Conway Aecom to provide reactive and planned highways maintenance, including works under the NRP scheme. The objective of this review was to assess the design and test the operating effectiveness of the contract management arrangements in place for the contract with Conway Aecom as well as to consider key controls to support the delivery of works under the NRP highways improvement programme. In particular it looked at the controls in place to help ensure the following objectives are met:</p> <p><u>Completion of highways improvement works:</u> Works are completed in line with required standards and minimise disruption to residents.</p> <p><u>Governance and Performance Reporting:</u> Contract managers are able to govern with confidence, making timely and fully informed decisions, resulting in the required contract outcomes and benefits being realised.</p> <p><u>Issue Management and Conflict Resolution:</u> Contract issues are identified, monitored, escalated and resolved in a timely fashion to avoid impacting on contract aims.</p> <p><u>Risk Management:</u> Contract risks are identified and mitigated in line with the organisational risk appetite and risk management strategy.</p>
Summary of Findings	<p>We identified that there are controls in place to ensure that there is adequate oversight and quality assurance of the completion of works under the Network Recovery Programme (NRP). There are mechanisms in place to ensure that there is oversight of activity through visits to works that are in progress and at the completion stage to provide assurance over quality. However, although these controls support the completion of individual schemes under the NRP we did identify some issues relating to broader contract management controls to ensure that there is effective oversight</p>

Title	Highways Programme
	<p>and management of the spectrum of planned and reactive works commissioned through LoHAC (London Highways Alliance Contract). The main area of improvement relates to the performance management arrangements in place. At present formal performance management is not being used as an effective contract management tool. It is important that the framework in place gives management the information they need to proactively identify performance issues and incentivise the contractor to influence practice in areas that matter to the Council. Re and the Council should work together to ensure that this is addressed going forward.</p> <p>This audit has identified 1 high, 3 medium and 3 low risk findings:</p> <ul style="list-style-type: none"> - Performance management (Finding 1, High) Upon reviewing a sample of three monthly performance reports produced by the contractor, we identified one instance where performance information was not provided in line with requirements. Information was not consistently reported for certain performance indicators specified in the call off agreement. No validation of Key Performance Indicator (KPI) information provided by the contractor is currently performed. There are no mechanisms currently in place to identify inaccurate performance information presented by the contractor. Evidence could not be provided to consistently demonstrate that poor performance identified through reported KPIs was addressed and appropriate action was taken. The framework allows for a review of Performance Indicators to occur annually however a review has not happened to date. It is not clear whether the current performance management framework includes the most effective or appropriate performance indicators, for example a number of indicators are not measured in light of them not relating to the actual services provided under the contract. Service standards and associated KPIs in place for the Conway Aecom contract and the service standards that Re are to achieve are not aligned and therefore Re cannot effectively incentivise and influence contractor behaviours through the current performance management mechanisms set out in the Conway Aecom contract to ensure that required Council service standards are met. - Issue management (Finding 2, Medium) There is no central issues log to systematically manage and resolve strategic issues in relation to the contract and key operational issues arising. Whilst there are more operational issues logs maintained in relation to individual schemes (e.g. Defects logs and snagging lists) and we have seen ad hoc communications around ongoing service issues, there is no easy way of tracking progress against more systemic issues in relation to the service and the

Title	Highways Programme		
	<p>contract to ensure issues are resolved in a timely manner and the contractor is held accountable for taking action to resolve issues.</p> <ul style="list-style-type: none"> - Inspection sheets (Finding 3, Medium) <p>For 10/10 (100%) NRP schemes tested, the site clearance section in the site inspection form had not been completed following the completion of works. This section confirms that the site is clean and safe for public access and that all signage has been removed and road markings reinstated.</p>		
Priority 1 agreed actions			
1. Performance Management			
<p>Agreed actions</p> <p>a) The current suite of KPIs in place will be reviewed. As part of this exercise obsolete indicators will be removed and the KPIs set out in the framework agreement will be reviewed to determine what potential indicators would add value to the current performance management framework. These indicators will be added to those measured and reported by the contractor on a monthly basis as appropriate.</p> <p>b) The Council and Re will discuss the alignment of performance targets between the LoHAC contract and those in place to monitor Re’s performance where applicable. This will be considered as part of the contract KPI review highlighted in action (a) as well as the 4 year review of the overarching Re contract which will consider the suite of KPIs that are in place to assess Re’s performance.</p> <p>c) A framework for performing validation activity on performance data reported by the contractor will be determined and implemented. This will involve periodically requesting the supporting data from the contractor on a proportionate sample basis to support reported performance.</p> <p>d) Action plans in the instance of poor performance and explanations for poor performance will be obtained from the contractor to be included in reports produced.</p>	<p>Responsible Officers</p> <p>a) Interim Lead Strategic Commissioner - Highways and Transport; Associate Director- Highways, Re</p> <p>b) Commercial Performance and Development Manager; Interim Lead Strategic Commissioner - Highways and Transport; Associate Director-</p>	<p>Deadline</p> <p>a) 30/06/2017 b) 30/06/2017 c) 31/07/2017 d) 31/07/2017</p> <p>Note: Validation of contractor information and management of poor performance in relation to KPIs will be implemented upon the suite of performance</p>	

Title	Highways Programme	
	Highways, Re. c) Contract Performance and Traffic Manager d) Contract Performance and Traffic Manager	indicators being refreshed.

Title	Estates – Health & Safety Compliance
Audit Opinion	Limited Assurance
Date of report:	March 2017
Background & Context	<p>The objective of this review was to assess the design and test the operating effectiveness of the key controls to support Health and Safety procedures for the estate owned or maintained by the London Borough of Barnet (the “Council”). In particular it looked at the controls in place to help ensure the following objectives are met:</p> <ul style="list-style-type: none"> • <u>Inspections:</u> Health and safety inspections and risk assessments are carried out in line with legal and regulatory standards. Documentation of inspections is retained to demonstrate the performance of inspections to the required standard; and inspections are performed by appropriately experienced and qualified individuals. • <u>Remedial work:</u> Risks identified through inspections are addressed within an appropriate timeframe. • <u>Governance:</u> There is sufficient management oversight of health and safety activities to ensure compliance with responsibilities. <p>The review has considered the risks outlined in the terms of reference and detailed in Appendix 4 and considered the period from 1 April 2016 to 31 October 2016.</p> <p><u>Limitations of Scope</u></p> <p>This audit has only covered the areas of scope outlined above on a risk based approach. Specifically we have not assessed the completeness of health and safety inspections across the estate portfolio, as there are known issues around the completeness of inspections and the contractor, Customer and Support Group (CSG), is currently taking action to resolve this issue. As part of this review we have considered the inspections that CSG have reported that they have undertaken to date to ensure that evidence has been retained to demonstrate the performance of all relevant checks and that issues identified as part of these processes have been managed appropriately.</p>
Summary of Findings	<p>Progress has been made in the year to clarify and confirm roles and responsibilities with regards to Estates health and safety functions. An agreement through change controls known as SPIR’s 1 and 2 has been reached with CSG for operational responsibility for health and safety procedures to cover part of the non-Civic estate (c140 properties) as well as the Civic estate. A third SPIR to cover all the properties in the remaining estate has yet to be finalised and approved.</p>

Title	Estates – Health & Safety Compliance
	<p>The Civic estate comprises of 6 buildings used as offices by Council employees, including the North London Business Park, Barnet House and Mill Hill Depot, whilst the non-civic estate comprises of other buildings owned/managed by the Council such as schools, libraries and community centres and consists of c800 properties. A programme has been developed to ensure the compliance status of the full estate is systematically assessed and understood. This service programme work plan will also be used as an ongoing framework to ensure the frequency of health and safety risk assessments and inspections is understood by staff and can be clearly followed to support long term compliance. A central tracker system, called Info Exchange, is used to store evidence of all relevant health and safety procedures performed and to support the programming of health and safety activity. This will also support the service to achieve ‘total’ compliance going forward.</p> <p>Although examples of good practice have been noted a number of areas for further improvement have been identified through the review, mainly in relation to remedial work and governance. There are currently limited mechanisms in place to ensure that remedial work is undertaken within an appropriate timeframe and that it is performed by third party contractors to an adequate standard. In addition, although there is a performance reporting framework in place, with reports on estates compliance overseen by the council’s Assets and Capital Board, the quality of the reporting requires improvement to ensure that effective oversight is being consistently maintained. This is important in ensuring that the Council can demonstrate it has fulfilled its responsibilities with regards to adequately managing its health and safety risks as duty holder for the corporate estate (both the civic and non-civic estates).</p> <p>This audit has identified 1 high, 4 medium and 2 low risk findings:</p> <ul style="list-style-type: none"> <p><u>Performance reporting (Finding 1, High)</u></p> <p>The operational responsibility for performing these health and safety related activities has been outsourced to CSG as part of the broader agreement the Council has with Capita. The Council, as duty holder, is still ultimately responsible for health and safety risks associated with the corporate estate and therefore needs to retain oversight of the operational performance of CSG and compliance across the estate.</p> <p>Although a report on the compliance status of the civic and the non-civic estates is generated for the monthly Assets and Capital Board (ACB) meetings, chaired and attended by Council management, the reports do not provide clear and useful data to enable Council management to have oversight and be provided with sufficient assurance over the compliance of the Estate. The ongoing reporting in relation to the compliance status for the non-civic estate is not sufficient to facilitate effective oversight. In addition a defined escalation protocol has not</p>

Title	Estates – Health & Safety Compliance
	<p>been formally established to ensure that emerging high risk health and safety issues identified are notified to relevant Council stakeholders and the Management team.</p> <ul style="list-style-type: none"> <li data-bbox="555 357 2074 619"> <p>• <u>Inspections (Finding 2, Medium)</u> In line with Council policies and procedures, the frequency of inspections required for each risk area has been set to ensure sufficient monitoring occurs to identify any issues in a timely manner. 5/20 (25%) inspections sampled were not performed within the defined timeframe. On average these 5 inspections were 2.4 months overdue. There was no specific reason for these timeframes not being met. It is noted that an exceptions report and a forward planner is run quarterly to identify overdue inspections and those due to expire in the next month and this is sent to the contractors and schools.</p> <li data-bbox="555 635 2074 976"> <p>• <u>Remedial works (Finding 3, Medium)</u> Currently expected timescales for commissioning and completing remedial work have not been defined and from our testing there were cases of long time periods between the inspection and obtaining a quote and completing the work. There are limited mechanisms in place to obtain assurance over the completion of remedial works or completion of works to an appropriate standard by third party contractors. Ad hoc checks are performed, however these checks are not evidenced and there is no defined sampling methodology to ensure sufficient coverage over works completed. In addition, evidence that remedial work has been completed, such as a repairs report, is not provided by schools. Instead schools provide only a confirmation that remedial work has been completed.</p> <li data-bbox="555 992 2074 1254"> <p>• <u>Contracts (Finding 4, Medium)</u> The Council should have a contract in place with fixed term contractors to ensure that the terms and conditions on the performance of inspections and remedial work are agreed and to ensure that they have appointed competent contractors. The contracts in place also state that the use of sub-contractors is to be approved by the contract administrator. For 4/10 (40%) contractors tested a contract could not be located nor provided to internal audit. 2/10 (20%) contractors tested were sub-contractors and evidence that the contract administrator had approved the use of these sub-contractors could not be provided.</p> <li data-bbox="555 1270 2074 1366"> <p>• <u>Schools compliance schedule (Finding 5, Medium)</u> A compliance schedule is sent to the schools that are responsible for managing their own inspections and commissioning remedial work. The schedule is to be completed by the schools to enable CSG to have oversight of</p>

Title	Estates – Health & Safety Compliance		
	<p>their compliance status. This exercise is currently done on an annual basis. The compliance schedules were sent in October 2016. Only 39 out of 141 schools had responded at the time of testing in December 2016. As at 6 February 2017 74 (52%) schools were yet to respond with details of their compliance. A tracker of responses is being maintained by CSG and schools are being chased for responses. However, there remains the issue that schools are not responding in a timely manner and thus the Council are not aware of their compliance status. Furthermore, there is no clear escalation protocol for reporting back to Council management those schools who are non-compliant or those schools who have not responded, although some level of non-compliance, where known, on the non-traded schools is provided in the ACB compliance status report produced by CSG.</p>		
Priority 1 agreed actions			
1. Performance Reporting			
<p>Agreed actions</p> <p>a) We will establish a mechanism to ensure that operational performance and compliance status in relation to the whole of the non-civic estate is reported back to senior stakeholders within the Council. This will provide them with an opportunity to scrutinise and challenge Health and Safety activity.</p> <p>b) We will continue to progress with SPIR 3 to ensure the contractual position between CSG and the Council in relation to responsibilities for all of the non-civic estate is agreed. We will submit a change request to alter the contract once the entire suite of KPI's has been reviewed in March 2017.</p> <p>c) We will document an escalation protocol that sets out what the Council want to be notified of and how the Council should be notified. This protocol will be followed in the event that issues are identified.</p> <p>d) Monitoring arrangements will be defined to ensure activity set out in the programme to understand the compliance state of the non-civic is delivered in line with requirements.</p> <p>e) We will put mechanisms in place to provide Council management with assurance that CSG are fulfilling their responsibilities. This may include employing a client-side Compliance Officer or making use of CSG's compliance arrangements.</p>	<p>Responsible Officers</p> <p>Director of Estates, CSG</p> <p>Head of Estates, LBB</p>	<p>Deadline</p> <p>28 April 2017</p>	

Title	Dollis Junior School
Audit Opinion	Limited Assurance
Date of report:	March 2017
Background & Context	Dollis Junior School is a Foundation school with 334 pupils on role aged between 7 and 11 years of age. The School budget for 2016/17 is £2,188,601 with employee costs of £1,565,687 (72% of the delegated budget). The School was assessed as 'Good' by OFSTED in January 2015
Summary of Findings	<p>As part of the audit we were able to give 'Limited' assurance to the school, noting one high, two medium priority, and five low priority issues as part of the audit:</p> <ul style="list-style-type: none"> • <u>Budget Monitoring (High priority)</u> – Monitoring and control should be a continuous process throughout the financial year. Monitoring reports should be accurate so that early detection of significant deviation from the financial plan is possible. <p>The school prepared an annual budget for 2016/2017 which was approved by the Governors in March 2016. However, although a balanced budget was submitted for 2016/17, the school has forecast a deficit of £30,639 at 31 March 2017 and applied to LBB for a licensed deficit in February 2017. The deficit is attributable to an error in the budget set for 2016/17 and the inability to employ permanent teachers and teaching assistants leading to higher than budgeted staff agency costs.</p> <p>The Financial Guide for schools requires that monitoring and control should be a continuous process throughout the financial year. Monitoring reports did not promptly highlight variances from the budget so that investigations could be made and action taken.</p> <ul style="list-style-type: none"> • <u>Payroll</u> – There should be documentation in school to prove that overtime claimed has been authorised by a member of the senior management team prior to entry into the online payroll system. Changes to the school business manager's salary should be formally approved; (Medium priority) • <u>Voluntary funds</u> –The school fund was last audited to March 2009. The school fund should have been audited annually until the closure of the account in December 2015; (Medium priority)
Priority 1 agreed actions	

Title	Dollis Junior School		
1. Budget Monitoring			
<p>Recommendation The school should refer to the Financial Guide for Schools section 2.5 (Budget monitoring and control) for guidance. Where a lack of financial skills is identified in the governing body, action should be taken to recruit or obtain skills to fulfil its role of challenge and support in the field of budget management and value for money.</p> <p>Management Response This has been noted. The School had already set up a more rigours monitoring system since October 2016 and have worked tirelessly to reduce the original forecasted deficit. These systems will continue to be reviewed as part of our on-going structural changes in this area.</p> <p>In the interim, we will continue to monitor our budget using FM4S and the Finance Committee.</p>	<p>Responsible Officer Finance Committee</p>	<p>Deadline Ongoing</p>	

4. 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	Contract Management - Maintenance of Contracts Register	Draft Report
2	Non-Schools Payroll	Draft Report
3	Pensions Administration	Draft Report
4	Nursery Places – Free Early Education Funding*	End of Fieldwork
5	Safeguarding - Statutory Responsibilities - Children	End of Fieldwork
6	Section 106	End of Fieldwork
7	SWIFT to Mosaic Data Migration	Fieldwork
8	Contest Framework – Prevent	Fieldwork

* Joint Internal Audit & CAFT review

5. 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)	Agreed report actions	Outcomes of previous audit follow-up assessments (if applicable)	Implementation status

1	<p>Customer Support Group (CSG) – Invoicing and Monitoring Arrangements</p> <p>1. Contract monitoring – assurance activities</p> <p>a) Management should undertake an exercise to understand the key controls in place within each of CSG’s core processes. This could be achieved through review of the appropriate policy and procedure documents.</p> <p>b) Management should assess and document whether the controls in place are sufficient to mitigate the Council’s key operational risks.</p> <p>c) Any control gaps identified in the first line of defence should be raised with Capita and where appropriate processes should be amended accordingly.</p> <p>d) Management should review and update the assurance framework document to ensure inclusion of the identified first line of defence activities. All key Second</p>	<p>31 March 2017</p> <p>Director of Commercial</p> <p>Director of Resources</p>	<p>Agreed</p>	<p><u>Audit Committee - 3 November 2016</u></p> <p>Partly implemented:</p> <p>The roles of commercial, finance and the SROs have been considered at a senior management workshop. A roles and responsibilities document, defining the roles of the Commercial team and SROs, has been drafted by the Director of Resources and is being agreed between the two teams.</p> <p>The Commercial team have recruited additional staff who can now support the three lines of defence model, for example developing a “deep dive” KPI/PI audit strategy, undertaking those deep dives and managing risks on an ongoing basis. Since the time of the audit there has been a review of the Council’s risk management arrangements which included a complete update of the corporate risk register and associated CSG risks.</p> <p>Management confirmed that the overall governance of the CSG contract is being considered as part of the Year 3 Contract Review and that results from all the work completed to date - as well as the review - will feed into the lines of defence model with a revised version to be finalised in January 2017.</p>	<p>Partly Implemented</p> <p>A Roles and Responsibilities review is underway and is being led by the Commercial Director. This is being managed as a project and will look in detail at the roles of Senior Responsible Officers, Commercial team advice, contract management and finance.</p> <p>Revised Implementation Date: 31st July 2017</p>
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2	<p>IT Disaster Recovery - October 2016</p> <p>The CSG contract only supports IT service recovery during business hours. (Control design)</p>	<p>31 January 2017</p> <p>Head of Information Management</p> <p>ICT Director (CSG)</p>	<p>a) Discussions have been taking place with CSG about extended out of hours support, and extended DR provision for critical services will be added into these proposal discussions. The target to resolve this is by the end of January 2017. The Council will undertake a risk assessment exercise to determine what services require out of hours DR support.</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly Implemented</p> <p>An agreement on Out Of Hours Support has not yet been reached between the Council and CSG. A proposal was submitted by Capita but this was rejected by the Council and continued commercial negotiations are underway.</p> <p>Revised implementation date: 30th June 2017</p>
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3	<p>Re Operation Review - Phase 2: Operating Effectiveness of Controls January 2016</p> <p>Highways: ad hoc inspections – Control Design</p>	<p>31 March 2017</p> <p>Commissioning Director of Environment Service Director, Highways, Re</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</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly Implemented</p> <p>This is being picked up as part of the Re Fundamental Service Review (FSR). Timescales currently state “in a timely manner” i.e. at the discretion of the inspector. Re and the Council are working together through the FSR process to agree a more detailed set of parameters and working with the Hub to re-script their questions to understand the types of interventions being discussed.</p> <p>The FSR is due to have substantially completed by July 2017.</p> <p>Revised implementation date: 31 July 2017</p>
			<p>applied and assess whether</p>		

4	<p>Statutory Complaints – Adults and Communities November 2016</p> <p>a) Learning from Complaints form</p>	<p>31 March 2017</p> <p>Assistant Director Adult Social Care</p> <p>Assistant Director Community And Wellbeing</p>	<p>a) Management will ensure that Learning from Complaints forms are completed and returned by Heads of Service to ensure lessons learned from complaints can be documented.</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly implemented</p> <p>We found that 11 ‘upheld’ or ‘partially upheld’ complaints had been closed during Q4 of 2016/17.</p> <p>We selected five of these complaints for testing. For one complaint we found that the Complaints and Information Manager had sent the Learning from Complaints form to the relevant Head of Service but it had not been completed and returned to the Complaints Manager.</p> <p>We consider that Learning from Complaints forms should be completed for all ‘upheld’ or ‘partially upheld’ complaints and therefore report this recommendation as being partially implemented.</p> <p>Revised Implementation Date: 30 June 2017</p>
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5	<p>Contract Management Toolkit Compliance - Mortuaries</p> <p>c) Service monitoring and payments</p>	<p>31st March 2017 (Quarter 4 2016/17)</p> <p>Mortuaries Contract Manager</p>	<p>c) The Council will ensure that Mortuaries services are provided in line with requirements in advance of payment. Note that since the audit the Council have determined that the Commissioner for the service will be responsible for reviewing and approving in advance of payment</p>	<p>n/a - this is the first follow-up of this action</p>	<p>Partly implemented.</p> <p>The Head of Community Safety / Strategic Lead-Safer Communities is the Senior Responsible Officer (SRO) for the Mortuaries IAA and has been allocated the responsibility for the certification of the payment of the remaining 5% management fee and the 2016/17 breakdown of expenditure being done by Brent. Brent is expected to submit the year-end invoice in early April 2017 after which it will be reviewed by the Mortuaries Contract Manager and the SRO and certified by the SRO prior to payment. The certification of the invoice by the SRO is expected to take place prior to 20 April 2017.</p> <p>Agreed action for full implementation: Evidence of the above will be provided</p>
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6. Implemented actions

The following actions that had previously been agreed as a priority one have been reviewed and are now considered implemented or no longer applicable.

Audit Title, Date and Recommendation / Agreed Action
1. Grant Income - June 2015 - Grant Identification
2. Accounts Payable - December 2015 - New Supplier Forms – no longer applicable
3. IT Disaster Recovery - October 2016 - Alignment of BCM recovery requirements with ITDR capability – Bandings
4. IT Disaster Recovery - October 2016 - ITDR Governance
5. IT Disaster Recovery - October 2016 - Alignment of BCM recovery requirements with ITDR capability – Regular Engagements
6. Insurance - October 2016 - Third party insurance arrangements- Contractor liability - Contract manager's responsibility for liaising with the Insurance Team
7. Insurance - October 2016 - Third party insurance arrangements- Contractor liability - Service Responsibility document
8. Insurance - October 2016 - Third party insurance arrangements- Contractor liability - Re
9. Regional Enterprise (Re) Invoicing and Monitoring Arrangements – Deep Dives
10. Contract Management Toolkit Compliance - Mortuaries - Service monitoring and payments – Targets for performance indicators
11. Contract Management Toolkit Compliance - Mortuaries - Service monitoring and payments – Frequency of performance reporting
12. Statutory Complaints – Adults and Communities - November 2016 - Lessons Learned - Reviews of serious or complex complaints
13. Statutory Complaints – Adults and Communities - November 2016 - Lessons Learned – Documentation and communication
14. Re Operation Review - Phase 1 - Alignment to Counter-Fraud Framework (Medium priority) – Anti-Fraud Training Module
15. Re Operation Review - Phase 1 - Alignment to Counter-Fraud Framework (Medium priority) – co-operation between CAFT and Re

7. Internal Audit effectiveness review

Performance Indicator	Target	End of Quarter 4
% of plan delivered	95%	91%
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	8% 67% 7% - 18%
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> • Implemented • Partly implemented • Not implemented • No longer applicable in quarter when due	90%	70% 25% 0% 5%

Key:

Target met
Target not met
N/A

Implementation of internal audit recommendations – as per section 7 above, the progress of the 20 high priority recommendations / actions due for implementation in quarter 4 is that 70% of recommendations have been fully implemented compared to a target of 90%.

A summary of the status is as follows:

Status	Number	%
Implemented	14	70%
Partly Implemented	5	25%
Not implemented	0	0%
No longer applicable	1	5%
Total	20	100

8. Changes to our plan

Since the Internal Audit Plan was agreed in April 2016 there have been changes to audits originally planned for Q4 as follows:

Type	Audit Title	Reasons
Deferred	Capital Development Pipeline - Re projects - Lessons Learnt	<p>This relates to mixed tenure housing on General Fund land which was surplus to requirements. The Outline Business Case for this was approved by Assets, Regeneration and Growth Committee (ARG) on 1 June 2015. That approach was proved not to be deliverable and a revised approach is being brought to ARG for approval on 24th April.</p> <p>If the revised approach is agreed, Internal Audit will follow-up in 2017/18 to confirm that the appropriate project controls are in place.</p>

9. Risk Management

The performance report for Quarter 3 2016/17 was presented to the Performance and Contract Monitoring Committee on 27th February 2017. Appendix J to the report is the Quarter 3 corporate risk register and can be found via the link below:

<http://barnet.moderngov.co.uk/documents/s38191/Appendix%20J%20-%20Corporate%20Risk%20Register%20PCM%20Q3%20PCM%20FINAL.pdf>

As highlighted in the Quarter 1 Internal Audit 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 discussed and noted at the 5th January 2017 Performance and Contract Monitoring Committee meeting and can be found here:

<http://barnet.moderngov.co.uk/documents/s37000/Appendix%20A%20-%20Risk%20Management%20Framework.pdf>

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.

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**LBB RESPONSE TO THE INTERNAL AUDIT REPORT
HEALTH AND SAFETY – ESTATES
FEBRUARY 2017**

INTRODUCTION

1. London Borough of Barnet (LBB) is the statutory Duty Holder for building compliance on its entire estate and as such is accountable for ensuring that all buildings, Civic and Non-civic, are maintained in a safe and compliant state.
2. In order to fulfil its statutory obligations, LBB entered into a contract with Capita, who in turn created the Customer and Support Group (CSG) Estates team. This is the organisation responsible for the management and maintenance of the estate, including statutory compliance.
3. The contract defines, via Key Performance Indicators and the output specification, that for the Civic Estate, CSG Estates 'shall discharge its contractual obligations in respect of the management of the Authority's compliance with statutory instruments and shall undertake, or shall procure the undertaking of, appropriate checks and testing for all buildings where the Authority is deemed to have an obligation'.
4. Whilst accountability ultimately remains with the council, the contract effectively delegates responsibility for the management and maintenance of its Civic buildings, in compliance with current statutory regulations, to CSG Estates but this does not absolve LBB of its Duty Holder responsibilities. The 2016/17 Internal Audit Plan, approved by Audit Committee in April 2016, included an audit of Estates Health & Safety Compliance in Q1. A scoping meeting was held, and it was agreed to defer the audit to Q3 due to an ongoing improvement plan already underway within Estates to address gaps in the CSG management team and under-performance in both Property and Building Services.
5. In October 2016 the scope of the audit, which was commissioned by the council, was agreed. The intention was to provide independent assurance over the extent to which Civic Estate building compliance was being managed & maintained according to the agreed framework, in order to minimise risk as much as possible with fire safety, gas safety, electrical safety, lift safety and asbestos & legionella management. The findings of the internal audit have been helpful in identifying where improvements are needed in relation to estates compliance. This report appendix sets out the latest position with respect of the main findings and recommendations.

ISSUE

6. A number of recommendations and actions were agreed as part of the audit process. This report details progress against those actions to date, and the broader improvements that have and will be implemented to ensure that building compliance is managed and maintained to the highest possible standard.

AUDIT RESPONSE

7. Scope of the report.

a. The original scope of this report included the LBB Civic Estate which covers 6 buildings: North London Business Park 2, Barnet House, Hendon Town Hall, Friary House, Colinhurst House and Mill Hill depot but was broadened to cover community schools as time allowed. The audit therefore focussed on the delivery of property compliance activities across the estate managed and monitored by the CSG Estates team and specialist sub-contractors.

b. In the case of community schools, these buildings are not part of the Civic Estate. Schools are responsible for maintaining building compliance in their own buildings and may employ their own contractors to do so, or seek to utilise the services of CSG as a traded service. CSG are therefore not wholly responsible for managing inspections / surveys and / or any remedial works. The contractual responsibility of CSG is to only gather information on the status of compliance those schools, and to report that status to LBB, who still retain Duty Holder responsibilities. The responsibility for managing and maintaining building compliance lies with the schools themselves but accountability still falls to LBB, hence the need for CSG to monitor and report on the council's behalf.

8. **Generic improvement measures.** Following the audit a number of specific actions have been identified, along with areas for improvement, many of which have already been implemented or are in the process of being implemented:

a. **Roles & responsibilities:** The report highlights that progress has been made in the year to clarify roles and responsibilities, which flow from the original contract with Capita. LBB is the Duty Holder and therefore accountable for building compliance but as an organisation it does not have the technical knowledge and expertise to discharge all duties i.e. identification and management of building compliance risks. CSG have been contracted to carry out these functions on behalf of the council and as such, are responsible for managing and maintaining building compliance, and for reporting this to the council.

b. **KPI improvements:** The KPI measuring building compliance has been revised to fully encompass building compliance on the whole 'maintained estate' i.e. all buildings for which LBB retains responsibility for repair & maintenance.

c. **Management reporting:** The current reporting framework includes monthly reporting to council senior management. Moving forwards, in order to improve reporting, detailed compliance reports will be provided to LBB as part of the monthly and quarterly reporting cycle, with any areas of risk highlighted, together with relevant mitigating action. In addition, monthly performance meetings will be chaired by the LBB Head of Estates, at which such risks & issues will also be discussed. Significant risks will be escalated to the CSG Partnership Operating Board (POB) and Senior Commissioning Board (SCB) by the LBB Head of Estates and / or Head of Health, Safety and Wellbeing, as required.

d. **Compliance testing:** Over the course of the last six months a comprehensive programme of compliance testing has already been taken forward across all properties where LBB have a retained responsibility. A programme is in place to ensure that the compliance status of the full estate i.e. Civic and Non-civic buildings alike, is systematically assessed and understood. This work plan will also be used as an ongoing framework to ensure the frequency of building compliance

risk assessments and inspections are fully understood by staff and can be clearly tracked and monitored to ensure long-term compliance, as far as is practicable. A central tracker system, called Info Exchange, is used to store evidence of all relevant health and safety procedures performed and to support the programming of health and safety activity. This will also support the service to ensure building compliance is comprehensively managed going forward. At the time of writing, 81% of the 331 inspections / surveys have been completed and no issues of significant concern have been highlighted. The testing programme will be completed by 1 May 17 and further compliance tests will be taken forward on an ongoing basis according to statutory timescales.

e. **Inspection / survey frequencies:** There is no statutory frequency for the undertaking of Legionella risk assessment included in HSG274 (the industry standard). 24 months is considered good practice though, and this is reflected in the CSG Estates contract output specification. This frequency was and is being adhered to by the sub-contractors so there was no increase in risk as a result of this identified anomaly.

f. **Escalation protocols:** It was well understood by CSG Estates that LBB Head of Estates and LBB Head of Health, Safety and Wellbeing were to be informed by CSG Estates of any significant risk associated with building compliance without delay. However, the report noted that there was no written escalation protocol. In response, a protocol has now been drafted.

g. **Remedial works:** The report also identifies areas for further improvement, mainly in relation to the execution of remedial work and governance. One of the findings was on remedial works in a school and was therefore not within CSG Estates direct control to resolve. In the case of the other two findings, neither were urgent. One was scheduled to be completed as part of wider refurbishment work and the other as planned maintenance activity. Process flow charts for use by CSG Estates staff have been developed and will be reviewed annually or amended when procedures dictate. Staff are trained in their use and these are included as part of new starter induction process All other recommendations identified in the audit report are actively being addressed through a robust action plan and all items are due to be completed by 28th April 2017, as defined in Enclosure 1.

h. **Strengthening the estates function:** It should also be noted that CSG have now made a number of necessary changes, in order to address the shortfalls and strengthen their estates team in Barnet, including replacing the Head of Building Services. Since the audit, they have also supplemented the on-site team with members from the National Compliance Team, who centrally co-ordinate the data on the info exchange system across the partnership and form part of the escalation process for non compliant issues. The National Compliance Team hold weekly meetings and localised delivery to account, and ensure continuity in statutory compliance practice. As a result, all the current processes, procedures and asset registers are now up-to-date and are being used to manage compliance activity on all the assets where the London Borough of Barnet has retained responsibilities.

i. **Sub-contractor management:** CSG Procurement are supporting CSG Estates in appointing long-term supply chain members that satisfy LBBs policy and procedures and European regulations. This will be concluded by end of September 2017. Until this point the existing supply chain will be employed in the delivery of services and alternative providers may also be procured on a short-term basis.

j. **Community School compliance:** Revised letters to schools have been sent out in order to obtain the required information. Should that information still not be forthcoming, a new escalation protocol has been developed for staff to follow in order to ensure as far as is practicable, that the information will be provided.

k. **Ongoing compliance testing:** A comprehensive programme of compliance survey and inspections will be embedded into all future planned preventative maintenance programmes. As a result of changes proposed as part of the recent CSG contract review process, performance against the delivery of this compliance programme will also be subject to measurement under a Key Performance Indicator, on a quarterly basis. Furthermore, the requirement to order works arising from compliance surveys / inspections within five working days will be measured as part of this KPI, along with the requirement to immediately (same day) make-safe any installation / facility deemed to present an immediate health and safety risk.

9. **Action plan.** CSG has already commenced a number of activities to support LBB in addressing the issues raised in the audit and to improve the property compliance testing and inspection regime. In partnership with the Council, an action plan has been developed to address these issues, with a target deadline for completion of all actions by 1 May 2017. Details are shown in the table at Enclosure 1.

SUMMARY

10. Actions were already being taken forward to improve the service and the audit has provided further scrutiny of the council's approach. CSG employs a proactive approach to cyclical maintenance which by its very nature not only supports in long term asset effectiveness but is also designed to identify issues and faults. In reality, maintaining a compliant estate is a complex process which requires an ongoing focus on risk mitigation.

11. CSG's processes and procedures for the management of all building compliance activity (inspections, surveys and remedial works) on the Civic Estate were broadly understood by their staff. However, the audit found instances where the documentation of processes required improvement and some cases of processes not being followed as they should have been. CSG accept these criticisms and the council is content that they are now taking the appropriate action to resolve the shortcomings.

12. The council's governance over building compliance, via the monthly Assets and Capital Board, was an appropriate mechanism for senior management to be able to oversee and respond to highlighted associated risks. Accordingly, risks were identified, which ultimately led to a number of control measures being actioned, not least a CSG Estates improvement plan and the commissioning of the audit. However, the audit has highlighted that improvements to the quality of management information are required, together with the agreement of documented escalation protocols. This has now been addressed, with details set out in the accompanying appendices.

LBB / CSG ESTATES
ACTION PLAN SUMMARY

Ref	Finding (Heading)	Agreed Action	Action Update 27.03.2017	Owner	Revised implementation date	Status as at 5 Apr 17
1.	Performance Reporting	<p>a) We will establish a mechanism to ensure that operational performance and compliance status in relation to the whole of the non-civic estate is reported back to senior stakeholders within the Council. This will provide them with an opportunity to scrutinise and challenge Health and Safety activity.</p> <p>Target Date 28 April 2017</p>	<p>Info Exchange is fully populated with the non-civic estate properties informed from a review of all assets which has determined where LBB have responsibility.</p> <p>A monthly report and quarterly service report will be issued to the LBB commercial and any escalations to POB and SCB. providing a full report of compliance, a forward plan of works along with budget implications, across the whole property estate where</p>			

			<p>LBB have retained responsibility.</p> <p>Action – a draft report to be prepared for review and sent to Chris Smith for comment/sign off.</p>	<p>Capita National Compliance Manager</p>	<p>28/04/17</p>	<p>Partly implemented</p>
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1.		<p>b) We will continue to progress with SPIR 3 to ensure the contractual position between CSG and the Council in relation to responsibilities for all of the non-civic estate is agreed. We will submit a change request to alter the contract once the entire suite of KPI's has been reviewed in March 2017.</p> <p>Target Date 28 April 2017</p>	<p>SPIRs 1 & 2 provide commercial coverage for the management of compliance. Additional SPIRs have been drafted for the specialist surveys identified through the recent compliance checks- Fire Risk Assessments, DDA Audits, and Asbestos re-inspections.</p> <p>Action – Issue SPIRs to CSG PMO for commercial review and agreement</p> <p>A review of the KPIs is underway and suggested amendments are currently under review with the CSG commercial team.</p> <p>Action – CSG commercial team to provide update regarding the KPIs to LBB.</p>	<p>CSG Head of Building Services & CSG Estates Operations Manager</p> <p>CSG Director of Estates and CSG Operations Director</p>	<p>28/04/17</p> <p>28/04/17</p>	<p>Partly implemented</p> <p>Partly implemented</p>
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1.		<p>c) We will document an escalation protocol that sets out what the Council want to be notified of and how the Council should be notified. This protocol will be followed in the event that issues are identified.</p> <p>Target Date 28 April 2017</p>	<p>Draft workflow protocol being finalised, responsible parties to be notified of responsibilities.</p> <p>Action- Finalise protocol and inform all parties of responsibilities.</p>	LBB Head of Estates & CSG Director of Estates	28/04/17	Implemented
1.		<p>d) Monitoring arrangements will be defined to ensure activity set out in the programme to understand the compliance state of the non-civic is delivered in line with requirements.</p> <p>Target Date 28 April 2017</p>	As per item 1a.	Capita National Compliance Manager	28/04/17	Partly implemented

1.		<p>e) We will put mechanisms in place to provide Council management with assurance that CSG are fulfilling their responsibilities. This may include employing a client-side Compliance Officer or making use of CSG's compliance arrangements.</p> <p>Target Date 28 April 2017</p>	<p>The local team will deliver, manage and maintain the compliance programme and provide updates to the client monthly as agreed through the service report.</p> <p>The local team will be policed and audited by our National Compliance Team, headed by Ken Bendle, to ensure to CSG are fulfilling their responsibilities along with adopting best practice through continuous improvement.</p> <p>Action – a draft report to be prepared for review and sent to Chris Smith for comment/sign off.</p>	Capita National Compliance Manager	28/04/17	Partly implemented
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2.	Inspections (Operating Effectiveness)	<p>Agreed Action: The forward planning report will be sent to the contractor or school along with the exceptions report on a monthly basis, in order to help reduce the number of inspections performed after their due date.</p> <p>Target date: 17 March 2017</p>	<p>Completed - The forward planning reports are in already in place and are being issued to the relevant parties. Evidence of this has been provided to PWC 14/03/17.</p> <p>Note- forward planners are sent to schools that have contracted with CSG via traded services.</p>	Capita National Compliance Manager	17/03/17	Implemented
3.	Remedial Works (Control Design)	<p>Agreed Action: a) The timeliness of commissioning and completing remedial work will be monitored against defined expected timescales. Issues of non-compliance against these timescales and the subsequent action taken will be reported back to Council management and reviewed through ACB. Emphasis will be placed on reporting progress associated with urgent remedial works.</p> <p>Target Date 31 March 2017</p>	<p>Suggested timescales to respond are: Priority 1- Instruct making-safe on the same working day of request. Follow-up with order for remedial works within 5 working days.</p>	CSG Head of Building Services	31/03/17	Implemented
			<p>Reporting and escalation in accordance with the proposed protocol as per 1c.</p>	CSG Head of Building Services	31/03/17	Implemented

3.		<p>b) Schools will be asked to provide evidence of the remedial works undertaken to confirm the risks have been appropriately addressed.</p> <p>Target Date 31 March 2017</p>	<p>As per transferred assets, letters have been prepared in conjunction with HB Law and were sent to all schools by Friday 31st March 2017 These detailed the schools responsibilities along with a request to provide the relevant information to enable reporting and risk management by the CSG team.</p> <p>Cambridge Education to be invited to review content of correspondence</p> <p>Action – letters to be issued to schools.</p> <p>We will also be implementing a notification process where schools will inform CSG before any works commence to ensure risks are adequately managed.</p> <p>Action – Draft process to be prepared for review by Chris Smith.</p>	<p>CSG Director of Estates</p> <p>CSG Director of Estates</p> <p>Capita National Compliance Manager & CSG Head of Building Services</p>	<p>30/04/17</p> <p>30/04/17</p> <p>30/04/17</p>	<p>Partly Implemented</p> <p>Partly implemented</p> <p>Partly implemented</p>
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3.		<p>c) We will establish approval limits that determine when the commissioning of remedial works needs to be approved by the Council. An audit trail of approvals will be retained.</p> <p>Target Date 31 March 2017</p>	<p>Reporting and escalation in accordance with the proposed protocol as per 1c.</p>	<p>CSG Head of Building Services</p>	<p>31/03/17</p>	<p>Implemented</p>
3.		<p>d) We will devise a systematic spot checking methodology that includes the sample size to be checked (e.g. 5-10% of works will be checked).</p> <p>Target Date 31 March 2017</p>	<p>A post Inspection form has been created which resides within the Info Exchange system, to facilitate a robust post inspection regime. This will be rolled out to the CSG team and implemented. The process will be checked & monitored centrally by the National Compliance Team and reported through the monthly service report to the LBB client/ LBB Head of Estates and escalated to POB / SCB as necessary.</p> <p>Action – Post inspection form and process to be rolled out to the CSG and implemented.</p>	<p>Capita National Compliance Manager & CSG Head of Building Services</p>	<p>30/04/17</p>	<p>Partly implemented</p>

3.		<p>e) Spot checks will be recorded in the post works inspection section on Info Exchange to ensure documentation of the check is retained.</p> <p>Target Date 31 March 2017</p>	<p>As per item 3d above.</p>	<p>Capita National Compliance Manager & CSG Head of Building Services</p>	<p>30/04/17</p>	<p>Partly implemented</p>
4	<p>Contracts (Operating Effectiveness)</p>	<p>a) We will undertake a review of the contractors used to ascertain the number of contractors for which a signed contract cannot be located. We will investigate any instances where a contract cannot be retrieved and take appropriate action, ensuring there is an interim solution in place.</p> <p>Target date 7th April 2017</p>	<p>This is being resolved by the work led by Kurtis Lee to broaden the number of term-contractors with clear specifications for each.</p> <p>Action - Training will be delivered to team to improve knowledge of LBB's standing orders/procurement procedures.</p>	<p>CSG Director of Estates & CSG Head of Building Services</p>	<p>30/04/17</p>	<p>Partly implemented</p>

4.		<p>b) We will review how contracts are filed to ensure they can be easily retrieved should they need to be.</p> <p>Target date 7th April 2017</p>	<p>Action – establish with procurement how contracts are held</p>	<p>CSG Director of Estates</p>	<p>30/04/17</p>	<p>Partly implemented</p>
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4.		<p>c) A listing of contractors and approved subcontractors will be maintained.</p> <p>Target date 7th April 2017</p>	<p>Action - Establish a contractor matrix, in liaison with the procurement team, identifying all contracts including contract dates, maximum value, current spend to date etc. This will be reviewed monthly to enable effective management and controls.</p>	<p>Capita National Compliance Manager & CSG Head of Building Services</p>	<p>30/04/17</p>	<p>Partly implemented</p>
5	<p>Schools Compliance Schedule (Control design)</p>	<p>a) The compliance schedule will be sent to schools on a bi-annual basis. The schools will continue to be given deadlines by which to respond.</p> <p>Target date 7th April 2017</p>	<p>Action - Draft and issue a letter to schools out of scope to request evidence of compliance activities.</p>	<p>CSG Director of Estates</p>	<p>30/04/17</p>	<p>Partly implemented</p>

5.		<p>b) An escalation protocol will be defined that outlines the procedures to follow if schools do not respond within the allocated timeframe or schools are non-compliant. This will detail how this information will be reported back to Council management and to whom.</p> <p>Target date: 7 April 2017</p>	<p>Reporting and escalation in accordance with the proposed protocol as per 1c.</p>	<p>LBB Head of Estates & CSG Director of Estates</p>	<p>30/04/17</p>	<p>Partly implemented</p>
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6.	<p>Service Programme work plan: Frequency of Inspections (Operating Effectiveness)</p>	<p>Agreed Action: The Info Exchange Tracker system will be aligned to the programme to ensure frequencies of inspections are undertaken as dictated in the programme.</p> <p>Target date: 24 March 2017</p>	<p>The Info Exchange system will track all inspection dates providing an early warning where appropriate enabling the effective management of the forward inspection programme. The process will be checked & monitored centrally by the National Compliance Team and reported through the monthly service report to the LBB client.</p>		<p>24/03/17</p>	<p>Implemented</p>
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7.	Policies and procedures (Operating Effectiveness)	<p>a) Policies and procedures will be reviewed and updated annually with all relevant parties involved in the review, and the approval process defined.</p> <p>Target date:7 April 2017</p>	<p>Policies and Procedures will be stored in the document library within the Info Exchange system, these will be reviewed annually. Amended as required and signed off by LBB and CSG.</p> <p>Action – Review current policies and procedures identify gaps along with an action plan for completion. Completed documents to be stored in the document library.</p>	CSG Head of Building Services & LBB Head of Estates	30/04/17	Partly implemented
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7.		<p>b) Supporting procedures will be written for electrical maintenance, fire safety, lift safety and gas safety, along with all other relevant property compliance service programme items, dovetailing into the Council's policies and procedures.</p> <p>Target date:7 April 2017</p>	<p>Action –Create scoping documents and a responsibility matrix for all compliance areas.</p>	<p>Capita National Compliance Manager & CSG Head of Building Services</p>	<p>30/04/17</p>	<p>Partly implemented</p>
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Internal Audit Charter

1. Introduction

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

2. Mission and Definition of Internal Audit

2.1 The Public Sector Internal Audit Standards (PSIAS) state that the Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation: **To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.**

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

2.3 The Accounts and Audit Regulations 2015 state a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The PSIAS (comprising the ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and the ‘Standards’) and CIPFA’s Local Government Application Note are mandatory in nature and both are adhered to in the operation of London Borough of Barnet’s Internal Audit service. Our auditors also have due regard to the Seven Principles of Public Life, as defined by the Committee on Standards in Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership).

3. Purpose and Core Principles of Internal Audit

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

3.2 The PSIAS include 10 Core Principles which, taken as a whole, articulate internal audit effectiveness and these are adhered to within the internal audit service at London Borough of Barnet:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4. Organisational Independence

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

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

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

5. Status of Internal Audit

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

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

5.3 Internal Audit has the authority to:

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

For clarity, the Council's contracts with Capita allow for the following:

'Subject to the Authority's obligations of confidentiality, the Service Provider shall upon request provide the Authority (and/or its agents or representatives) within two (2) Business Days (unless agreed otherwise by the parties acting reasonably) with all reasonable co-operation and assistance in relation to each audit, including:

- (a) all information reasonably requested by the Authority within the permitted scope of the audit;
- (b) reasonable access to any Service Provider's Premises and to any equipment used (whether exclusively or non-exclusively) in the performance of the Services;
- (c) reasonable access to the Service Provider's systems; and
- (d) reasonable access to Staff.'

6. Responsibility of the Audit Committee

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

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

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

findings, critical, high and medium priority recommendations and associated management comments.

7. The role of Statutory Officers

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

8. Delivery of the Audit Service

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

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

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

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

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

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

8.6 In the case where 'consulting' advice is requested from Internal Audit, if the area **is not** considered significantly high a risk by Internal Audit, the service making

the request will need to pay for the consulting service if they wish to proceed with the review.

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

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

9. Role and Scope

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

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

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

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

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

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

9.5 In accordance with the Council's Financial Regulations all Council Members and employees are personally responsible for ensuring that they (and any subordinates) are aware of the Council's Counter Fraud Framework and the procedures and policies within it. All suspected or detected fraud, corruption or impropriety must be reported to the Assurance Assistant Director, the Chief Internal Auditor or any member of the CAFT.

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

10. Managers' responsibilities with regard to Internal Audit

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

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

11. Internal Audit Reporting

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

11.2 **Assessments will be based on the following criteria:**

Non-Schools audits:

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

Schools audits:

Simplified descriptions are used within Schools audit reports as the issues that are typically raised in school audit reports do not correspond with the descriptions used for non-schools audits.

Findings rating	Description
Critical 40 points per finding	Critical issue where action is considered imperative. Action to be effected immediately.
High 10 points per finding	Fundamental issue where action is considered imperative to ensure that the School is not exposed to high risks, also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.
Medium 3 points per finding	Significant issue where action is considered necessary to avoid exposure to risk. Action to be effected within 3 to 6 months.
Low 1 point per finding	Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 to 12 months.
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 (non-schools)	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.

20-39 (schools)	
Reasonable 7– 17 points (non- schools)	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.
7-19* (schools)	*For schools audits the threshold for moving into Limited Assurance is higher (19 points as opposed to 17 points). This is because there are 17 different audit scope areas in a schools audit making it possible to accumulate a high number of points through Low priority findings. Our analysis of past reports has shown that this would lead to a disproportionate increase in the number of schools receiving a Limited Assurance rating under the points based system.
Substantial ✓✓✓ 6 points or less	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.

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

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

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

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

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

11.8 At the end of the financial year, the Head of Internal Audit prepares an Annual Report which includes an opinion, based on the internal audits carried out during the year, on the internal control environment. This is Internal Audit’s contribution to the annual review of effectiveness of the control environment required by the Accounts and Audit (England) Regulations 2015. The Head of Internal Audit’s opinion is used to support the Annual Governance Statement.

12. Liaison with other auditors and review agencies

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

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

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

13. Quality and Improvement Programme

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

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

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

Version control

Version	Date	Author(s)	Summary of Changes
V1	24 July 2013	Caroline Glitre, Head of Internal Audit	
V2	30 April 2015	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"> • Expanded description of Advisory work (section 8) • More explicit referral to how officers should notify Assurance Group on suspected or detected fraud (section 9) • Description of reporting of Advisory work (section 11) • Reference to protocols in place with Capita and the Barnet Group (section 12) • Reference to the Quality and Improvement Programme (section 13)
V3	08 July 2016	Clair Green, Assurance Assistant Director	<ul style="list-style-type: none"> • Amendment of risk rating criteria and confirmation of what is reported to Audit Committee (section 11)
V4	20 March 2017	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"> • Updated to reflect the 2016 PSIA's (sections 2 and 3) • Addition of Schools audit rating descriptions and scoring approach (section 11)

	<p>Audit Committee</p> <p>20 April 2017</p>
<p>Title</p>	<p>Corporate Anti-Fraud Team (CAFT) Annual Report 2016-17</p>
<p>Report of</p>	<p>Clair Green – Interim Assurance Director</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix 1 - CAFT Annual Report 2016-2017</p>
<p>Officer Contact Details</p>	<p>Clair Green clair.green@barnet.gov.uk 0208 359 7791</p>

Summary

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.

Recommendations

1. That the Audit Committee considers and comments on the CAFT Annual Report 2016 -17.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2016/17 that an Annual Report on the work of the Corporate Anti- Fraud Team is 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 The CAFT Annual Report will be reported to Council as part of the Audit Committee Annual Report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team (CAFT) supports this by continuing to provide an efficient value for money anti-fraud activity that is able to investigate all referrals that are passed to them to an appropriate outcome. They 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. The aim of the team is to deliver a cohesive approach that reflects best practice and supports all council's corporate priorities and principles.

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

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

5.3 Legal and Constitutional References

- 5.3.1 Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- 5.3.2 The Council's Constitution under Responsibility for Functions - The Audit Committee's terms of reference, details the functions of the Audit Committee

including:

- To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team; and
- To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes.

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

5.4 Risk Management

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

5.5 Equalities and Diversity

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

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

5.6 Consultation and Engagement

5.6.1 None

6. BACKGROUND PAPERS

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

6.2 Audit Committee 28th July 2016 - (Decision item 12) – the Audit Committee included in the work programme for 2016/17 that an Annual Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.

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Corporate Anti-Fraud Team (CAFT) Annual Report 2016/17

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2016-17 including CAFT progress and outcomes set against the objectives as set out in our annual strategy and work plan.

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 Operating Officer and Section 151 Officer in fulfilling their 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.

During the last year CAFT have launched a new 'Fraud Risk Awareness' module as part of the Council's Management Academy. The Management Academy is for approximately 200 of the council's managers. Its aim was to provide a range of learning and development solutions, and to build on manager's current skills, knowledge and behaviour. The Fraud Risk Module was designed, developed and delivered by CAFT and Risk Management teams. It is a practical workshop specifically designed for each Delivery Unit across the Council to explore and identify how different fraud risks arise, the steps or controls that can be put in place to mitigate them and case studies to illustrate how these risks have actually materialised.

Blue Badge Fraud and Misuse featured heavily within the CAFT program in 2016-17. Officer resource was increased to combat what has proved to be an area of increasing fraud. The results of these activities are recorded within the performance indicators section of this report.

In October 2016 CAFT introduced 'Simple Cautions' as an alternative sanction 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 and can form part of the defendant's criminal record for possible reference in future criminal proceedings 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.

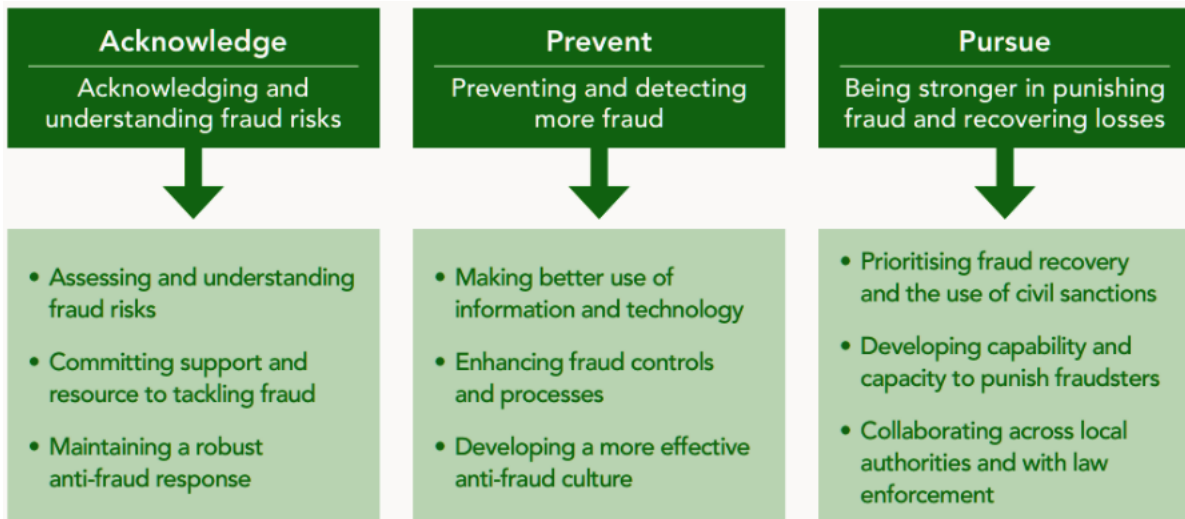
In summary CAFT continue to provide an efficient value for money counter fraud service and is able to investigate all referrals or data matches to an appropriate outcome. CAFT also provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies 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 or recovery action is taken. It is this element along with the 'preventative – deterrent' nature of the work of CAFT that is hard to quantify statistically but where possible we have done so in the performance indicators section of this report.

Contents

- 1. Annual Anti-Fraud Strategy**
- 2. Pro-active fraud plan**
- 3. Performance Indicators**
- 4. Noteworthy investigations summaries for 2016 - 17**

1. Anti-Fraud Strategy

Our annual anti-fraud strategy was aligned with the strategic approach as outlined in 'Fighting Fraud Locally' (FFL) – the Local Government Fraud Strategy 2016 -2019. This provided a blueprint for a tougher response to tackle public sector fraud. In 2016-17 we also considered and incorporated the new six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**) and as such have further adapted our strategy and approach to incorporate a response to these themes as well as consideration of local fraud risks facing the Council alongside horizon scanning on emerging national fraud risks and relevant good practice guidance.



Culture – creating a culture in which beating fraud and corruption is part of daily business
Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
Capacity – deploying the right level of resources to deal with the level of fraud risk
Competence – having the right skills and standards
Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes
Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

This year we launched our new communications strategy which aimed to increase CAFT's impact and effectiveness by aligning with the strategic approach set out in FFL. The aim was to increase awareness around CAFT policies and channels through which concerns and incidents can be reported as well as emphasize the responsibility of staff on making reports and enable residents to report any suspicions or incidents of fraud or wrongdoing.

We recognise that our communications play a key role in ensuring that our staff and residents understand and recognise fraud risks, understand the role of CAFT, different types of fraud and through which channels they can report any concerns or incidents of fraud. To support this CAFT work closely with the communications team to ensure that press releases are made in regards to pro-active exercise carried out by the team as well as prosecutions that take place.

Our **internal awareness campaign** and face to face fraud awareness sessions aim to increase fraud understanding between staff and their ability to detect fraud.

Month	Campaign
April 2016	New Fraud Awareness E Learning launched as part of 'on boarding/induction' process.
May 2016	Internal CAFT poster was distributed across the Council. The purpose of the poster was to raise awareness of the team on how to report any concerns to CAFT
May 2016	Launch of the new mobile device Barnet 'fraud app'
June 2016	First Team email: - promoting CAFT and channels on how to raise any concerns.
Ongoing	CAFT conducted face to face fraud risk awareness session to various teams within Barnet Homes such as neighbourhood housing teams and associated teams.
Ongoing	CAFT delivered face to face fraud/risk sessions across the all Delivery Units throughout the year as well as 'new manager' induction training
Summer	CAFT delivered 'new manager' induction training
November 2016	Financial Abuse session delivered by CAFT as part of Safeguarding Month

The **external awareness campaign** was targeted to residents across the borough with the aim to increase awareness around fraud and the different ways they can report any concerns.

Month	Campaign
July 2016	Barnet First; promotion of fraud awareness and the Fraud Team and new mobile 'fraud app'
September 2016.	Narrative around fraudulent school admissions was included in the school circular
October 2016	Barnet First; promotion of awareness of Blue Badge Misuse and Fraud including details on badges seized, how many drivers have been prosecuted and reminders of the rules around Blue Badge use.
December 2016	A poster for Housing Tenancy Fraud was included at the back page of 'At Home' magazine (Barnet Homes magazine)
March 2017	Barnet First; further Blue Badge Misuse and Fraud awareness narrative
Ongoing	CAFT utilised the Council's Twitter Account to highlight Blue Badge misuse and fraud

Acknowledging (and detecting) Fraud

CAFT is the council's dedicated fraud team, which consists of counter fraud specialists that operate under a framework of relevant policies and internal working procedures.

Each year we consider and review national fraud risks and emerging fraud trends against local intelligence fraud risks to assist in developing our risk based annual work plan (part of which is joint with internal audit). During the last year we have continued to strengthen our collaborative working with internal audit and key partners by utilising our intelligence, data analytics and data matching results to help direct anti-fraud reviews. We continue to work with services and key partners in helping ensure that anti-fraud arrangements are fit for purpose on all aspects of fraud risk. We have a working protocol with both CAPITA covering the CSG and Re contractual arrangements that address anti-fraud responsibilities as well as Barnet Group in relation to the management agreement arrangements that address anti-fraud responsibilities.

During the summer of 2016 a comprehensive review of the council's approach to risk management was undertaken. Fraud risks were considered as part of this exercise (supported by CAFT) and as such the new corporate risk register as well as revised service risk registers now reflect updated fraud risk information.

Each year we make a commitment to tackling fraud and deliver a robust anti-fraud response through the existence and work of the CAFT, supported by our annual risk based work plan (and joint plan with internal audit). This plan is approved each year by senior management and the Audit Committee. Progress on and changes to the plan are reviewed constantly and reported quarterly to senior management and the Audit Committee.

Preventing (and deterring) Fraud

We recognise that employees are often the first line of defence in preventing fraud. The Financial Regulations within the Council's Constitution places the responsibility for fraud prevention on all employees.

We have many open and easily accessible channels for reporting fraud, as well as confidential reporting 'Whistle blowing' policy in place to assist employees in reporting concerns about fraud and other issues without fear of harassment or victimisation. There is CAFT dedicated e-learning training within the corporate 'induction' programme for all new starters. During the last year CAFT also delivered bespoke face to face session on fraud awareness as part of the council's 'Safeguarding Month' and 'Management Academy' covering areas on financial fraud and abuse as well as delivering Tenancy Fraud awareness session to many Barnet Homes front line staff as well as the new managers induction program.

CAFT routinely use data matching techniques to identify possible fraudulent activity as well as centrally co-ordinating and investigating referrals relation to the National Fraud Initiative (NFI) data matching exercises to ensure that it is given high priority within services. During the last year we have also introduced the use of data analytics as part of our pro-active exercises in order to have more targeted approach.

CAFT continue to work closely with services and management in high fraud risk area's to ensure that working procedures and practices include robust fraud preventative measures. CAFT also conduct targeted proactive anti-fraud activity throughout the year, joint reviews with internal audit as well as re-active investigation work. Outcomes from reviews and investigations where appropriate are reported to management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

We have effective liaison and working relationships with our HR team and where criminal activity is suspected or found, CAFT will deal with the criminal matter and disciplinary process in parallel to avoid duplication.

Pursuing Fraud (and seeking redress)

During the last year CAFT have undertaken a comprehensive exercise to review all internal investigation processes and procedures to ensure that they are effective, efficient and compatible with all governing legislation. There are internal CAFT management processes that ensure all investigations are carried out in a consistent, compliant and timely manner. This also ensures that we take appropriate action/sanctions against anyone who commits fraud whether they are members of staff or members of the public.

To this end we have developed a financial investigation function within CAFT. The purpose of this function is to liaise closely with other internal departments and external partner's (including the Police) that prosecute offenders in order to raise awareness around Proceeds of Crime Act (POCA) and ensure that where possible financial investigations are considered and undertaken by CAFT so that we can assist in the recovery of losses to the public purse and obtain where possible compensation and/or confiscation under the POCA. We also ensure that we utilise civil recovery procedures in relation to Tenancy Fraud and work collaboratively with other LA's and law enforcement agencies to ensure best use of resources with holistic approach to counter fraud at all times.

2. Pro-active fraud plan

Table 1 provides an update against all CAFT pro-active activity as set out within the 2015/16 plan

CAFT Pro-active review	Outcome
<p>Children's - Schools Admissions</p> <p>Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.</p>	<p>As part of this exercise we have used 7,893 school admissions entries from seven heavily oversubscribed secondary schools in order to proactively check and validate applications before offers are made.</p> <p>The exercise identified discrepancies in over 350 applications.</p> <p>Investigations and joint working with Schools Admissions team is ongoing in relation to verifying the information supplied by the applicants.</p> <p>So far one place has been withdrawn with a further 8 applications being considered for further action.</p>
<p>National Fraud Initiative data matching exercises</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 and error.</p>	<p>Various data sets from across the Council and Barnet Homes data sets were uploaded in October 2016.</p> <p>In February 2017 the matches resulting from the exercise were received from the Cabinet Office. A risk assessment is applied to each match by the Cabinet office and there are 2,601 red 'high quality - recommended' cases within these red matches.</p> <p>These are categorised as follows:-</p> <ul style="list-style-type: none"> • 936 Blue Badge to deceased • 4 Blue Badge to Blue Badge (in another authority) • 235 Housing Benefit • 593 Creditors • 497 Council Tax Reduction Scheme • 22 Housing (tenants / waiting list) • 13 Private residential care home to deceased • 37 Resident Parking Permits to deceased • 96 Pensions • 13 Insurance • 144 Personal budgets • 11 Payroll <p>CAFT co-ordinate this exercise for the Council and where relevant will also further investigate relevant matches or related referrals.</p> <p>The approach taken in resolving these matches is that normally matches are sent to the relevant nominated link officer within a service to assess and resolve matches as appropriate (including errors in our data), calculate overpayments where relevant and upload all results directly to through the web based Cabinet Office NFI Portal. For these services criteria is set by CAFT in</p>

	<p>relation to a service to referral a match back to CAFT for further investigation.</p> <p>CAFT have access to view all data and results uploaded to the NFI Portal for oversight purposes and some groups of matches are not passed to service areas to review as they are dealt with by CAFT directly.</p> <p>A new approach for 2017 is that we will be utilising the NFI data matches for directed sampling in relevant internal audit reviews.</p> <p>Further updates on outcomes from these matches will be reported to management and Audit Committee through CAFT quarterly progress updates reports in 2017-18.</p>
<p>Disabled Blue Badge Street Operations</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>During the year CAFT have conducted five intelligence led proactive ‘street’ exercises across the borough – these are accompanied by NSL parking enforcement officers and Barnet Police. All the results of these operations are included within the statistical information in section 3 of the report.</p> <ul style="list-style-type: none"> • On the 13th June 2016 CAFT officers accompanied by NSL parking enforcement officers and Barnet Police carried out a street based operation in the Chipping Barnet and Golders Green areas. During this exercise 66 badges were checked for validity which resulted in 6 badges being seized for misuse as the badge holders were not present, and investigations subsequently identified that 2 of those badges seized belonged to badge holders who were deceased. • On the 29th & 30th September 2016 CAFT officers accompanied by NSL parking enforcement officers and Barnet Police carried out a street based operation in the Burnt Oak, Temple Fortune and Mill Hill areas. During this exercise 103 badges were checked for validity which resulted in 17 cases of misuse being identified. This led to 13 badges being seized; two of which were being used despite the permit holders being deceased and two had been reported stolen. The Operation also resulted in 22 parking penalty charge notices being issued: 16 of which relating to Blue Badge misuse and a further six for parking related contraventions. • On 30th November 2016 CAFT officers accompanied by NSL parking enforcement officers and Barnet Police carried out a street based operation in the in the High Barnet area. During this exercise 62 badges were checked for validity which 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. This half day operation also

	<p>resulted in 5 Penalty Charge Notices being issued for parking contraventions.</p> <ul style="list-style-type: none"> On 23rd February 2017 CAFT officers accompanied by NSL parking enforcement officers and Barnet Police carried out a street based operation in the Hendon area. During the operation 78 badges were checked which resulted in 11 Blue Badges being seized due to misuse (of these 3 were cancelled due to being reported lost or stolen and 7 were valid badges but the badge holder was not present and 1 badge was found to be a counterfeit), a further 2 badges were processed for further investigation; the operation therefore creating 13 new cases. <p>Overall street based operations have resulted in 34 Blue Badges being seized.</p> <p><i>Further statistic's on Blue Badge misuse/fraud are reported within section 3 of the report – Performance Indicators.</i></p>
<p>Tenancy Fraud Pro-active exercises</p> <p>CAFT have a service level agreement with Barnet Homes in relation to Tenancy Fraud. As part of this agreement we committed to four pro-active exercises across the borough</p>	<p>All the results of these operations are included within the statistical information in section 3 of the report.</p> <ol style="list-style-type: none"> In September 2016 an exercise was carried out in a particular road in the HA8 area where was suspicions of subletting. During this exercise 66 properties were visited by CAFT officers in order to confirm tenancies. Of these 64 were confirmed as the correct tenants. One property was recovered due to subletting and another property is still under investigation In November 2016 CAFT carried out an exercise following a Police reassurance operation where they visited elderly tenants in the borough. The police reported to Barnet Homes that different people were resident in some of those properties. The CAFT exercise resulted in 119 properties being visited. Of these, 117 were found to be the correct tenants. 2 properties were recovered due to non- occupation as a result of the exercise. In January 2017 an exercise was carried out in a particular road in the N3 area where there was suspicions of subletting. During this exercise 92 properties were visited by CAFT officers in order to confirm the tenancies. This exercise resulted in 92 properties being visited. Of these, 90 were found to be the correct tenants. 1 property was recovered due to non- occupation and 1 property is still under investigation.

	<p>4. In February 2017 an exercise was carried out in a specific estate in the N11 area. During this exercise 114 properties were visited by CAFT officers in order to confirm tenancies. So far this has resulted in 78 tenants confirmed as resident and there are on-going investigations at the remaining 36 properties.</p>
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Table 2 provides details of joint CAFT and Internal Audit Reviews and overall assurance ratings as set out within the 2016/17 plan. Further details of these reviews can be found in the relevant internal Audit quarterly progress reports.

CAFT and Audit Joint Reviews	Outcome / Assurance rating	Summary of Findings	Relevant quarter issued in / Link to Internal Audit Report
Street Scene Operational Review - follow up	Implemented	Processes to prevent HR and operational trade waste fraud were implemented	Internal Audit Progress Report Q1
Re Operational Review - Phase 1 - control design	Reasonable	Actions were agreed to ensure procedure documents were updated to include fraud indicators and escalation to CAFT where appropriate	Internal Audit Progress Report Q3 and Appendix 1 Regional Enterprise (Re): Operational Review-Phase 2: Operating Effectiveness Investigating and resolving alleged breaches of planning control.
Purchase Cards / Expenses	Reasonable	Controls to prevent the misuse of Purchase Cards were found to be operating at a satisfactory level	Internal Audit Progress Report Q1
Adults Direct Payments	Reasonable	Sufficient controls were found to be in place to mitigate risk of fraudulent direct payments	Internal Audit Progress Report

			Q2
KFS - Accounts Payable (CAM)	Reasonable	Controls adequate and effective to mitigate the risk of fraudulent payments	Internal Audit Progress Report Q3
KFS - Non-Schools Payroll (CAM)	In Progress		
No Recourse to Public Funds	In Progress		
Nursery places	In progress		
Estates subcontractor ordering processes	In progress		
SWIFT to Mosaic Data Migration	In progress		
Fraud Risk Checklist on all Schools Audits	Various	All checklists reviewed by CAFT officers and where appropriate advice given to schools	

3. Performance Indicators

Table 3 provides an update against all performance indicators as set out within the 2016/17 plan

Performance Indicator	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 previous year	30	
Number of new fraud investigations	65	
Total Number of closed fraud investigations	67	Please refer to noteworthy investigations sections of the report for further details if fraud is proven.
Total number of on-going fraud investigations	28	Of these 28 cases 7 relate to Schools and Learning, 6 relate to Planning, 1 relates to Family Services, 1 relates to Waste and recycling, 1 relates to Adults & Communities, 1 relates to Procurement, 3 relate to Parking & 8 relate to School Admissions
Number of staff no longer employed / dismissed as a result of CAFT investigations.	1	Please refer to noteworthy investigations sections of the report for further details
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 previous year	15	

Number of new BB referrals received	187	
Number of BB cases closed	162	23 cases were successfully prosecuted and 43 were given Formal Cautions (<i>Please refer to noteworthy investigations sections</i>) 17 closed No fraud, 37 Warning letters issued, 34 closed insufficient evidence and 6 cases referred to the police & 2 were closed Advice and Assistance given
Open On-going BB investigations	40	6 cases are already with our legal team for prosecution 2 are being considered for Formal cautions and 32 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 15-16	8	
Number of new Financial investigations	6	
Number of closed Financial investigations	2	1 related Benefit and money laundering 1 relates to trading Standards Fraud
Total Number of on-going Financial investigations	12	Of these investigations, 6 relate to planning, 1 relates to Trading standards and 1 relates to Direct Payments 1 relates to schools and Learning, 2 relate to adults and communities and 1 relates to commissioning. Details of cases are reported on closure if fraud is proven or another sanction given.
Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven. CAFT provide a detailed monthly statistical report, along with a more comprehensive 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.		
Number of carried forward Tenancy Fraud investigations from previous year	103	
Number of new Tenancy Fraud investigations year	307	Of the 91 on-going investigations there are currently 3 cases with legal awaiting criminal hearings and 7 cases are awaiting civil hearings.
Total Number of closed Tenancy Fraud investigations this year	319	

Total number of on-going Tenancy Fraud Investigations at year end	91	The 81 remaining cases are still under investigation.
Number of properties recovered this year	64	Of the 64 properties recovered this year so far these include:- <ul style="list-style-type: none"> • 6 succession applications being denied • 13 emergency accommodation properties being cancelled. <p>The savings that this number of recovered properties equates to is £9,600,000.00*</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	17	There is a maximum discount of £103,900 per property on right to buy cases. During this financial year CAFT have saved £1,539,600* in discounts <p>*14 x £103,900, 1 x £85,000 due to length of residency and 2 where the application did not reach valuation stage.</p>
Number of Housing Applications denied as a result of CAFT intervention this year	10	CAFT work closely with the housing options team and offer advice in addition to investigating cases
Regeneration properties where number of bedrooms has been reduced following CAFT investigation this year	2	These are when tenants are stating other persons are resident in order to obtain extra bedrooms in regeneration properties. CAFT intervention has ensured they have accommodation suitable for their needs
Joint tenancy denied this year	1	This is when a tenant has attempted to add another person onto the tenancy. There were concerns that the original tenant would then move out of the property.
Downgrading of housing application banding this year	2	These are where a housing applicant applies to have a higher banding in order to get a higher position on the waiting list.
Other information reported as per requirements of policy.		
Number of requests authorised for surveillance in accordance with Regulation of Investigatory Powers Act 2000 (RIPA).	Nil this year. 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.	Three matters were referred under whistleblowing policy in the last year – summarised below:- <p>Q1 A whistleblowing letter was received this quarter but this related to a grievance issue and the whistle-blower was</p>	

	<p>informed how to raise the issue in accordance with the relevant HR Policy.</p> <p>Q3 A whistleblowing referral was received this quarter which was passed to appropriate service to deal with under the corporate complaints procedure</p> <p>Q4 A whistleblowing referral was received this quarter which is currently being investigated</p>
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4. Noteworthy investigations summaries for 2016/17

Corporate Fraud Investigations

False Identity Documents

As a result of a referral, CAFT officers identified that a Staff member working in the Street Scenes delivery unit had obtained employment by using a counterfeit passport. Checks were done to confirm the true identity of the employee after which CAFT officer, accompanied by police attended the Mill Hill Depot where Mr I was suspended from the council service and arrested. Mr I has subsequently been dismissed and is awaiting prosecution for fraud and possession of false documentation

Fraudulent School Admissions application

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

Financial Investigation that was carried out on behalf of Waltham forest Council (LBWF)

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

Mr A– Proceeds of crime (POCA) Case

‘A landlord who was previously found guilty of breaching a planning enforcement notice has been ordered to pay a record fine and costs to Barnet Council after a lengthy and complex Proceeds of Crime investigation led by the Council’s Corporate Anti-Fraud Team (CAFT)’.

Mr A was found guilty at Wood Green Crown Court in August 2015 for breaching a planning enforcement order. Following the guilty verdict CAFT initiated an investigation under the Proceeds of Crime Act (POCA).

CAFT Specialist Financial investigators were able to investigate the case using special powers under the POCA to both identify and calculate the criminal benefit that Mr A had received. These officers were able to restrain properties to secure assets that would be used during the confiscation process. At the end of the POCA hearing at Wood Green Crown Court on 21st September 2016 His Honour Judge Patrick found in favour of Barnet Council

and a confiscation order was made against Mr A for an amount of £555,954 being the profit generated from his criminal conduct He was also fined £65,000 and ordered to pay £80,000 in costs

Under the governments POCA incentivisation scheme the confiscation amount of £555,954 will be split into 3 parts - £277,977 (50%) goes to the Treasury, £69,494 (12.5%) goes to the courts and **£208,482 (37.5%) comes to Barnet council.**

Mr B A Referral was received by CAFT from one of Barnet's delivery Units where there was suspicions that Mr B, 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 B 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.

Mr D was found to be displaying a laminated copy of his friends Blue Badge. As a result he was brought before Barnet Magistrate court where he pleaded guilty to offences of Fraud by false representation and of Making / supplying an article for use in fraud. Mr D was ordered to pay a victim surcharge of £60.00 and to pay costs of £85.00 to the Crown Prosecution Service. Some weeks later Mr D was again found to be using a copy of the same Blue Badge. As this was a second offence CAFT contacted the police who arrested him and he was again brought before Magistrates. Mr D was sentenced to 14 months imprisonment for offences contravening the Fraud Act 2006 and for perverting the course of justice. This case is a good example of CAFTs joint working with the Police service.

Mr E 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 F 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 G 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

Mrs H was in receipt of a personal budget for her disabled child when it was discovered that she had used the funds to purchase a vehicle for family use. As a result of a second investigation by CAFT officers It was further found that Mrs H had also been misusing her child's Blue Badge. The case was brought before Magistrates Court where she pleaded guilty to charges of fraud by false representation and Blue Badge misuse. The Court sentenced Mrs H to 12month conditional discharge and a compensation order for £2,145.00 for the fraud and a further 12 month conditional discharge for the Blue Badge offence.

Mr K During a Blue Badge operation in the Golders Green area a Mercedes Benz was observed displaying a Blue Badge. Checks were carried out on the badge resulting in a phone to the Badge holder's home address. The Badge Holder answered the phone and confirmed that his son was using the badge. The vehicle owner Mr K was interviewed under caution where he stated that he forgot the badge was on the dashboard but neglected to buy a parking ticket. The matter was brought before the court where Mr K pleaded guilty by post which resulted in a fine of £150, ordered to pat cost of £150, an a victim surcharge of £30

Mr L 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 L was offered a simple caution and asked to pay towards the costs of the case, which he refused to pay. A record of the offence under Section 2 of the Fraud Act 2006 was recorded on the Police National Computer System.

Mr M 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.

Ms N 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.

Mr Q 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.

Mrs P 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.

Tenancy Fraud Investigations

Mr AA had a 2 bedroom flat in Barnet. As part of a pro-active data matching exercise, this case was investigated as there were concerns that the tenant may not be resident. He was invited in for an interview under caution regarding the tenancy, as evidence indicated his wife and he owned two other properties and had been subletting their council property. A week before the interview, Mr AA handed the keys to the property back, however he was advised that he still needed to be interviewed under caution as we had reasonable grounds to believe a criminal offence had been committed. After his interview under caution and the decision was taken to prosecute Mr AA for 5 offences of obtaining property by deception and subletting contrary to the Theft Act 1968 and Fraud Act 2006. In May 2016 he pleaded guilty and was given a 14 month suspended sentence and ordered to carry out 180 hours of unpaid work. A compensation order for Mr AA to repay £127,000 was awarded to Barnet Council, in addition to costs of £20,000. This was ordered to be repaid within 6 months. This has now been repaid in full.

Ms BB had a two bedroom flat in Barnet. As part of a pro-active data matching exercise, this case was investigated as there were concerns that the tenant may not be resident. Further checks showed that Ms BB had been a joint owner of a property in another area for many years and had many other links to the property. Notices were served to recover the property. Ms BB was interviewed under caution and continued to state that she did reside in Barnet. However, the evidence was overwhelming and following the interview Ms BB confirmed that she was living in the other area and agreed to hand the keys back to the property, which she duly did. Due to the fact that Ms BB had been subletting the property in Barnet for many years and actually owned another property at the same time, the case has been passed to our legal team to commence criminal proceedings. This is currently still ongoing

Mr CC had a three bedroom flat in Barnet. CAFT assisted Barnet Homes in a key fob exercise on an estate in the area and credit checks were undertaken on all properties to be given new fobs. This check identified various discrepancies in respect of Mr CC's tenancy including having a mortgage on another property and lots of credit cards elsewhere. On the day of the key fob exercise, Mr CC's brother attended to collect the key fob and when questioned admitted he had "taken over" the tenancy. Notices were served to recover the property and the

matter was passed to our legal team to instigate civil legal proceedings. Once the tenant was aware of this, Mr CC contacted CAFT and agreed to relinquish the tenancy and duly did so.

Miss DD was in a three bedroom emergency accommodation outside Barnet. A referral was received from an officer in the emergency accommodation team stating they had concerns that the tenant was not resident. A joint unannounced visit was arranged, and CAFT officers were met at the property by the landlord. On entering the property, it was obvious that the tenant was sub-letting the property. A sub-tenant provided a statement saying that he had been resident for 2 weeks and another sub-tenant said that they had been in the property for a longer period of time. As a result of the investigation, the emergency accommodation was cancelled and the duty to house Miss DD was discharged.

Mrs EE had a one bedroom flat in Barnet. A referral was received stating that Mrs EE actually resided in another area and another family member was residing in the flat. Investigations confirmed that Mrs EE was spending the vast majority of her time in another area and the family member had various financial credits at the flat in Barnet that indicated they were resident. Notices were served as we were satisfied the tenant was living elsewhere. When Mrs EE made contact, she was informed that we had concerns that she was living elsewhere. Mrs EE 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.

Mr FF had an emergency accommodation studio flat outside Barnet. A referral was received from the emergency accommodation team that there were concerns Mr FF 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 FF.

Mr GG had a 3 bedroom flat in Barnet. He had previously been investigated but we had been unable to prove that he was not resident. It was looked into again following Mr GG making a right to buy application. Checks were made and revealed somebody else living in the property, as well as details of a previous sub-tenant. Mr GG was interviewed under caution regarding the matter, but remained adamant that he was resident. The matter was passed to our legal team to commence civil proceedings. A court date was set, but Mr GG then made contact and handed the keys back to the property.

Mr HH made a succession claim to succeed his late Mothers 2 bedroom flat in Barnet. Checks showed that he had links to another property in the area. A visit was made to the other property and Mr HH was present. He confirmed that he held a tenancy at this address and he had not resided with his late Mother. As a result of this, the succession claim was denied and the property was recovered.

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	<h2>Audit Committee</h2> <h3>20 April 2017</h3>
<p>Title</p>	<p>Internal Audit Annual Opinion 2016-17</p>
<p>Report of</p>	<p>Caroline Glitre – Head of Internal Audit</p>
<p>Wards</p>	<p>N/A</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Internal Audit Annual Opinion 2016-17</p>
<p>Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. In 2016-17 the annual opinion overall is **Reasonable Assurance**.

Whilst this is positive there are still some underlying themes that should be considered for inclusion within the Annual Governance Statement, these being:

- Governance, accountability and roles and responsibilities
- Information Technology (IT)
- Contract management
- Quality Assurance systems supporting Social work practice
- Audit trails and documentation

Recommendations

- 1. That the Committee note the contents of the Annual Internal Audit Opinion 2016-17.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall assurance given and to focus on the improvement areas noted as themes for 2016-17. This is as per the approved Workplan of the Audit Committee.

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 N/A

4. POST DECISION IMPLEMENTATION

- 4.1 N/A

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 All internal audit and risk management planned activity in 2015-16 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

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

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

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

5.3 Legal and Constitutional References

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

- 5.3.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference include "to consider the annual audit opinion".

5.4 Risk Management

- 5.4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help

maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

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

5.5 **Equalities and Diversity**

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

5.6 **Consultation and Engagement**

5.6.1 N/A

6. **BACKGROUND PAPERS**

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

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

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London Borough of Barnet

Internal Audit Annual Opinion 2016/17

	None	Limited	Reasonable	Substantial
Audit Opinion and Direction of travel 2015/16 Annual Opinion: Satisfactory				

Caroline Glitre, Head of Internal Audit

Contents

1. Executive Summary	3
2. Summary of areas for improvement in the control environment informing the opinion.....	8
3. Summary of Schools audits performed in 2016/17	14
4. Follow up work performed in 2016/17	16
Appendix A: Statement of Responsibility	17
Appendix B: Individual reviews informing the annual opinion	18
Appendix C: Changes to the 2016/17 published plan	20
Appendix D: Performance of Internal Audit.....	21
Appendix E: Update against Internal Audit Peer Review action plan	22

1. Executive Summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2017.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through the delivery of a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Steps have been taken to ensure continuous improvement to the effectiveness of the Council's internal audit function. Key areas for improvement in the current year include a revised scoring framework to support internal audit conclusions and risk ratings, closer collaboration with the Corporate Anti-Fraud Team (CAFT,) through a conducting a number of joint reviews, as well as the use of data and intelligence from the National Fraud Initiative exercise to inform audit approaches and targeted sampling. Progress has also been made against recommendations from the Peer review exercise undertaken in 2015/16 and this is set out in Appendix E.

Our opinion is based on the work performed in 2016/17. The Council continues to operate in a challenging operating environment. The financial challenges the Council faces and the expectation to do more for less exerts pressure on the organisation's framework of governance and control. The Council has saved over £112 million during 2011-2016 and continues to achieve financial targets in place and the themes and issues presented in this report should be considered in the context of these ongoing challenges.

A variety of external issues present further potential challenges and change to Local Government. For example, the economic impact of Brexit and continuing funding pressures make financial sustainability a key issue, in turn increasing the potential risk of a significant service failure. The dependencies the Council has on several large external service providers under long term contracts may impact the flexibility and agility in which the Council can react to changes to its operating environment. A key challenge for the Council in the future will be its ability to work in partnership with external providers to ensure that arrangements meet current needs and offer the flexibility to maximise opportunities and react to emerging challenges. This makes opportunities such as the three year review of the Customer Support Group (CSG) contract with Capita and the four year review of the Regional Enterprise (Re) joint venture, which has now commenced integral to ensuring commissioned services continue to offer value for money.

Other key developments in the coming period include the consideration and potential implementation of alternative delivery models for Street Scene and Adults & Communities, the Mill Hill Depot relocation and the delayed transition of the Adults & Communities client information system from Swift to Mosaic.


The Council plans to save a further £56.5 million in the period 2017-2020. Management should implement the agreed actions from our work in 2016/17 to ensure that the gaps identified in the control environment are addressed and there continues to be an effective governance and control framework to manage risks in the short and medium term.

Basis of our opinion

Our opinion is based on:

- All internal audits undertaken during the year.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs was covered by our work.
- Consideration of third party assurances.

Our Opinion

	None	Limited	Reasonable	Substantial
Audit Opinion and Direction of travel 2015/16 Annual Opinion: Satisfactory*				

Summary of the work performed

We completed 76 internal audit reviews in the year ending 31 March 2017. A comparison of the 2016/17 report ratings with those of 2015/16 is summarised in the table below.

Assurance Opinion	2016/17		2015/16		Direction of travel
	No.	%	No.	%	
Substantial	4	8	2	4	↑
Reasonable / Satisfactory*	29	58	27	45	↑
Limited	4	8	9	17	↑
No	0	0	2	4	↑
N/A – management letter	13	26	17	30	
Subtotal	50		57		
Schools*	26		26		
Total	76	100	82	100	

* During 2017/18 we introduced new assurance ratings and definitions to be consistent across the Cross Council Assurance Service (CCAS). A systematic points based scoring system is now used to determine aggregate assurance ratings for individual audits. Findings from each review will be assessed and a score applied based on the risk rating. The total number of points per the audit will determine the assurance rating. The key change arising from this is that a high risk finding may not necessarily result in Limited Assurance as per previous years. This has impacted the number of reviews that have been rated as Limited Assurance in the 2016/17.

**An analysis of the Internal Audit work completed in the Council's Schools is reported in Section 3

Commentary on our opinion

Based on the work completed by Internal Audit the systems and processes for governance, risk management and control in relation to business critical areas appear to be in place and the organisation's control framework has remained relatively stable in the period. Although examples of good practice were identified through audit work performed this year, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

The key areas which have informed the overall Reasonable conclusion are as follows:

- **Key Financial Systems** – Robust core financial controls are important in supporting the organisation achieve an effective control environment. Our review of 14 separate financial systems identified improvements in the design and operation of the key controls in place. This is a result of work undertaken by the Assistant Finance Director at CSG and the Head of Finance at the Council to improve the strength of the control environment. A summary table of the results of the Key Financial Systems work is included below:

Department	Overall Opinion 2015/16		Overall Opinion 2016/17		Direction of Travel
Schools Payroll	Reasonable		Reasonable		
Accounts Receivable	Reasonable		Reasonable		
General Ledger	Reasonable		Reasonable		
Council Tax	Reasonable		Substantial		
Housing Benefit	Reasonable		Reasonable		
NNDR	Reasonable		Reasonable		
Accounts Payable	Limited		Reasonable		
Treasury management	Substantial		Substantial		
Cash and Bank	Reasonable		Reasonable		
Teachers' pensions	Limited		Reasonable		
Fixed assets*	Reasonable		N/A	N/A	N/A
Budget monitoring	Reasonable		Reasonable		

* As the majority of work undertaken on Fixed Assets is done at year end, it was agreed with external audit not to provide internal audit assurance over this area in 2016/17.

- **Commissioning and contract management** – We have seen evidence of the Council strengthening approach to contract management through improving capacity and capability in the commissioning team. For example through the contract management review of the parking enforcement contract it was apparent that the appointment of an officer with experience of working with parking contractors resulted in increased scrutiny and focus placed on contractor performance and an improvement plan has been introduced to ensure that benefits are maximised through the arrangement. Similarly an officer with experience of working for outsourced IT service providers has been appointed to assist in overseeing the IT service provided by CSG and the council also now has a contract with a third party technical assurance IT partner to assist with the assurance of technical proposals. These skillsets enable the Council to challenge contractors and improve performance management and this is extremely important in light of the Council's operating model and the extent of commissioned services.
- **Risk management** – A comprehensive review of risk management has occurred in the year which involved the refresh of service and corporate risk registers as well as the implementation of a revised risk management framework. The refresh of the registers has been an important exercise in ensuring that risk management procedures focus on the current risks facing the organisation. The revised risk management framework includes a more systematic escalation mechanism which will ensure that key operational risks are considered by senior management and enable more effective, risk focussed corporate decision making

and oversight. The revised risk registered will be regularly reported to the Performance & Contract Management Committee through quarterly performance reports.

- Project and Programme Management – We have reviewed the control framework around a number of business critical programmes in 2016/17 such as the Libraries and Adults Transformation projects. We identified there had been significant improvements in the underlying project management arrangements for the Libraries transformation programme and assessed this as “Substantial assurance”.

Improvements are required in the areas set out below to enhance the adequacy and effectiveness of the framework of governance, risk management and control:

- Oversight, accountabilities and roles and responsibilities – Management’s design and communication of defined roles and responsibilities remains an issue which the Council must continue to work on and this was an area of improvement that was highlighted in the 2015/16 opinion. This remains a priority for the council and work is being taken forward to more precisely define accountabilities, roles and responsibilities with regards to commissioning and contract management, particularly of the council’s major contracts such as CSG, Re and Cambridge Education. The overall governance and performance reporting framework is also being looked at as part of this programmes. This is important, given that weaknesses were identified around clarity of accountabilities and responsible for discharging oversight and governance functions as well as clearly defining expectations and requirements in relation to services being provided by third parties through partnership agreements. This was an issue that was identified in a number of reviews this year.
- Information Technology – The Council’s IT service is provided by CSG and in 2015/16 we noted areas where the requirements in the contract were not being delivered or were not aligned to good practice in relation to disaster recovery arrangements and IT change management. Detailed follow up procedures have been performed to ensure that these issues have been resolved in 2016/17. Whilst we have noted areas of improvement a number of issues remained outstanding as, at the time of testing, control issues were still apparent and recommendations were not consistently implemented in line with agreed timescales. IT Projects and Programmes performance issues have also been identified and this has resulted in a significant delay to scheduled audits in the year. An effective IT service is integral for the Council to realise its strategic objectives and, while progress has been made, this is still a service area that requires improvement
- Contract management - Ensuring value through commissioned services is fundamental to the Council achieving its strategic priorities. We identified areas for improvement in relation to the Council’s procedures in place to obtain assurance over performance information presented by the contractor in relation to the Re contract and Mortuaries Inter Authority Agreement. Similar issues were noted in the previous year in relation to the CSG contract. Management have since taken action to implement a more systematic approach to validating contractor performance information. It is also noted that areas for further improvement are being developed as a result of the programme of work referred to above in relation to roles and responsibilities.
- Quality Assurance over Social care practice – Programmes are in place in both Family Services and Adults and Communities to deliver improvements in social care practice. We identified improvements that could be made to ensure high quality supervision occurs consistently in both services as well as learning from statutory complaints received is systematically identified and embedded into practice.
- Audit trails and documentation – We identified several instances where audit trails were not sufficient to demonstrate the performance of controls for a number of reviews and instances where systematic approaches to retaining evidence were not in place or not appropriate. Evidencing the performance of procedures and controls is important in ensuring the Council can demonstrate that it has taken steps to fulfil its duty of care to residents and service users if challenged. This is particularly key in areas such as health and safety where the Council may expose members of the public and staff to harm as well as be subject to litigation. The action plan that is set out as an appendix to the Quarter 4 Internal Audit Progress Report is intended to improve audit trails and documented protocols in relation to compliance testing and remedial works.
- Implementation of audit recommendations – Timely implementation of recommendations is an indicator of the strength of an organisation’s control environment. Responsiveness and engagement in implementing audit recommendations is also an indicator of prevailing management culture and behaviours with regards to risk and control. These control issues are deemed to be strategically significant and management should focus on ensuring that agreed actions are implemented to mitigate the identified risk in a timely manner.

Internal Audit is measured on the percentage of actions implemented within agreed deadlines. To help ensure that all critical and high priority audit report actions are implemented within the agreed timeframes, a more continuous approach to follow-ups was introduced during 2016/17. This involves Internal Audit continually challenging the officers responsible for implementation over the course of each quarter, asking for written updates on a monthly basis. The Strategic Commissioning Board (SCB) also review and challenge follow-up progress for each quarter. Responsible officers who have not fully implemented actions just prior to the end of the quarter will be requested to attend a meeting with the Chief Executive to explain the reasons for delays and the next steps to ensure implementation.

The 90% target for the implementation of high risk recommendations by their due dates has not been achieved in 2016/17 with performance over the course of the year being at 88%, although this is an improvement on the prior year when performance was at 85%.

Acknowledgement

We would like to take this opportunity to thank Council and its partners, in particular Customer Support Group (CSG) and Re staff, for their co-operation and assistance provided during the year.

2. Summary of areas for improvement in the control environment informing the opinion

Our annual internal audit report is timed to inform the Council's Annual Governance Statement. A summary of key themes and findings informing our overall opinion from our programme of internal audit work for 2016/17 are recorded in the table below. We ask that management consider these when preparing the 2016/17 Annual Governance Statement.

Area	Narrative	Relevant reports
<p>Governance, accountability and roles and responsibilities</p>	<p>There are several instances where roles and responsibilities were not clearly defined or understood. This may result in services not being delivered in line with requirements. Clarity around roles and responsibilities of commissioners and external delivery partners is particularly important in ensuring required services are provided through partnership arrangements. We did note progress against the prior year recommendation over the CSG Assurance Framework in that the Interim Chief Operating Officer, supported by the Commercial Director and Director of Resources, has instigated a review of Roles and Responsibilities across commissioning and contract management. This review will also look at where governance and performance reporting needs to be improved. The review is being managed as a change programme and will look in detail at the roles of Senior Responsible Officers, Commercial team advice, contract management and finance.</p> <p>Examples noted at the time of the audits being undertaken included:</p> <ul style="list-style-type: none"> • CSG responsibility for the Civic estate has been clear since the contact commenced but there has been ambiguity around CSG's operational responsibility for health and safety procedures for the non-Civic estate as well as the Civic estate. The Civic estate comprises of 6 buildings used as offices by Council employees including North London Business Park, Barnet House and Mill Hill Depot, whilst the non-civic estate comprises of other buildings owned/managed by the Council such as schools, libraries and community centres and consists of c800 properties. Progress has been made to agree responsibilities and a work plan has been developed to ensure the compliance status of the full estate is systematically assessed and understood. The audit identified that although there is a performance reporting framework in place, with reports on estates compliance overseen by the council's Assets and Capital Board, the quality of the reporting requires improvement to ensure that effective oversight is being consistently maintained. • Insufficient mechanisms were in place to ensure that the Insurance team is consulted appropriately as part of the commissioning process. For the Re contract, one of the Council's largest outsourcing arrangements, contractor liability was not fully agreed and understood resulting in claims in relation to highways services provided by the contractor not being progressed to the provider for recovery. • For parking permit administration the provisions set out in the underlying contract, which is orientated around outcomes, were not sufficient to ensure required service 	<ul style="list-style-type: none"> • Estates Health and Safety compliance (March 2017) • Insurance (October 2016) • Parking Permit Administration (May 2016) • Re Operational Review- Phase 1 (November 2016) • Re Operational Review- Phase 2 (January 2017) • Special Project Initiation Requests (SPIR) (January 2017) • Purchase Cards (October 2016)

Area	Narrative	Relevant reports
	<p>standards were achieved.</p> <ul style="list-style-type: none"> • Policies and procedures in place to support key operational activity undertaken by Re were not consistently aligned to relevant Council policies that impact the process, did not direct officers to the Council's Corporate Anti-Fraud team in processes which present a significant inherent fraud risk and did not document where processes can only be discharged by individuals in their role as a Council employee under joint employment arrangements. • Re did not have documented expected timeframes to inform when inspections should be performed and service user requests closed. 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. • Procedure documents in relation to processing SPIR (Special Project Initiation Requests) in relation to the CSG contract do not clearly reference the need to ensure that expenditure decisions occur in line with the Council's scheme of delegation and governance requirements. • There was a lack of monitoring of spend on purchase cards to ensure that expenditure is bona fide, procurement limits are not breached and there has not been appropriate strategic considerations around the use of purchase cards to ensure value for money is being achieved. This was largely due to responsibilities for oversight of the use of purchase cards having not been defined. • Within Re there was limited oversight of completion of alleged investigations into breaches of planning control resulting in a large number of investigations not occurring and not being completed in a timely manner. 	
<p>Information Technology (IT)</p>	<p>The Council's IT service is provided by CSG and in 2015/16 we noted a number of areas where the requirements in the contract were not being delivered or were not aligned to good practice in relation to disaster recovery arrangements and IT change management. Detailed follow up procedures have been performed to ensure that these issues have been resolved in 2016/17. We found:</p> <ul style="list-style-type: none"> • Progress has been made against a number of issues identified but despite this we identified that there were potential gaps and deficiencies in service provision. In 	<ul style="list-style-type: none"> • Disaster Recovery (September 2016) • IT Change Management follow up phase 1 (September 2016) • IT Change Management follow up phase 22 (January 2017)

Area	Narrative	Relevant reports
	<p>particular if a disaster happened out of hours, strictly in terms of the contract, rectification would not start until 8am the following day. This means that functions could be without the services far longer than expected which may cause a material impact to the council as services to the public would be interrupted. Additionally findings identified that recovery plans were not fully completed and a disaster recovery test had not been completed in line with agreed timescales set out in the original audit report although management have confirmed that this has now been completed.</p> <ul style="list-style-type: none"> • A number of recommendations remained outstanding beyond agreed implementation dates in relation to IT change management. 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, however this has now been scheduled for June 2017. • An internal commissioner-led review was undertaken to assess IT service provision against the requirements set out in the output specification in the CSG contract. A number of areas of improvement were identified and this exercise has informed a service improvement plan that was created in the year to support improvement in this area. 	
<p>Contract management</p>	<p>Ensuring value through commissioned services is fundamental to the Council achieving its strategic priorities due to the service delivery models in place and partnerships with external providers. The following have been identified as key areas of improvement with regards to the Council's approach in this area:</p> <ul style="list-style-type: none"> • Weaknesses were identified with the Council's procedures in place to obtain assurance over performance information presented by the contractor in relation to the Re contract. A large proportion of the fee in relation to the Re contract is based on performance and it is important that the Council has robust processes in place to ensure that performance information presented in relation to arrangement such as this are accurate. It should be noted that similar issues were noted in the previous year in relation to the CSG contract and evidence has been provided to demonstrate that steps have been taken to introduce a more systematic, formalised and robust process to validate performance data presented by Re. This will also be considered by the year four review of the Re contract which will report in September. • Pre-set targets for monitoring performance against the indicators within the Inter Authority Agreement in place to support the delivery of Mortuaries services had not been set or agreed by the Council and Brent and service data against performance 	<ul style="list-style-type: none"> • Re Invoicing review (January 2016) • Highways Programme (March 2017) • Mortuaries Contract Management (December 2016) • Estates: Subcontractor ordering and payment processes (March 2017 – DRAFT)

Area	Narrative	Relevant reports
	<p>indicators had not been provided in line with requirements. Mechanisms were not in place to ensure that services were provided to the required standard in advance of payments being made for services.</p> <ul style="list-style-type: none"> Formal performance management is not being used as an effective contract management tool in relation to the London Highways Alliance Contract in place to deliver highways services for the Council. Performance indicators in place were not consistently measured, indicators have not been reviewed since contract inception and there were no mechanisms in place to obtain assurance over the accuracy of performance information presented. It is important that the framework in place gives management the information they need to proactively identify performance issues and incentivise the contractor to influence practice in areas that matter to the Council. Estates Subcontractors' works are not consistently inspected before payment is authorised. Spot checking occurs on an ad hoc basis, however evidence is not retained of checks performed and there is not a systematic approach in place to get assurance that works have been undertaken to the required standard in advance of payment. We understand that Improvements in this area will be taken forward through the estates compliance work plan. 	
<p>Quality Assurance systems supporting Social work practice</p>	<p>Social work practice across Children's and Adults social care was agreed by the Council as an area for improvement in the Annual Governance Statement in 2015/16. We note there has been an ongoing improvement plan in place in Family Services and initiatives such as "Practice Week" which engages senior management in quality assuring frontline services. Similarly in Adults and Communities there is ongoing work to implement a revised operating model and the Quality Assurance Learning Framework is in the process of being refreshed and implemented with the aim of improving social work practice. Although evidence of positive intervention was evident we did identify some areas for improvement through audit work undertaken in 2016/17 as follows:</p> <ul style="list-style-type: none"> There was not an established, systematic approach to quality assurance around supervision practices in place in Adults and Communities. In both Family Services as well as Adults and Communities supervision agreements were not consistently in place in line with procedures and evidence to demonstrate that supervision had occurred in line with requirements and actions arising as a result of supervision could not be provided for certain cases. In Family Services as well as Adults and Communities we found that lessons learned from complaints were not consistently assessed and actions captured to ensure that actions are embedded into practice. 	<ul style="list-style-type: none"> Adults and Communities- Supervision (July 2016) Family Services- Supervision (July 2016) Family Services- Statutory Complaints (November 2016) Adults and Communities- Statutory Complaints (November 2016)

Area	Narrative	Relevant reports
	<ul style="list-style-type: none"> In Family Services as well as Adults and Communities we found evidence that for certain complaints from a sample considered had not been processed in line with timeframes specified within underlying procedure documents and instances where evidence had not been retained to demonstrate the performance of required steps. 	
<p>Audit trails and documentation</p>	<p>Evidencing the performance of procedures and controls is important in ensuring the Council can demonstrate that it has taken steps to fulfil its duty of care to residents and service users if challenged. This is particularly key in areas such as health and safety where the Council may expose members of the public and staff to harm as well as be subject to litigation. We identified several instances where audit trails were not sufficient to demonstrate the performance of controls as follows:</p> <ul style="list-style-type: none"> For play equipment maintenance repair reports, photos of repairs undertaken and post-incident investigations are not retained and therefore evidence that health and safety risks have been alleviated cannot be demonstrated. Ad hoc spot checks are carried out to review the quality and completion of repairs but these checks are not documented and there is no defined methodology to determine the frequency and sample size for spot checks There were limited mechanisms in place to obtain assurance over the completion of remedial works or completion of works to an appropriate standard by third party contractors in relation to the corporate estate. Ad hoc checks are performed, however these checks are not evidenced and there is no defined sampling methodology to ensure sufficient coverage over works completed. This is being addressed by management rectified through a management action plan. Evidence of action taken to implement agreed actions arising from the IT Change Management review could not be provided to support management assertions regarding action taken. There were no systematic mechanisms in place to retain evidence of stakeholder or budget holder approval of SPIRs and demonstrate consultation in line with requirements. When undertaking the Disabled Facilities Grant certification work we were unable to obtain all of the requested source documents to support the expenditure items within the claim which led to an exception being noted within our certification letter to the DCLG. We found that there were deficiencies in the retention of an audit trail to demonstrate that required steps had been taken in the procurement process for 	<ul style="list-style-type: none"> Parks and Green Spaces Health and Safety (January 2017) Estates Health and Safety Compliance (March 2017) Special Project Initiation Requests (SPIR) (January 2017) Disabled Facilities Grant (September 2016) No Recourse to Public Funds (March 2017 - <i>DRAFT</i>) IT Change Management (January 2017) Estates: Subcontractor ordering and payment processes (March 2017 – <i>DRAFT</i>)

Area	Narrative	Relevant reports
	<p>Estates subcontractors.</p> <ul style="list-style-type: none"> • We found that for No Recourse to Public Funds (NRPF) cases, evidence of the management review and approval of screening activity and related recommendations is not consistently retained for referral. Records were not available of all NRPF activity - for example, no-further-action (NFA) cases for which support was withheld. During the audit in Adults & Communities we were unable to provide assurance on the completeness of the NRPF caseload meaning that management may not have a clear understanding of demand for NRPF support in the Borough. 	

3. Summary of Schools audits performed in 2016/17

Introduction

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2016/17, Internal Audit performed 23 schools visits and undertook 3 follow-up reviews. The results of the work are reported in the table below.





Each school will be audited on a three to five year cycle, depending on a risk assessment of that school, unless the circumstances of a school require an audit on a more frequent basis.

High priority recommendations made in limited or no assurance audit reports are followed up to ensure that they have been implemented within agreed timeframes.

Summary of the work performed

School Type	School	Assurance rating
Nursery	Brookhill Nursery	Limited assurance
Primary	Dollis Junior	Limited assurance
Primary	Edgware	Satisfactory
Nursery	Hampden Way	Satisfactory
Nursery	Moss Hall Nursery	Satisfactory
Primary	Barnfield	Satisfactory
Primary	All Saints NW2	Satisfactory
Primary	Frith Manor	Satisfactory
Primary	Summerside	Satisfactory
Primary	Holly Park	Satisfactory
Primary	Church Hill	Satisfactory
Primary	Orion	Satisfactory
Primary	Monken Hadley	Satisfactory
Primary	Colindale	Satisfactory
Primary	Queenswell Infants	Satisfactory
Nursery	St Margaret's Nursery	Satisfactory
Primary	Danegrove	Satisfactory
Primary	St Mary's N3	Satisfactory
Primary	Rosh Pinah	Satisfactory
Primary	Whittings Hill	Satisfactory
Primary	Moss Hall Junior	Satisfactory
Primary	Chalgrove	Substantial
Primary	Garden Suburb Junior	Substantial
Nursery	Brookhill Nursery follow up	Implemented
Primary	Hasmonean Primary follow up	Implemented
Primary	Menorah Foundation follow up	Implemented

Comparison with prior year results

Assurance Opinion	2016/17		2015/16		Direction of travel
	No.	%	No.	%	
Substantial	2	9	2	8	
Satisfactory	19	83	21	81	
Limited	2	8	3	11	
No	-	-	-	-	
Total	23	100	26	100	

**It should be noted that schools are audited on a cycle and the prior period figures relate to different schools.*

Commentary

The results highlight generally sound financial management practices with few significant issues identified around financial controls and budget monitoring.

The largest number of issues was identified in the areas of Asset management, Governance, Purchasing and Income.

No inappropriate use of assets was noted in the year, however asset registers were often not up to date.

The Governing Body has responsibility for overall financial management of the school and must ensure the requirements of the scheme for financing schools and associated guidance from the Chief Finance Officer are met. In order to meet these requirements the school must prepare its own Financial Management Policy and Procedures document for internal use to be approved by the Governing Body. The Governing Body must ensure that Policy and Procedures are implemented. We frequently find during audit visits that this document is not up to date.

For purchasing, the formal confirmation of receipt of goods was frequently absent in schools. Evidence of prior independent authorisation of debit/credit card purchases and related audit trails to allow a credit/debit card purchase to be traced from ordering through to payment were also not retained consistently by schools for our review.

High Priority recommendations were made around Payroll, Income and Budget monitoring. The Financial Guide for schools requires a complete audit trail for all income received by the school, separation of duties between payroll review/authorisation and pay changes/update in the system and timely responses to budget variances. These were not clear in some schools.

4. Follow up work performed in 2016/17

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit charter, we followed up all high priority recommendations made in prior years and the current year to ascertain whether appropriate action had been taken. The table below summarises the follow up work performed.

Results of the follow up work

We followed up a total of 44 high priority recommendations that had been raised and were due to have been implemented by the end of 2016/17. Of those, we found that 36 had been fully implemented by the year end, 2 were no longer applicable and 1 deadline had been extended with the approval of the Audit Committee.

Summary

Status	Number	%
Implemented	36	88%
Partly Implemented	5	12%
Not Implemented	-	-
Total	41	100%

Commentary

The direction of travel for implementing audit recommendations on a timely basis is therefore positive in 2016/17 with 88% of high priority recommendations confirmed as having been implemented within agreed timescales (83% in 2015-16).

Appendix A: Statement of Responsibility

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

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

Appendix B: Individual reviews informing the annual opinion

	Review Title	Assurance rating	Number of High Priority recommendations	Report status
1	Highways Programme	Limited	1	Final
2	Estates / H&S compliance	Limited	1	Final
3	Insurance	Limited	1	Final
4	Parking Permit administration (2015/16)	Limited	1	Final
5	Supervision (<i>Joint Adults and Communities and Family Services</i>)	Reasonable	1	Final
6	Contract Management - Mortuaries	Reasonable	1	Final
7	Statutory Complaints - Adults and Communities	Reasonable	1	Final
8	Re Invoicing (ongoing from 2015/16)	Reasonable	1	Final
9	Transformation - Adults Transformation	Reasonable		Final
10	Review of SPIRs process	Reasonable		
11	Contract Management Toolkit Compliance - Parking	Reasonable		Final
12	Re Operational Review - Phase 1 - control design	Reasonable		Final
13	Purchase Cards / Expenses (Joint internal audit with CAFT)	Reasonable		Final
14	Direct Payments (Joint internal audit with CAFT)	Reasonable		Final
15	Looked After Children - Virtual Schools Head / Pupil Premium	Reasonable		Final
16	Parks & Green Spaces - Health & Safety	Reasonable		Final
17	Residential Care Homes - provider sustainability	Reasonable		Final
18	Statutory Complaints - Family Services	Reasonable		Final
19	No Recourse Public Funds (Joint internal audit with CAFT)	Reasonable		<i>Draft Final</i>
20	KFS - Accounts Payable (CAM)	Reasonable		Final
21	KFS - Accounts Receivable (CAM)	Reasonable		Final
22	KFS - General Ledger (CAM)	Reasonable		Final
23	KFS - Schools Payroll (CAM)	Reasonable		Final
24	KFS - Teachers Pensions (CAM)	Reasonable		<i>Draft</i>
25	KFS - Cash & Bank (CAM)	Reasonable		<i>Draft</i>
26	KFS - Budget Monitoring (CAM) - Parking & Infrastructure	Reasonable		<i>Draft</i>
27	Housing Benefit (CAM)	Reasonable		Final
28	NNDR (CAM)	Reasonable		Final
29	Estates Subcontractor ordering processes	Reasonable		<i>Draft</i>
30	Safeguarding – Statutory responsibilities – Adults and Communities	Reasonable		<i>Draft</i>
31	Education and Skills ADM - governance including contract management	Substantial		Final
32	Transformation - Family Friendly Barnet	Substantial		Final
33	KFS - Treasury Management (CAM)	Substantial		<i>Draft</i>
34	Council Tax (CAM)	Substantial		Final
35	Regeneration Programme	Reasonable		<i>Draft</i>
36	Review of Barnet Group Internal Audit Plan and Reports	N/A		Final
37	Staff Performance Management	N/A		Final
Follow-up reviews completed as full audits				
38	Street Scene Operational Review - follow up (Joint internal audit with CAFT)	N/A		Final
39	Disaster Recovery Plan follow-up - Phase 1	N/A		Final

40	Disaster Recovery Plan follow-up - Phase 2	N/A	1	Final
41	Establishment List follow-up	N/A		Final
42	Re Operational Review - Phase 2 - operating effectiveness	N/A	1	Final
43	Re Operational Review - Phase 2 - Investigating and resolving alleged breaches of planning control	N/A	1	Final
44	IT Change Management follow-up	N/A		Final
Grants				
45	Troubled Families PbR submission 1	N/A		Final
46	Troubled Families PbR submission 2	N/A		Final
47	Troubled Families PbR submission 3	N/A		Final
48	Disabled Facilities Grant	N/A		Final
49	Bus Subsidy Grant	N/A		Final
50	Social Care Capital Grant	N/A		Final

Appendix C: Changes to the 2016/17 published plan

The 2016/17 Internal Audit plan was approved by the Audit Committee in April 2016. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Type	Review Title	Reason for change
Deferred	Highways Direct Labour Organisation (DLO)	Deferred to 2017/18 in light of ongoing considerations around the restructuring of the service and operating model
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
Additional	Contract Management – Contract Register Maintenance	Added to plan in response to emerging risk identified through risk register update discussions
Additional	Section 106	Added to plan as agreed with Commissioning Director for Growth

Appendix D: Performance of Internal Audit

Key Performance Indicators

Category	Performance Indicator	Target	Actual
Effectiveness	% of recommendations accepted	98%	100%
	% of recommendations implemented	90%	88%
Efficiency	% of plan delivered	95%	91%
	Average auditee satisfaction score	90%	100%

Commentary

Two of our targets have not been met in 2016/17:

% of recommendations implemented where we achieved 88% against a target of 90%.

This was mostly due to unrealistic deadlines having being agreed for the implementation of actions.

% of plan delivered where we achieved 91% against a target of 95%.

This is measured by calculating the total number of audits completed divided by the total number of planned audits for the year. At 31st March 2017, 100% of planned audits for the year had commenced. Of the 8 audits not yet completed, 3 were at draft report stage, 3 at end of fieldwork and 2 had fieldwork underway.

Appendix E: Update against Internal Audit Peer Review action plan

A peer review of the Council's Internal Audit service against the Public Sector Internal Audit Standards ("PSIAS") was conducted in January 2016 by the London Borough of Kensington and Chelsea. The review found that Internal Audit 'fully conforms' to the PSIAS in 12 of the 17 areas assessed, with minor improvements being suggested in the remaining five areas which were assessed as 'generally conforms'. The peer reviewer noted that 'Overall I think that you are very close to being fully compliant with the requirements of the PSIAS with most improvements being of an advisory nature'.

In summary, the improvement areas identified, actions that have subsequently been taken and the current status are:

Improvement Area	Action taken	Status
Audit Manual to be updated to reflect the schools audit process, which differs slightly from the non-schools audit process	Added to 2016/17 Internal Audit workplan	<p>Implemented</p> <p>The Audit Manual has been updated to link to the following documents which define the school audit approach and process:</p> <ol style="list-style-type: none"> 1. The Schools approach document 2. The School audit process flow chart
The return rate for receiving Satisfaction Surveys could be improved and there is currently no follow up on the return of surveys	The HIA is exploring the option of an online 'Snapshot' survey that will be quick and easy to complete and monitor	<p>Implemented</p> <p>A CCAS online SurveyMonkey survey was introduced at the end of November 2016. As at the end of March 2017 5 responses had been received which represents an average of 2 per month. In 2015/16 a total of 12 responses were received which represented an average of 1 per month.</p>
Internal Audit files have not all been archived in line with Council policy	The Information Management Team has recently launched a new archiving process; a member of the Internal Audit team has been confirmed as the nominated Records Co-ordinator for Internal Audit	<p>Partly implemented</p> <p>All audit files are held electronically. At year end 31/3/2017, all files up to and including 2011/12 are in the process of being archived.</p>
There is evidence of good liaison with other assurance providers but the HIA has identified a need to progress further liaison with the internal auditors for the CCG to identify the scope for shared or joint reviews.	The recent audit of the Better Care Fund and S75 agreements was shared with the HIA at the CCG. Liaison will continue during 2016/17	<p>Partly Implemented</p> <p>A protocol document used at another London borough has been obtained through CCAS and is being adopted as part of the 2017/18 Internal Audit plan to enable</p>

		joint audits to take place with the CCG.
<p>Based on interviews with key stakeholders, the Chief Executive, the S151 Officer and the Chair of the Audit Committee it was identified that the service is well respected, capable of taking on challenging audits and has a positive impact on the governance, risk and control within the Council.</p> <p>A review of the customer surveys indicated that the majority of the responses were positive and it is concluded that generally:</p> <ul style="list-style-type: none"> • The service is well regarded; • Audit staff are considered professional; • Recommendations are regarded as pragmatic and generally useful. <p>A small number of responses indicated that there was some negative opinion towards the external contractor's approach to audits with comments such as "demanding", "tight deadlines" and "intrusive".</p>	<p>Audits should follow the same process no matter which team conduct the audit. Since the peer review customer survey was circulated, we have updated the information on the Council's intranet regarding the Internal Audit service making the expected audit timeline clearer for auditees.</p> <p>One of the objectives of the Cross Council Assurance Service (made up of six London boroughs including Barnet and our strategic partner, PwC) is to harmonise our audit approach. Ultimately we do not want auditees to distinguish between whether their auditor is from their host borough, PwC or from another borough. We will continue to work towards this aim during 2016/17.</p>	<p>Partly Implemented</p> <p>During 2016/17 we introduced a CCAS report template and points based scoring system for non-schools audits. In 2017/18 this is being rolled out to include schools audits.</p>

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	<h2>Audit Committee</h2> <h3>20 April 2017</h3>
<p style="text-align: right;">Title</p>	<p>Internal Audit & Anti-Fraud Strategy and Annual Plan 2017-18</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>N/A</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Internal Audit & Anti-Fraud Strategy and Annual Plan 2017-18</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>

<h2>Summary</h2>
<p>The 2017/18 Internal Audit & CAFT plan has been formulated after extensive planning meetings with Commissioning Directors, Delivery Units, the Chief Operating Officer and the Chief Executive.</p> <p>After this process was completed we applied a risk assessment to the potential list of audits in order to develop a plan that can be delivered within existing resources.</p>

<h2>Recommendations</h2>
<p>1. That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2017-18.</p>

1. WHY THIS REPORT IS NEEDED

1.1 The Audit Committee’s role in receiving the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2017-18 is to consider the planned programme of work.

2. REASONS FOR RECOMMENDATIONS

2.1 Compliance with the Public Sector Internal Audit Standards.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 N/A

4. POST DECISION IMPLEMENTATION

4.1 The Internal Audit Plan will be delivered and progress against the plan reported to the Audit Committee on a quarterly basis.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 All internal audit and risk management planned activity in 2015-16 was aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supported the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

5.1.2 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.

5.1.3 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team supports this by continuing to provide an efficient, effective value for money anti-fraud activity.

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

5.2.1 This Plan, by being based on the risks of the organisation, will ensure the appropriate allocation of resources to those areas that require audit review, assurance and anti-fraud activity.

5.2.2 In addition, the follow-up of priority one audit/CAFT recommendations will ensure that a positive culture of internal control and anti-fraud improvement is achieved.

5.2.3 The proposed plan is being achieved from Internal Audit & CAFT'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 – Annex A - the Audit Committee terms of reference details the terms of reference of the Audit Committee including:

- To consider the audit annual report, plan and opinion.

- To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.
- To monitor the effective development and operation of risk management and corporate governance in the Council.

5.4 Risk Management

5.4.1 The Plan is based upon the risks of the organisation and supports the Council's risk management system and processes as each internal audit or pro-active anti-fraud exercise will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are.

5.4.2 Outcomes from internal audits / pro-active anti-fraud will either confirm effective management of risk or suggest areas for improvement. In addition, this will provide Directors with assurances that managers are being effective in managing the risks within the service.

5.4.3 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 30 April 2015 (Decision Item 8) - the Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2015-16.

<https://barnet.moderngov.co.uk/documents/g7810/Printed%20minutes%2030th-Apr-2015%2019.00%20Audit%20Committee.pdf?T=1>

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INTERNAL AUDIT AND ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2017-18

Clair Green, Interim Assurance Director

Caroline Glitre, Head of Internal Audit

TABLE OF CONTENTS

- Introduction
- Overall Approach and Summary
- Proactive Internal Audit Plan
- CAFT continuous and reactive work streams
- CAFT cross-cutting and proactive exercises
- Performance Indicators

INTRODUCTION

Internal Audit

Internal Audit provide independent and objective assurance to the Council, its Members, the Strategic Commissioning Board (including the Chief Operating Officer) to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Internal Audit ensure a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Committee for approval. Internal audit will be delivered and developed in accordance with this Charter.

Internal Audit Service Provision

The Internal Audit service is delivered through a mixed economy model, which includes an in house team and external provider, currently PwC. We work closely with 5 other London Boroughs (Islington, Camden, Enfield, Lambeth and Harrow) under a framework contract with PwC for the provision of internal audit, risk management, investigation and advisory services. Collectively we are the Cross Council Assurance Service (CCAS).

The vision for CCAS is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively, improve service agility and the ability to deliver more for less.

Being a part of this framework enables us to:

- work more closely with a number of other London Boroughs, sharing expertise, knowledge and working practices to further enhance the efficiency and effectiveness of the service; and
- develop a platform, with a lead external partner, to harmonise working practices and audit processes and enhance the skills and capacity of the in house teams to deliver a greater proportion of internal audit work and to share audit activity and resource planning.

Managed Audit Approach

Internal Audit and CAFT are committed to the managed audit approach, which ensures joining up with External Audit to make the best use of resources and to avoid duplication of effort. We liaised with External Audit during the preparation of this Annual Plan thereby ensuring coverage of the corporate risks.

INTRODUCTION

Risk-Based Plan

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards. The Institute of Internal Auditors (IIA) describes assurance mapping as “a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw”. We have used this approach to help inform where internal audit resource should be directed in 2017/18 to ensure that duplications of assurance activities or gaps in coverage are identified as follows:

- Updating our understanding of the Council’s services to define its ‘Auditable Units’ - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Discussing each auditable unit with the appropriate Commissioning Director, Delivery Unit Director and / or Assistant Director and their wider team to identify other sources of assurance and emerging risks;
- Undertaking a workshop between Internal Audit, Risk Management and CAFT colleagues to challenge areas for review;
- Applying an ‘Audit Requirement Rating’ to each auditable unit. This is made up of the following:

Inherent Risk Rating - a judgement based on Impact and Likelihood

Control Environment Indicator – a judgement based on our knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.

- Prioritising the auditable units with the highest Audit Requirement Ratings to design a plan that makes the best use of the resources available.
- Seeking agreement of the plan by SCB and the Audit Committee to ensure coverage of the core aspects of the Council’s governance and control environment.

In addition, the plan includes Schools audits (which are conducted in accordance with a risk-based cycle) and a number of grant claim / statutory return reviews.

The Assurance Map is a live document and is refreshed throughout the year, through discussions with senior management, Members and stakeholders. We will use the map to inform and support any changes to the audit plan that are required.

Emerging issues

There is a contingency in place to enable this plan to be responsive to changes in risks throughout the year. The Council is undergoing numerous significant change projects. The contingency will allow internal audit and anti-fraud to respond as required.

During the year, if changes are required to the plan in response to this or any new local or national risks, this will be communicated to the Audit Committee in a timely manner.

INTRODUCTION

Corporate Objectives

This strategy and plan demonstrate how Internal Audit and the Corporate Anti-Fraud Team (CAFT) support the Council in achieving its overall aims and objectives whilst maintaining the necessary professional standards.

The Council's Corporate Plan 2015-2020 identifies a set of strategic objectives which have been based on consultation with residents:

The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

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

These objectives will be reviewed as part of each audit, as applicable.

The Internal Audit and CAFT functions are organisationally independent from the Strategic Commissioning Board and other Council officers.

Officer and Management Responsibilities

For Internal Audit and CAFT to contribute to the Council's overall achievement of its objectives, it is essential that officers and management play a full role in the assurance work undertaken. The expectations from management are:

- Strategic level involvement to inform the annual plan;
- Operational level involvement with individual reviews;
- Being open and honest with audit and CAFT staff;
- Making staff and records available when requested;
- Responding to draft reports in the agreed timescale;
- Only accepting recommendations with which they agree, and providing timescales for implementation that are achievable; &
- Implementing the agreed actions (by the agreed date) arising from the reviews.

The responsibility for a sound system of internal control and the prevention and detection of fraud rests with management. Work performed by Internal Audit and CAFT should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Those risks identified and recommendations raised should be considered in line with the Council's current Risk Management Framework.

INTRODUCTION

Corporate Anti-Fraud Team (CAFT)

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 Operating Officer in fulfilling their 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.

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 CAFT over the years means that there is a much stronger anti-fraud culture within the Council, however, we recognise that we must continue to further develop this culture with awareness through communications campaigns, new, innovative working practices and the strengthening of our skills and partnership work.

We are committed to closer collaboration with Internal Audit as demonstrated through conducting joint reviews and for the first time utilising the data from the National Fraud Initiative exercise to ensure that we have an intelligence led approach to inform audit reviews and targeted sampling.

Work processes in the team have been reviewed in the last year and are designed for compliance with legislation and best practice as well as maximum efficiency.

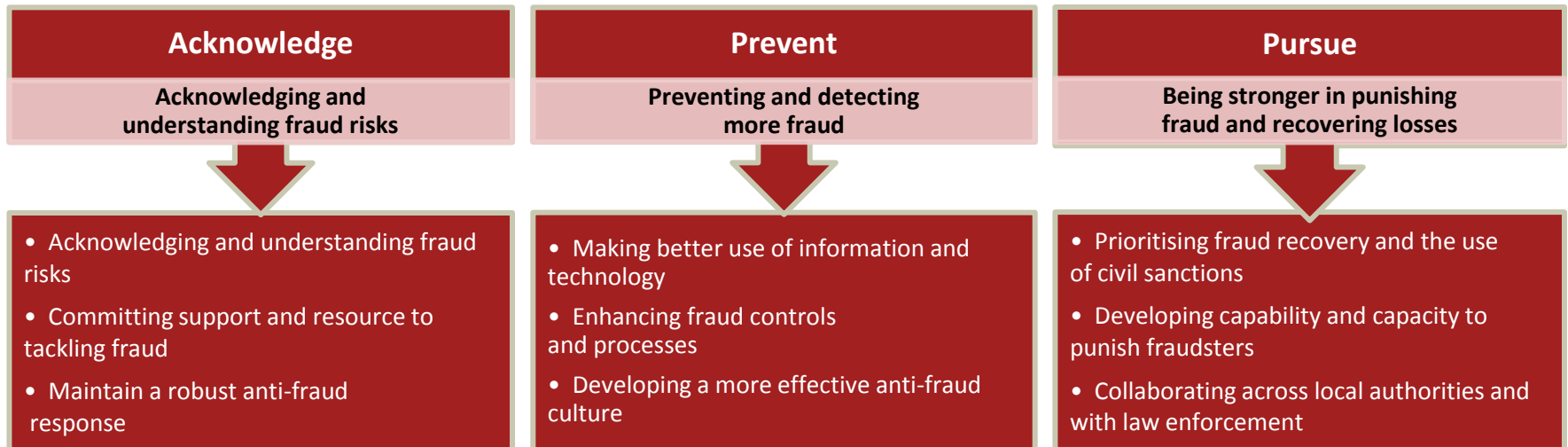
The team is structured so as to support the following work streams:- **Corporate Fraud** (which includes Blue Badge Fraud and Misuse Investigations), **Tenancy Fraud** (which includes Housing Needs, Subletting and Right to Buy fraud) and **Financial Investigations** in accordance with the **Proceeds of Crime Act**. We continue to review all fraud related policies, working procedures and processes to ensure that they reflect best practice and legislative requirements, whilst contributing to the to the overall objectives of the team and that we are efficient, effective and provide value for money.

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 also 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 or recovery are taken. It is this element of the work of CAFT that is hard to quantify statistically.

ANTI FRAUD STRATEGY AND APPROACH

Our annual anti-fraud strategy is aligned with the strategic approach as outlined in 'Fighting Fraud Locally' (FFL – the Local Government Fraud Strategy 2016) and provides a blueprint for a tougher response to public sector tackle fraud. The principles of our strategy remain the same as previous years but we have also considered and incorporated the new six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**) and as such have further adapted our strategy and approach to incorporate a response to these themes as well as consideration of local fraud risks facing the Council alongside horizon scanning on emerging national fraud risks and relevant good practice guidance. Our strategy further demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

Our strategy and approach is underpinned by the Counter Fraud Framework Manual documents and the work of the CAFT as set out in this annual work plan. It remains the policy of this Council that only the CAFT may investigate allegations or suspicions of fraud, corruption or bribery committed against the London Borough of Barnet and subsidiary holdings such as Barnet Group. Additionally CAFT are the only authorised Council service to conduct financial investigations under the Proceeds of Crime Act on behalf of all Council Services (and subsidiary holdings) and to further investigate individuals who are suspected of money laundering against the London Borough of Barnet, whether it be internally or externally.



ANTI FRAUD COMMUNICATIONS STRATEGY

This year we continue with our communications strategy which envisages increasing CAFT's impact and effectiveness by aligning with the strategic approach set out in the Local Government Fraud Strategy 'Fighting Fraud Locally'. Our communications strategy is an essential instrument that we envisage will increase CAFT visibility across the organisation and the Borough. We aim to increase awareness around CAFT policies and channels through which concerns and incidents can be reported as well as emphasize the responsibility of staff on making reports and enable residents to report any suspicions or incidents of fraud or wrongdoing.

Acknowledging and understanding fraud risks - It is fundamental for staff and residents to understand the role of CAFT, different types of fraud and through which channels they can report any concerns or incidents of fraud.

- The **internal awareness campaign** and **face to face fraud awareness** sessions aim to increase fraud understanding between staff and their ability to detect fraud. In addition, it is important to emphasize their responsibility as council employees/partner employees regarding reporting fraud and abide with the new fraud policies.

- The **external campaign** will be targeted to residents across the council and will aim to increase awareness around fraud and the different ways they can report any concerns. Specific themes of communication around fraudulent school admission applications, blue badge misuse and tenancy fraud will be promoted depending on particular fraud risks attached to particular quarters throughout the financial year.

Preventing and detecting fraud – An increase of fraud awareness will help promote and strengthen an anti-fraud culture within the organisation and across the Borough. A clear message will be communicated to all stakeholders that fraud is not acceptable and will not be tolerated. Staff and residents will be more confident to report fraud incidents when they are aware of the consequences of fraud and when the organisation itself actively condemns fraud. This will result in a more effective way of preventing and detecting fraud.

Being stronger in punishing fraud and recovering losses – Through the campaign we will be able to deliver the message that fraud does not pay and that we will punish and recover losses within the full force of the law (where relevant), our policies and authority. By successfully getting staff and residents on board a stronger response to fraud will be delivered. Different stakeholders will support CAFT's work by understanding and identifying fraud and being more empowered to actively condemn fraud themselves through operating within an anti-fraud environment.

In order to support the communications strategy we have devised a detailed targeted deliver plan for the year.

OVERALL SUMMARY

As summarised in the tables below Internal Audit and CAFT will deliver 1286 audit days and 2625 anti-fraud days in 2017-18. The following pages detail the assurance plan for each aspect of the Council.

The budget and resources allocated to the service are deemed sufficient to enable an annual audit opinion to be prepared and reported. In deriving this plan the resources have been considered in terms of the skills of both the in-house team and the strategic partner, PwC. During the course of the year, if the Head of Internal Audit believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, this will be brought to the attention of the Audit Committee.

Area	Days 2017/18	Days 2016/17
Cross-Cutting *	248	90
Delivery Units **	392	450
Assurance Group, Commissioning Group & CSG	353	240
Management, Follow-up and Reporting	193	170
Contingency	100	100
Total Audit Days	1286	1050
CAFT Days	2625	2860
Total combined Audit and CAFT Days	3911	3910

* Increase mainly due to focus in 2017/18 on children and multi-agency working

** Includes 100 days for schools audits and audit days to be recharged to Capita as appropriate for CSG and Re audits

CROSS-CUTTING REVIEWS

Provisional Audit Title	Provisional timing
Performance Management Framework <i>Advisory piece</i>	Q1
Transformation - Benefits Realisation	Q1
Business Continuity & Emergency Planning	Q1
Project & Programme Management toolkits	Q1
Health & Safety – Project Management	Q1
Domestic Violence	Q1
Council Support for Children’s Safeguarding (Conditions for Success) <i>See also Safeguarding – Health Visitors and School Nurses within Public Health and Barnet Homes Assurance Mapping</i>	Q1 & Q2

CROSS-CUTTING REVIEWS

Provisional Audit Title	Provisional timing
Income Generation <i>Advisory piece</i>	Q2
Special Project Initiation Requests (SPIRs)	Q2
Customer Transformation Programme	Q2
The Way We Work	Q3
Equalities	Q3
Risk Management Framework	Q3
Vulnerable Adolescents	Q3
Various grant claims requiring Internal Audit input	Various

ADULTS & COMMUNITIES

Provisional Audit Title	Provisional timing
Better Care Fund - development of protocol for joint Internal Audits with the Clinical Commissioning Group (JOINT IA & CAFT REVIEW) <i>To include review of progress of Health & Social Care Integration</i>	Q1
Investing in IT – Lessons Learnt <i>Advisory piece</i>	Q1
Contract Management – Freemantle	Q1
Strength Based Social Care Practice	Q2
Deputyship – money management	Q3
Contract Management - Sport & Physical Activity	Q4

PUBLIC HEALTH

Provisional Audit Title	Provisional timing
Safeguarding – Health Visitors and School Nurses <i>Part of cross-cutting review of Safeguarding Children</i>	Q1
Public Health delivery model 2018 onwards	Q2

FAMILY SERVICES

Provisional Audit Title	Provisional timing
Troubled Families - Payment by Results	Q1, Q2 and Q3
Review of post-Ofsted visit Practice Improvement plan	Q4

EDUCATION AND SKILLS

Provisional Audit Title	Provisional timing
Transfer to Education, Health & Care Plans (EHCPs)	Q2
Passenger Transport – brokerage	Q3
Individual audits of schools <i>Auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations and to provide assurance over other key risks.</i>	Q1, Q2, Q3 and Q4
CAFT Proactive Review Schools Admissions <i>Proactive annual targeted anti-fraud work in this area to ensure the safeguarding of school placements.</i>	

STREET SCENE

Provisional Audit Title	Provisional timing
Commercial Waste – achieving income target (JOINT IA & CAFT REVIEW)	Q1
Street Scene Capacity & Capability Review <i>Advisory piece</i>	Q2
Review of new Depot arrangements (JOINT IA & CAFT REVIEW)	Q3

RE

Provisional Audit Title	Provisional timing
Re Operational Review – Planning <i>In-depth review off back of 2016/17 audit</i> (JOINT IA & CAFT REVIEW)	Q1
Regeneration Programme - Benefits Realisation	Q2
S106 / CILs expenditure	Q2
Capital Development Pipeline – Tranche 1 (Re)	Q3
Highways Programme	Q3

BARNET GROUP

Provisional Audit Title	Provisional timing
<p>Barnet Group Assurance Mapping</p> <p>Including review of Barnet Group Internal Audit plan and reports</p> <p>To provide assurance over the whole delivery unit and to identify any gaps in assurance over key risks to the Council.</p> <p>To include consideration of the Housing impact / involvement in Children’s Safeguarding (see Cross-Cutting reviews)</p>	Q2

ASSURANCE GROUP / COMMISSIONING GROUP

Provisional Audit Title	Provisional timing
Elections Management – New Software System	Q2
CSG 3 Year review and Re 4 Year review – KPI baselines	Q2 and Q4
General Data Protection Requirements (GDPR)	Q2

COMMISSIONING GROUP - COMMERCIAL

Provisional Audit Title	Provisional timing
Commercial – Contract Management Toolkit	Q1
Cambridge Education governance including contract management	Q2

COMMISSIONING GROUP - ENVIRONMENT

Provisional Audit Title	Provisional timing
Contest Framework – Prevent follow-up <i>Follow-up of 2016/17 review</i>	Q2
Highways DLO (JOINT IA & CAFT REVIEW)	Q2
Freedom Passes (JOINT IA & CAFT REVIEW)	Q3

COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG – Finance – Key Financial Systems	Accounts Payable (JOINT IA & CAFT REVIEW)	Q2 or Q4
	Accounts Receivable (JOINT IA & CAFT REVIEW) <i>Including online payments / My Account</i>	
	General Ledger	
	Budget Monitoring	
	Treasury Management	
	Cash Management	
	Non-Schools Payroll <i>To include review of Holiday pay, Sick Pay, Overpayments</i>	
	Schools Payroll	
	Pensions Administration	
	Teachers Pensions	
CSG - Revenues & Benefits	Housing Benefits	Q2
	Council Tax	
	NNDR	

COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG - Finance	Purchase Cards / Expenses follow-up	Q1
CSG – Finance / Estates & Barnet Homes	Fixed Asset Register - Corporate Landlord – cross checks with Land Registry (JOINT IA & CAFT REVIEW)	Q1
CSG - Finance	Integra efficiency review	Q3

COMMISSIONING GROUP / CSG - IT

Provisional Audit Title	Provisional timing
IT Risk Diagnostic (ITRD)	Q1
IT Change Management final follow-up	Q1
IT review(s) – scope dependent on outcome of ITRD	Q2, Q3, Q4

COMMISSIONING GROUP / CSG - HR

Provisional Audit Title	Provisional timing
HR Core efficiency review	Q1
Eligibility to Work - Pre-Employment Checks (JOINT REVIEW WITH CAFT)	Q1
Performance Reviews	Q2
Onboarding process	Q3

COMMISSIONING GROUP / CSG - ESTATES

Provisional Audit Title	Provisional timing
Estates / Health & Safety compliance follow-up <i>To include coverage of water testing</i>	Q1
CSG Estates – Rent Reviews	Q3
Facilities Management	Q3

COMMISSIONING GROUP / CSG PROCUREMENT

Provisional Audit Title	Provisional timing
Procurement <ul style="list-style-type: none">• Commissioning Intention Plans• Waivers	Q3

CAFT CONTINUOUS AND REACTIVE WORK STREAMS

This table details the continuous and re-active investigation work of the team. Resources within the team are directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Description of work
Corporate Fraud
<p>To investigate all suspected frauds committed against the Council and effectively pursue fraudsters, by risk assessing and reacting accordingly to all instances of internal and external fraud, corruption or bribery. This work will cover all council services and subsidiary holdings such as Barnet Group. We continue to offer advice and assistance to colleagues and other services, on particular issues and/or fraud awareness as well as work closely with HR where our investigations involve members of staff and disciplinary offences.</p> <p>We will ensure consistency in seeking appropriate penalties in accordance with legislation, the Counter Fraud Framework and other relevant council policies whilst actively recovering any losses and obtaining compensation by utilising our in-house Financial Investigation Officers to recover Proceeds of Crime.</p>
Tenancy Fraud
<p>To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud (application, sub letting, not resident, succession and right to buy fraud) including maximising the recovery of properties where Tenancy Fraud is proven with a target of 60 properties set for 2017/18. We also plan to deliver at least four pro-active anti fraud drives as well as work on ongoing other exercises (<i>Key Fob – not for publication</i>) alongside Barnet Homes throughout the year with the aim to tackle tenancy fraud issues in our borough.</p>

CAFT CROSS-CUTTING PRO –ACTIVE EXERCISES

Description of review

Disabled Blue Badge Misuse and Fraud

To investigate and respond accordingly to all suspected frauds and/or misuse relating to Disabled Blue Badges committed within the Borough. We also plan to deliver at up to **Eight** intelligence led joint (police and NSL parking) street operations as well as other on-going intelligence led pro- active work to tackle Blue Badge Misuse / Fraud in our Borough.

Cabinet Office - National Fraud Initiative (NFI)

The NFI is a national public sector data matching exercise.

Data uploads took place in October 2016 and matches have been received by LBB for review and/or investigation. These will form part of the years proactive program and be used to assist in focusing joint work with Audit.

CAFT will co-ordinate this exercise for the Council and investigate related referrals.

Data sets include areas such as Disabled Blue Badge, Parking Permits, Direct Payments, Procurement data, Pensions and Payroll as well as data from Barnet homes which was uploaded for the first time in this exercise.

PERFORMANCE INDICATORS – INTERNAL AUDIT

The service has a number of performance indicators in place to assess whether performance is effective and efficient.


Performance Indicator	Target	Reporting frequency
% of Plan delivered	Based on 95% complete of those due in quarter	Quarterly
Verification that at least 75% of Critical and High Risks have been mitigated by management at the time of follow up	75%	Quarterly
% of reports year to date achieving: <ul style="list-style-type: none">• Substantial• Reasonable• Limited• No Assurance	N/A	Quarterly
Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys	85%	Exception basis - if not met

PERFORMANCE INDICATORS – CAFT

The service has a number of performance indicators in place to assess whether performance is effective and efficient. Performance against these indicators will be reported to the audit committee on a quarterly basis as well as details of outcomes on noteworthy concluded investigations, outcomes of pro-active exercises and joint audit /CAFT reviews.

Performance Indicator	
Corporate Investigation Team	Tenancy Fraud Team
Number of Fraud investigations (opened and closed) including summary breakdown of service area.	Number of Tenancy Fraud investigations (opened and closed) including summary breakdown by fraud type
Number of Financial investigations (under Proceeds of Crime Act) opened and closed including summary breakdown of service area.	Number of Properties recovered including summary detail of how recovered and type of fraud.
Number of Dismissals / staff no longer employed as a result of CAFT intervention.	Number of Right to Buy, Housing Applications and Joint tenancy applications denied as a result of CAFT intervention.
Number of Disabled Blue Badge investigations (opened and closed) including summary breakdown of outcomes.	Number of Regeneration properties where number of bedrooms has been reduced and downgrading of Housing Application Banding following CAFT intervention.
Number of Prosecutions or other Sanction for each category.	
Other information reported as per Policy requirements	
Whistleblowing referrals - number received (and summary detailed provided on closed cases where appropriate).	Number of Surveillance requests / authorisations in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 (and summary detailed provided on concluded investigations if proven).

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	<p>Audit Committee 20 April 2017</p>
<p>Title</p>	<p>External Audit Plan 2016/17</p>
<p>Report of</p>	<p>Chief Executive and Section 151 Officer</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Enclosures</p>	<p>Appendix A – Audit Plan to the Audit Committee</p>
<p>Officer Contact Details</p>	<p>Gillian Clelland – Gillian.clelland@barnet.gov.uk, 0208 359 5310</p>

<p>Summary</p>
<p>This report advises the committee of BDO’s audit plan for 2016/17.</p>

<p>Recommendations</p>
<p>1. The Audit Committee are asked to note BDO’s audit plan for 2016/17.</p>
<p>2. The Audit Committee are asked to note the fee of £170,025 for the 2016/17 audit and the fee of £20,310 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 The purpose of the audit plan is to highlight to the Committee the key elements of BDO's 2016/17 external audit strategy for audit for the year ended 31 March 2017.

2. REASONS FOR RECOMMENDATIONS

- 2.1 To ensure that the Audit Committee are aware of the external audit scope and objectives, overall audit strategy, key audit risks and the proposed audit fees for 2016/17.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 BDO's audit plan for 2016/17 will dictate what is reported to the Audit Committee as part of the audit process.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The audit plan will assess fundamental aspects of financial standing and performance management in Barnet that relate to the key theme of 'value for money' relating to the Council's corporate priorities.

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

- 5.2.1 This report sets out the engagement timetable and framework for the assessment of the Council's financial reporting, management and standing, as well as value for money. The fee for the audit of £170,025 will be paid out of Corporate Fees within Central Expenses.

5.3 Legal and Constitutional References

- 5.3.1 The Constitution details the functions of the Audit Committee including "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 audit plan for the year ended 31 March 2017 highlights the Council's statutory responsibility in respect of producing the financial statements. Without appropriate closedown processes in place and references to local government financial reporting policies there is a risk that statutory deadlines may be missed or accounting policies misinterpreted without the appropriate

reference to the external auditor's views or concerns. The consequence of this could result in a qualified audit opinion on the financial statements or a qualified value for money opinion.

5.5 Equalities and Diversity

5.5.1 The audit planning report 2016/17 has the potential to cover the inspection and assessment of all services within the authority that, in turn, impacts on all members of the community.

5.6 Consultation and Engagement

5.6.1 None

6. BACKGROUND INFORMATION

6.1 The purpose of the audit planning report is to highlight the key elements of BDO's 2016/17 external audit strategy for the Council. It is compiled based on their audit risk assessment and discussions of key risks with management. It is reported to the Audit Committee as those charged with governance for consideration in accordance with International Standard on Auditing (UK & Ireland) 260.

6.2 The audit plan for the year ended 31 March 2017 sets out the planned BDO external audit team and the engagement timetable.

6.3 **The audit plan for 2016/17 details the audit scope and objectives in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO. This will enable BDO to form an opinion on whether:**

6.3.1 The financial statements give a true and fair view of the financial position of the group and authority and their expenditure and income for the period in question.

6.3.2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

6.3.3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).

6.3.4 The return required to facilitate the preparation of Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.

6.3.5 The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

6.4 **The audit planning report 2016/17 also sets out group and component materiality and clearly trivial threshold levels:**

- 6.4.1 The concept of materiality will be applied by BDO in both planning and performing the audit, and in evaluating the effect of misstatements.
- 6.4.2 The estimated group and component materiality levels for the 2016/17 audit are as follows:
- Group - £14.3m
 - Significant components (Council) - £14.3m
 - Non-significant components (The Barnet Group Limited and its subsidiaries) - £5.0m
- 6.4.3 Planning materiality levels are estimated at this stage and will be confirmed by BDO when the draft financial statements are received for audit.
- 6.4.4 The clearly trivial threshold for all group and components detailed in section 6.4.2, is set at £0.286m, which is based on 2% of the materiality level of the Group (£14.3m). Any uncorrected misstatements above this level identified through the audit process are required to be reported to the Audit Committee.
- 6.5 The audit planning report 2016/17 also details the overall audit strategy.**
- 6.5.1 This encompasses a risk based audit of the group and authority's financial statements and the authority's use of resources based on BDO's understanding of the group, authority and other component entities' businesses and specific risks and of the adequacy of the accounting systems and records as the basis for preparation of the financial statements.
- 6.5.2 For the use of resources audit, BDO consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.
- 6.5.3 The approach to the audit of components of the group financial statements is designed to ensure that BDO obtain the requisite level of assurance across the whole group:
- 6.6 For the financial statements audit, under International Standard on Auditing 315 'Identifying and assessing the risks of material misstatement through understanding the entity and its environment', BDO are required to consider significant risks that require special audit attention.**
- 6.6.1 The key audit risks that have been identified in relation to the audit of the financial statements are as follows, with further details and the planned audit approach set out on pages 10-13 of the BDO audit plan:
- Significant risk:
- Management override of controls
 - Revenue recognition

Normal risk:

- Property, plant and equipment and investment property valuations
- Allowances for non-collection of receivables
- Pension liability assumptions
- Change in presentation of the financial statements
- Consideration of related party transactions

6.6.2 The audit will also consider throughout the process the possibility of material misstatement due to fraud or error.

6.6.3 The use of resources audit will focus on the sustainability of the Council's finances through review of the assumptions used in the Medium Term Financial Strategy (MTFS) and the delivery of the budgeted savings and the plans to reduce service costs and increase income from 2017/18.

6.7 Under Auditing and Ethical Standards, BDO are required as auditors to confirm their independence to the Audit Committee. BDO have not identified any potential threats to their independence as auditors.

6.8 The audit plan confirms the proposed Code audit fee of £170,025 (2015/16: £170,025) and a separate fee of £20,310 (2015/16: £21,617) for the certification of the housing benefit subsidy return. Separate fees are charged for the audit of the teachers' pensions return and pooling of capital receipts return which are outside of the main audit engagement.

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LONDON BOROUGH OF BARNET

AUDIT PLAN TO THE AUDIT COMMITTEE

Audit for the year ended 31 March 2017

3 April 2017

CONTENTS

INTRODUCTION 1

YOUR BDO TEAM 2

ENGAGEMENT TIMETABLE 3

AUDIT SCOPE AND OBJECTIVES..... 4

MATERIALITY 5

OVERALL AUDIT STRATEGY 7

KEY AUDIT RISKS AND OTHER MATTERS 10

INDEPENDENCE 15

FEES 16

APPENDIX I: MATERIALITY..... 17

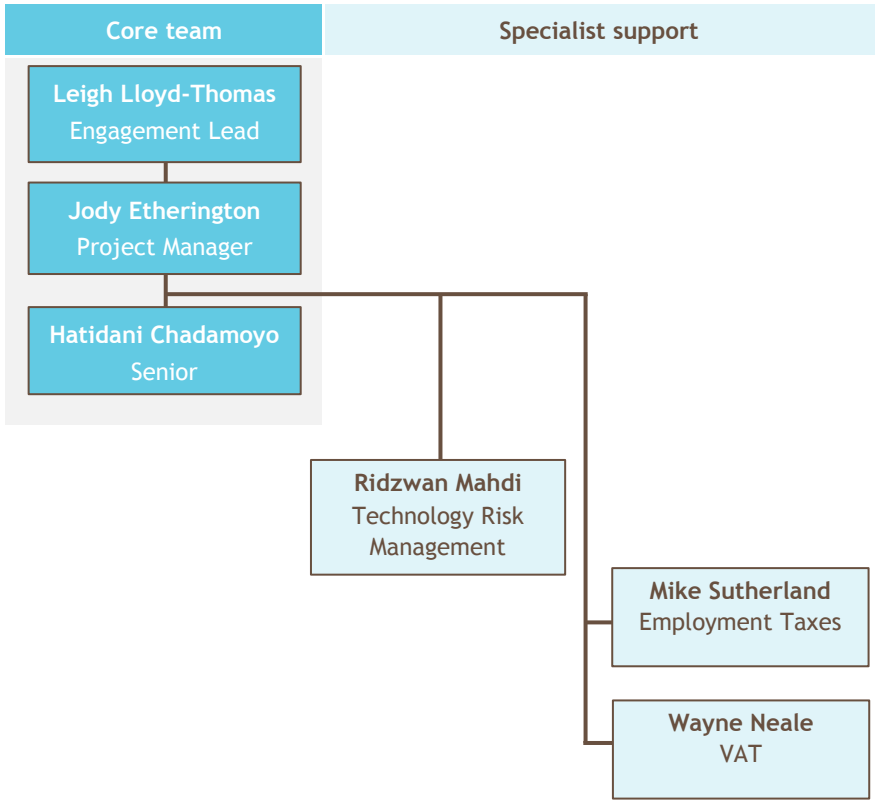
INTRODUCTION

PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the London Borough of Barnet and consolidated entities (together the 'Group') and use of resources of the authority for the year ended 31 March 2017. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit Committee. In preparing this report, we do not accept or assume responsibility for any other purpose. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Leigh Lloyd-Thomas Engagement Lead	Tel: 020 7983 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
Jody Etherington Project Manager	Tel: 01473 320790 jody.etherington@bdo.co.uk	Management of the audit
Hatidani Chadamoyo Senior	Tel: 020 7893 3202 hatidani.chadamoyo@bdo.co.uk	Day to day supervision of the audit team
Ridzwan Mahdi Technology Risk Manager	Tel: 020 7893 3126 ridzwan.x.mahdi@bdo.co.uk	Manage IT review for audit purposes
Mike Sutherland Associate Director	Tel: 020 7893 2696 mike.sutherland@bdo.co.uk	Manage employment tax review for audit purposes
Wayne Neale Associate Director	Tel: 01473 320869 wayne.neale@bdo.co.uk	Manage VAT review for audit purposes

Leigh is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements and use of resources.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

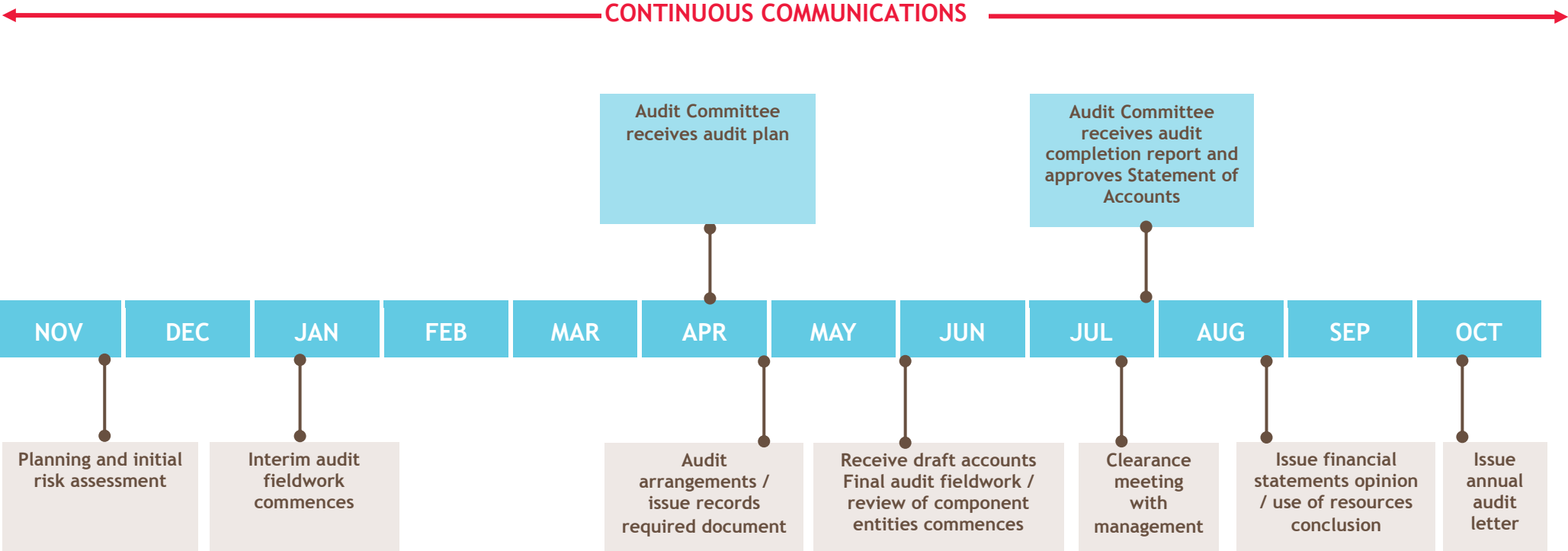
- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

He is responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.

Our objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p>1 The financial statements give a true and fair view of the financial position of the group and authority and its expenditure and income for the period in question.</p>	<p>2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other directions.</p>	<p>3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p>4 The return required to facilitate the preparation of the Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.</p>	<p>5 The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

ADDITIONAL POWERS AND DUTIES

<p>6 Where necessary:</p> <ul style="list-style-type: none"> • Consider the issue of a report in the public interest • Make a written recommendation to the authority • Allow electors to raise questions about the accounts and consider objections 	<p>7 Where necessary:</p> <ul style="list-style-type: none"> • Apply to the court for a declaration that an item of account is contrary to law • Consider whether to issue an advisory notice or to make an application for judicial review.
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MATERIALITY

GROUP AND COMPONENTS	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Group	£14,300,000	£286,000
Significant components:		
• Council	£14,300,000	£286,000
Non-significant components:		
• The Barnet Group Limited [100% subsidiary] and its subsidiaries	£5,000,000	-
- Barnet Homes Limited		
- Your Choice Barnet Limited		
- TBG Flex Limited		
- TBG Opendoor Limited		
<p><i>Although total income and expenditure in the subsidiary is approximately £62 million (2015/16), the majority of its transactions are with the Council. After elimination of intra-group transactions the net impact on the Group financial statements is approximately £4m and below our group audit materiality. However, the net liabilities of the subsidiary are material as the subsidiary includes a pension liability of £36 million.</i></p>		
Immaterial components excluded from the Group financial statements:		
• Barnet Holdings Limited		
• BXS GP Limited	-	-
• Hill Green Homes Limited	-	-

MATERIALITY

Continued

GROUP AND COMPONENTS	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Joint ventures that are not adjusted for equity accounting in the Group financial statements:		
<ul style="list-style-type: none"> Regional Enterprise Limited [49% joint venture via Barnet Holdings Limited] 	-	-
<i>At 31 December 2015, the net assets of the entity totalled £5 million and the Group's share at 49% was not material.</i>		
<ul style="list-style-type: none"> The Inglis Consortium LLP [13.9% joint venture] 	-	-
<i>At 31 March 2016, members' interests in the entity totalled £53 million and the Group's share at 13.9% was not material.</i>		

Please see Appendix I for detailed definitions of materiality and triviality.

Planning materiality for the group and the Council has been based on 1.5% of gross expenditure. At this stage, the figure is based on the prior year group financial statements. This will be revisited when the draft financial statements are received for audit.

Component materiality is set for those entities where component auditors perform an audit or a review for purposes of the group audit. The local materiality applied for the statutory audit of the component financial statements, where required, cannot exceed the component materiality and is likely to be lower than the component materiality set as part of the group audit. We understand that the component auditor has agreed materiality at a level significantly below our component materiality level.

The clearly trivial amount is based on 2% of the materiality level of the group. The Council, as parent entity, has a separate clearly trivial level also using the same 2%.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the group and authority's financial statements and the authority's use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the group, authority and other component entities' businesses and the specific risks they face. We discussed the changes to the businesses and management's own view of potential audit risk to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements, group-wide controls and the consolidation process, and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

Approach to components of the group financial statements

Our approach is designed to ensure we obtain the requisite level of assurance across the whole group.

We are aware that there is some uncertainty whether local authority controlled companies are able to take advantage of the size and threshold exemptions for audit or whether the requirement for audit remains in place where the authority itself is preparing consolidated accounts. It is our understanding that local authority controlled companies are not able to take advantage of the audit exemption.

Total coverage is expected to be as shown opposite.

SCOPE	EXPENDITURE COVERAGE 2016/17	NET ASSETS 31/3/17	EXPENDITURE COVERAGE 2015/16	NET ASSETS 31/3/16
Full scope procedures	TBC	TBC	£899m	£753m
Specific scope procedures	-	-	-	-
Desktop review	TBC	TBC	£59m	(£31m)
Total	TBC	TBC	£958m	£722m

Coverage for 2016/17 will be updated once draft financial statements have been provided.

OVERALL AUDIT STRATEGY

Group matters

COMPONENT NAME	% GROUP EXPENDITURE	% GROUP NET ASSETS	COMPONENT AUDITOR	OVERVIEW OF WORK TO BE PERFORMED	OVERVIEW OF THE NATURE OF OUR PLANNED INVOLVEMENT IN THE WORK PERFORMED BY THE COMPONENT AUDITOR
Full scope procedures:					
Council	94%	104%	BDO UK	Code audit of the financial statements prepared under CIPFA Code of Practice on Local Authority Accounting	Undertaken by the group audit team
Desktop review:					
The Barnet Group Limited	6%	(4)%	Grant Thornton	<p>Analytical review of consolidation pack / financial statements prepared by the component entity assessed against expectations and prior year amounts.</p> <p>Agree inter-group adjustments for management fee and debtor / creditor balances.</p> <p>Review pension liability assumptions in Barnet Homes Limited.</p>	We understand that Grant Thornton will undertake a statutory audit of the financial statements. We will request sight of the final audit memorandum and audit opinion to support our desktop review and confirm that no significant adjustments are required to the consolidation pack amounts used in the Group financial statements.
Request for draft financial statements / management accounts:					
Regional Enterprise Limited	-	-	KPMG	Review of draft financial statements to confirm that the impact of equity accounting for the Group share of the net assets is not material.	
The Inglis Consortium LLP	-	-	KPMG	Review of draft financial statements to confirm that the impact of equity accounting for the Group share of the net assets is not material. Reconciliation of distributions made to income recorded in the Council's financial statements/	

OVERALL AUDIT STRATEGY

Audit risks and planned audit responses

For the financial statements audit, under International Standard on Auditing (ISA) 315 “Identifying and assessing the risks of material misstatement through understanding the entity and its environment”, we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Fraud risk assessment

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believes that the risk of material misstatement due to fraud in the authority’s financial statements is low. Frauds identified in recent years include:

- Ineligible applications for right to buy discounts on Council properties
- Housing benefit and local council tax support claimants
- Misuse of direct payments
- Staff taking cash properly due to the Council for services provided
- Misuse of public assets but without financial impact, such as tenancy sub-letting and blue badges.

Management considers that controls in operation would prevent or detect material fraud and the amounts lost due to fraud and misrepresentation in recent years has not been significant. We are informed by management that there have not been any cases of significant or material fraud to their knowledge.

The Audit Committee has oversight of management’s processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. This is discharged through the reviews undertaken by internal audit and the corporate anti-fraud team.

To corroborate the responses to our inquiries of management, please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. 	Not applicable.
Revenue recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the existence of income.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the existence of fees and charges income recorded in the CIES.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test a sample of grants subject to performance conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES. • Test a sample of fees and charges income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded. 	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment and investment property valuations	<p>Local authorities are required to ensure that the carrying value of land, buildings, dwellings and investment properties is not materially different to existing use value for operational assets, or fair value for surplus assets and investment properties at the balance sheet date.</p> <p>The Council applies an annual revaluation process which is determined through consultation between the finance team and Principal Valuation Manager. High value properties, and those which are expected to be subject to significant valuation movements, are revalued on an annual basis. This covers approximately 90% of properties by value. Other properties are revalued on a rolling 5-yearly basis.</p> <p>There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert Confirm that the basis of valuation for assets valued in year is appropriate based on their usage Confirm that an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost (DRC) Review valuation movements against indices of price movements for similar classes of assets and follow up valuation movements that appear unusual against indices. 	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>
Allowances for non-collection of receivables	<p>The Council recognises a significant allowance for the non-collection of receivables, primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow.</p> <p>There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.</p>	<p>We will review the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.</p>	<p>Not applicable.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Pension liability assumptions	<p>The net pension liability comprises the group and Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the liability is calculated by an independent firm of actuaries. The Council has appointed new actuaries, Hymans Robertson, for 2016/17. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. We understand that the actuary is likely to take a more prudent assessment of future assumptions that will increase the pension liabilities. There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>As the auditors of pension fund, we will review the controls for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	We will use the PwC consulting actuary report commissioned by the NAO on behalf of all local authority auditors for the review of the methodology of the actuary and reasonableness of the assumptions.
Changes in presentation of the financial statements	<p>The Code requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) • Change to the format of the Movement in Reserves Statement (MIRS) • New Expenditure and Funding Analysis (EFA) note • Change to the Segmental Reporting note • New Expenditure and Income analysis note. <p>This s will require a restatement of the 2015/16 CIES.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We will review the draft financial statements and check these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We will confirm that the analysis by service in the CIES is consistent with the internal reporting within the Council.</p> <p>We will review the restatement of the comparative 2015/16 information to ensure that this is presented consistently with the current year basis.</p>	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards.	<p>We will:</p> <ul style="list-style-type: none"> Document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions Discuss with management and review Councillor and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us. 	Companies House searches for undisclosed interests.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances	<p>In 2016/17, the Council has forecast an overspend of £12 million, mainly in adult social care, that will need to be covered by release of reserves.</p> <p>The Medium Term Financial Strategy (MTFS) was updated in March 2017 and now forecasts a budget gap prior to identified savings of £54 million over the 3 year period from 2017/18 to 2019/20.</p> <p>The Council has fully identified savings plans in order to address this budget gap. However, the savings targets remain significant and achievement of these will be inherently challenging.</p> <p>Initial horizon planning suggests that there may be a further £25 million of cost pressures over the life of the current MTFS and this will need to be covered from reserves.</p> <p>Ahead of 2020, the MTFS and Council Plan will be subject to fundamental review as continued support from reserves will not be viable.</p>	<p>We will review the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied.</p> <p>We will monitor the delivery of the budgeted savings in 2016/17 and the plans to reduce services costs and increase income from 2017/18.</p> <p>We will also review the strategies to close the budget gap after 2017/18.</p>	Not applicable.

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2017.

We have not identified any potential threats to our independence as auditors.

Fees for audit related services are listed on the follow page. We have not provided any other non-audit services to the Council.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED
Leigh Lloyd-Thomas - Engagement lead	2
Jody Etherington - Project manager	2

ENGAGEMENT QUALITY CONTROL REVIEW

ENGAGEMENT QUALITY CONTROL REVIEW	NUMBER OF YEARS INVOLVED
EQCR based on gross expenditure threshold	2

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

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ended 31 March 2017 are:

	2016/17 Proposed fee £	2015/16 Actual fee £
Code audit fee	170,025	170,025
Certification fee (Housing benefits subsidy)	20,310	21,617
Total code audit and certification fees:	190,335	191,642
Fees for audit related services (see below)	7,750	7,750
Fees for non-audit services	-	-
TOTAL FEES	198,085	199,392

OTHER FEES ANALYSIS

Audit related services:

Teachers Pensions certification fee	5,000
Pooled capital receipts certification fee	2,750
Total	7,750

Billing arrangements

We raised invoices for the Code audit fee in two equal instalments, in July 2016 and January 2017. Fee invoices for other services, including the certification of the housing benefits subsidy claim, will be raised as the work is completed. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Chief Executive. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee. At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

Our fee is based on the following assumptions

The complete draft financial statements and supporting working papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. 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.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK & Ireland) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY


Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.



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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**London Borough of Barnet
Audit Committee Work
Programme
April 2017 to April 2018**

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

Subject	Decision requested	Report Of	Contributing Officer(s)
20 April 2017			
Internal Audit Exception Recommendations and Progress Report Q4 1st January – 30th 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	
Corporate Anti-Fraud (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.	Interim Assurance Director	
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	
Internal Audit and Anti-Fraud Strategy and Annual Plan 2017-18	To approve the 2017/18 Internal Audit & CAFT plan	Head of Internal Audit Interim Assurance Director	
External Audit Planning Report 2016-17	This report advises the committee of BDO's audit planning report for 2016/17	Chief Executive / Section 151 Officer	External Auditors

Subject	Decision requested	Report Of	Contributing Officer(s)
27 July 2017			
Internal Audit Exception Recommendations and Progress Report Q1 1st April – 30th June 2017	To note the work completed to date on the Internal Audit Annual Plan 2017-18 and progress against high priority recommendations	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q1 Progress Report: 1st April – 30th June 2017	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st April – 30th June 2017. To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes	Interim Assurance Director	Head of Counter Fraud Operations
Annual Governance Statement	To comment on and approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2016/17.	Interim Assurance Director	
Annual Report of the Audit Committee	The Audit Committee shall prepare a report to Full Council on an annual basis on its activity and effectiveness.	Chairman of Audit Committee	

Subject	Decision requested	Report Of	Contributing Officer(s)
External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2016/17	To consider the External Auditors report to those charged with governance on issues arising from the audit of the Council's accounts. The committee will also be asked to approve the audited Statement of Accounts 2016/17.	Chief Executive / Section 151 Officer	External Auditors
2 November 2017			
Internal Audit Exception Recommendations and Progress Report Q2 1st July – 30th September 2017	To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2017-18 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q2 Progress Report: 1st July – 30th September 2017	To note the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st July – 30 September 2017.	Interim Assurance Director	Head of Counter Fraud Operations
External Auditor Progress Report	Provides a progress report from BDO on their progress of external Audit activities for 2017/18.	Chief Executive / Section 151 Officer	External Auditors

Subject	Decision requested	Report Of	Contributing Officer(s)
31 January 2018			
Internal Audit Exception Recommendations and Progress Report Q3 1st October – 31st December 2017	To note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2017-18 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud Team (CAFT) Q3 Progress Report: 1st October – 31st December 2017	To note the the work undertaken by Corporate Anti-Fraud Team (CAFT) during the period 1st October – 31st December 2017	Interim Assurance Director	Head of Counter Fraud Operations
External Audit Annual Audit Letter 2016-17	To consider the External Auditor's Annual Audit Letter for 2016/2017 on the Council's position in respect of the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience.	Chief Executive / Section 151 Officer	External Auditors
Grants Certification Work Report 2016/2017	To consider the report from the External Auditors on the Council's management arrangements in respect of the certification process for grants	Chief Executive / Section 151 Officer	

Subject	Decision requested	Report Of	Contributing Officer(s)
External Auditor Progress Report	To note the progress report from BDO on their progress of external audit activities for 2017/18. 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	Chief Executive / Section 151 Officer	External Auditors
19 April 2018			
Internal Audit Exception Recommendations and Progress Report Q4 1st January – 30th March 2018	To note the progress against internal audit recommendations and work Completed to date on the Internal Audit Annual Plan 2017-18 and high priority recommendations.	Head of Internal Audit	
Corporate Anti-Fraud (CAFT Annual Report) 2017-18	The CAFT annual report provides a summary on the outcome of all CAFT work undertaken During 2017-18 including the objectives as set out in our annual strategy and work plan.	Interim Assurance Director	
Internal Audit Annual Opinion 2017-18	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	

Subject	Decision requested	Report Of	Contributing Officer(s)
Internal Audit and Anti-Fraud Strategy and Annual Plan 2018-19	To approve the 2018/19 Internal Audit & CAFT plan	Head of Internal Audit Interim Assurance Director	
External Audit Planning Report 2017-18	This report advises the committee of BDO's audit planning report for 2017/18	Chief Executive / 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		

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