

MEETING

AUDIT COMMITTEE

DATE AND TIME

THURSDAY 19TH APRIL, 2018

AT 7.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)

Chairman: Councillor Hugh Rayner
Vice Chairman: Councillor Sury Khatri BSc (Hons) MSc (Lond)

Geof Cooke	Kathy Levine	Gabriel Rozenberg
Anthony Finn	Arjun Mittra	

Independent Members

Richard Harbord	Geraldine Chadwick
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Substitute Members

Melvin Cohen LLB	Anne Hutton	Reema Patel
Eva Greenspan	John Marshall MA (Hons)	Alan Schneiderman

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

Andrew Charlwood – Head of Governance

Governance Services contact: Andrew Charlwood andrew.charlwood@barnet.gov.uk 020 8359 2014

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 - 8
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 1 st January to 31 st March 2018	9 - 48
8.	CAFT Annual Report	49 - 70
9.	Internal Audit & Anti-Fraud Strategy and Annual Plan 2018-19	71 - 102
10.	Accounts Closure Improvement Plan – Progress Report	103 - 110
11.	External Audit Plan 2017-18	111 - 140
12.	External Auditor Progress Report	141 - 144
13.	Committee Forward Work Programme	145 - 148
14.	Any item(s) the Chairman decides are urgent	
15.	Motion to Exclude the Press and Public	
16.	Confidential Investigation Update (Exempt)	Verbal Update
17.	Any other exempt item(s) the Chairman decides are urgent	

FACILITIES FOR PEOPLE WITH DISABILITIES

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Decisions of the Audit Committee

31 January 2018

Members Present:-

AGENDA ITEM 1

Councillor Hugh Rayner (Chairman)
Councillor Sury Khatri (Vice-Chairman)

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

Independent members

Geradline Chadwick
Richard Harbord

Apologies for Absence

Councillor Anthony Finn

1. MINUTES OF LAST MEETING

The minutes of the meeting held on 2nd November 2017 were approved as an accurate record.

2. ABSENCE OF MEMBERS (IF ANY)

Apologies were received from Councillor Anthony Finn.

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

None.

4. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

5. PUBLIC QUESTION AND COMMENTS (IF ANY)

A document containing six questions from Mr Dix and responses from officers was received. Supplementary questions were asked and answers were provided verbally.

6. MEMBERS' ITEMS (IF ANY)

None.

7. INTERNAL AUDIT PROGRESS REPORT 1 OCTOBER - 31 DECEMBER 2017

The Head of Internal Audit presented the Progress Report (Q3, 1 October-31 December 2017). The Committee discussed the report and asked questions to the relevant Director(s), or their representatives, on the audits that received limited or no assurance reports, including Pensions Administration, S106 and CILS Expenditure and Transformation - Benefits Realisation. Follow ups of high-priority actions were discussed including Highways Programme, Contract Register Maintenance, Purchase Cards Follow Up, HR Eligibility to Work and CSG Invoicing and Monitoring Arrangements.

The Head of Business Assurance (Chris Dixon, Capita) offered to carry out an analysis of the pensions administration data further to a request from Cllr Zinkin.

Action

Cllr Cooke asked whether the outcome of the reconciliation process could be made public and provided in advance of the meeting. The Deputy CEO (Cath Shaw) stated that it would be published shortly after 31 March.

Action

The Committee discussed the Annual Canvass Management Review. Cllr Mittra enquired about the properties that had been left out of canvasser rounds and whether there was any geographic basis for this. The Assurance Director would find out and respond to him but those properties were included on later canvassing rounds.

Action

RESOLVED:

That the Committee noted the work completed to date on Internal Audit Q3 progress report – 1st October to 31st December 2017.

8. CORPORATE ANTI-FRAUD TEAM (CAFT) Q3 REPORT

The Assurance Director (Clair Green) presented the report.

Cllr Cooke asked what proportion of fly-tipping investigations led to perpetrators being brought to justice. The Assurance Director (Clair Green) commented that she would ask the relevant service to provide the information to the committee.

Action

The Chairman congratulated the CAFT team in their success in recovering a further 16 houses due to tenancy fraud after visiting 500 properties during Fraud Awareness week. A total of 49 houses had been recovered in Barnet in the past year.

RESOLVED:

- 1. That the Committee note the CAFT Progress Report covering the period 1 October – 31 December 2017.**

9. ACCOUNTS CLOSURE IMPROVEMENT PLAN

The Interim Director of Finance (Kevin Bartle) presented a report (which included at Appendix A Accounts Closure Improvement Plan) which updated on the actions being taken on the timelines and quality of the Statement of Accounts and Pension Fund accounts.

- Additional resource had been provided in the closing team
- Closure was being closely monitored; key statements would be provided from the soft close as part of the interim audit.
- A month 9 close was in progress for the Pension Fund accounts
- Weekly meetings were being held with the external auditor, BDO.

The Chairman asked to see a copy of each update, given that these were now weekly or fortnightly. The Assistant Director of Finance (CSG) (Gillian Clelland) agreed. She would also share this with the Chief Executive and Cllr Cooke.

Action

RESOLVED:

That the Audit Committee noted progress against the accounts closure improvement plan.

10. EXTERNAL AUDITOR - GRANTS CERTIFICATION WORK REPORT 2016/17

The Director of Finance presented the Grant Claims and Returns Certification Report 2016/17.

The Director of Finance (Kevin Bartle) would ask for some management responses in the item on pensions in the report to be changed; this had been agreed with Capita colleagues. This would be available in around a week's time and the Director of Finance would circulate it.

Action

RESOLVED (subject to the above amendment)

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

11. EXTERNAL AUDITOR - ANNUAL AUDIT LETTER

The report was received.

RESOLVED

- 1. That the external auditor's Annual Audit Letter for 2016/17 be received; and**
- 2. That the Committee consider whether there are any areas on which they require additional information.**

12. AUDIT COMMITTEE FORWARD WORK PROGRAMME, JANUARY-JULY 2018

This was noted.

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

None.

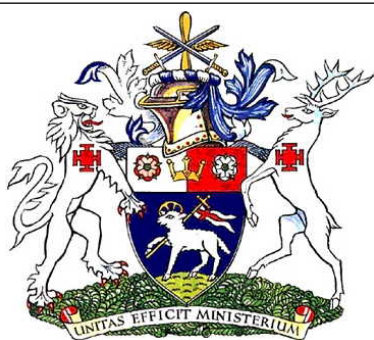
14. MOTION TO EXCLUDE THE PRESS AND PUBLIC

None.

15. ANY OTHER EXEMPT ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

None.

The meeting finished at 8.50pm



Audit Committee

19th April 2018

Title	Internal Audit Q4 Progress Report 1st January to 31st March 2018
Report of	Head of Internal Audit
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 - Internal Audit Q4 progress report (1 st January to 31 st March 2018)
Officer Contact Details	Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721

Summary

Members are asked to note Appendix 1, which reports the progress against internal audit recommendations and work completed to date on the Internal Audit & Corporate Anti-Fraud Team (CAFT) Plan 2017-18 and high priority internal audit recommendations.

We have completed 83 reviews, 95% of our 2017/18 internal audit programme for the year, which meets our target for the year. 27 of the reviews were delivered in Q4.

Detail has been presented within the report on audits that were given 'Limited' assurance in Q4:

		Assurance rating
1	Accounts Payable	Limited
2	St. Paul's CE Primary 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>

The Q4 progress update also covers the follow-up audit work done to confirm implementation of previous high priority recommendations. We have confirmed that 82% of the recommendations due have been fully implemented, against a target of 90%.

Family Services audits

As part of the 2017/18 audit plan agreed by the Audit Committee in April 2017, we proposed to undertake a number of audits relating to Family Services. As reported to the Audit Committee in Q2, due to the Council having been inspected by Ofsted during the quarter, we have been working with the Director of Children's Services and the Inspection & Improvement Lead to agree the most effective way for internal audit to support the Family Services Improvement Programme.

During Q4 we have:

- Undertaken a review of the Improvement Plan actions that have, to date, been reported as 'complete' to the Improvement Board. This review confirmed that appropriate evidence was available to support nine of the ten actions having been reported as 'complete'. For one of the ten actions we are awaiting further evidence of improvement.
- Raised advisory recommendations as a result of this review, the key one being that the Inspection and Improvement Lead should maintain a central repository of the evidence to support action completion so that it is readily available for Ofsted.
- Met with the Independent Chair of the Improvement Board to discuss and agree our approach.
- Attended the Children's Services Operational Improvement Group and provided feedback on those meetings.
- Liaised with the Inspection and Improvement Lead on how best to support her work.

We will continue to report back to the Audit Committee against this on a quarterly basis.

Recommendations

- 1. That the Committee note the work completed to date on Internal Audit Q4 progress report - 1st January to 31st March 2018.**

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 2017-18 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.

2. REASONS FOR RECOMMENDATIONS

2.1 The Audit Committee approved the Internal Audit Plan 2017-18 in April 2017 and this report notes the progress against that plan and progress against high priority recommendations.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

4.1 The Internal Audit Plan 2017-18 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 2017-18 agreed by the Audit Committee is being achieved from Internal Audit's current budget with contributions from Capita towards the cost of audits of CSG and Re.

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 (Article 7) sets out the terms of reference for Committees. The responsibilities for the Audit Committee include providing "independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

5.4 Risk Management

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

5.4.2 Internal Audit work contributes to increasing awareness and understanding of

risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

5.5 **Equalities and Diversity**

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

5.6 **Consultation and Engagement**

5.6.1 N/A

6. **BACKGROUND PAPERS**

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

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

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

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

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

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

6.4 Audit Committee 20 April 2017 (Decision Item 10) – the Audit Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2017-18.

<https://barnetintranet.moderngov.co.uk/documents/g8829/Printed%20minutes%2020th-Apr-2017%2019.00%20Audit%20Committee.pdf?T=1>

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Internal Audit – London Borough of Barnet

Appendix 1



Internal Audit Q4 Progress Report 1 January – 31 March 2018



Cross Council Assurance Service

1.0 Summary

1.1 Purpose of this report

1.1.1 We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

1.2 Progress against the 2017/18 internal audit plan

1.2.1 We have completed 83 reviews, 95% of our 2017/18 internal audit programme for the year, which meets our target for the year. 27 of the reviews were delivered in Q4.

Please see Appendix A for further narrative on our performance indicators (PIs).

1.2.2 In line with our reporting protocol with the Audit Committee we present any no assurance or limited assurance reports for discussion. For this Audit Committee, we present the following final reports, see section 2 for detail:

- **Accounts Payable** – Limited Assurance
- **St. Paul's CE Primary School** – Limited Assurance

1.3 Findings of our Follow Up Work

1.3.1 We have undertaken follow up work on all high priority actions with an implementation date of 31st March 2018 or sooner. We have discussed with management the progress made in implementing actions falling due in this period and have sought evidence to support their response.

- A total of 45 high priority actions have been followed up this quarter. 40 actions have been implemented (82%) and 9 have been partially implemented (18%). This is below the target of 90% being implemented.
- As requested at the July 2017 Audit Committee, we have followed-up the remaining medium priority recommendation on **Nursery Places - Free Early Education Funding** and found it to have been implemented.
- Our 2017/18 plan included resource for following up a selection of medium priority recommendations during the year; in Q4 we have completed a follow-up of **Contract Register Maintenance** medium priority recommendations.

Progress is summarised in Section 5.

1.4 Other Matters

1.4.1 Family Services audits

As part of the 2017/18 audit plan agreed by the Audit Committee in April 2017, we proposed to undertake a number of audits relating to Family Services. As reported to the Audit Committee in Q2, due to the Council having been inspected by Ofsted during the quarter, we have been working with the Director of

Children's Services and the Inspection & Improvement Lead to agree the most effective way for internal audit to support the Family Services Improvement Programme.

During Q4 we have:

- Undertaken a review of the Improvement Plan actions that have, to date, been reported as 'complete' to the Improvement Board. This review confirmed that appropriate evidence was available to support nine of the ten actions having been reported as 'complete'. For one of the ten actions, we are awaiting further evidence of improvement.
- Raised advisory recommendations as a result of this review, the key one being that the Inspection and Improvement Lead should maintain a central repository of the evidence to support action completion so that it is readily available for Ofsted.
- Met with the Independent Chair of the Improvement Board to discuss and agree our approach.
- Attended the Children's Services Operational Improvement Group and provided feedback on those meetings.
- Liaised with the Inspection and Improvement Lead on how best to support her work.

We will continue to report back to the Audit Committee against this on a quarterly basis.

1.5 Recommendations

- That the Audit Committee notes the progress made against our 2017/18 Internal Audit Programme.

2.0 No and Limited Assurance reports issued since the previous meeting

Accounts Payable – Limited Assurance

December 2017

Number of findings by risk rating

Critical	0
High	2 (Finding 1-2)
Medium	1 (Finding 3)
Low	1
Advisory	0

Summary

We tested 8 key controls across the Accounts Payable system and found exceptions with 3 of these. Details of the exceptions are below.

This audit has identified two high and one medium risk finding.

We identified the following high risk-rated issues as part of the audit:

1. Potential Duplicate payments (high risk) – Control design

We discussed the automated controls within Integra to prevent duplication of invoice details. Because these controls rely on data being entered correctly, they have historically not been very successful at automatically detecting duplicates, and although there are other secondary controls management do not consider them of sufficient robustness to prevent the processing of duplicate invoices.

Every two years CAFT (Corporate Anti-Fraud Team) co-ordinate the relevant service uploads data to the Cabinet Office for the NFI data matching exercise. In relation to a 'duplicate payments' match the Accounts Payable team upload the requested data from Integra directly to the NFI portal which results in the Cabinet Office sending matches back that relate to possible duplications. However, a high volume of potential matches are received from the NFI making it difficult to identify any true duplicate payments and CAFT have found that the high number of false duplicates identified make it uneconomical to investigate these transactions. Due to the same data issues, the Accounts Payable team have not been able to perform their own review of data to identify duplicate invoices submitted for payment.

Agreed Actions:

- 1) *CSG Finance will investigate the introduction of third-party software or fit for purpose automated controls will be built into the system to identify, report and prevent duplicate payments. This will include identifying where attempts are made to progress duplicate invoice numbers for payment and a formal exception reporting and resolution process.*
- 2) *Working with relevant stakeholders, including Commissioning Group Finance, CAFT, CSG procurement and delivery units, a data cleanse of Integra vendor data will be performed to ensure that the data is of an appropriate quality to successfully support the automated controls (1) and also the NFI and/or other data matching exercises- including in house exercises.*

These actions (1) and (2) will be completed well in advance of the next NFI data uploads in September 2018

Responsible Officers:

Head of Exchequer Services, CSG

Target Date:

31/07/2018

2. **BACs Reconciliation (high risk) – Control operating effectiveness**

Out of a sample of 25 BACS runs 25 exceptions were found. Each BACS run is prepared by the AP team and then sent to the Capita Group Payments team who confirm the total amount paid by email. While management were able to provide the confirmation emails from Capita, they were not able to provide us with evidence of the preparation of the BACS report or evidence that the BACS amount has been agreed to the confirmation email so we have been unable to confirm appropriate segregation of duties.

Agreed Actions:

- 1) *We will retain evidence of the preparation of each BACS run to ensure that there is an audit trail to demonstrate appropriate segregation of duties.*

Responsible Officers:

Head of Exchequer Services, CSG

Target Date:

30/4/2018

We identified the following medium risk-rated issue as part of the audit:

3. **Policies, Procedures and Process notes (medium risk) – Control design**

All policies and procedures are held in hard copy within a physical folder within the AP team work area at the Council. The majority of Accounts Payable processing is undertaken remotely in Sussex and Darlington; management should ensure all policies and procedures are uploaded to an appropriate shared drive so employees have remote access to all relevant documents.

Agreed Actions:

- 1) *We will ensure that up to date procedure and process documents are made available to all relevant CSG and Capita staff.*

Responsible Officers:

Head of Exchequer Services, CSG

Target Date:

31/03/2018

St. Paul's CE Primary School, N11

February 2018

Number of findings by risk rating

Critical	0
High	1 (Finding 1)
Medium	5 (Findings 2-6)
Low	2
Advisory	0

Summary

St Paul's School is a Voluntary aided school with 221 pupils on role aged between 3 and 11 years of age. The School budgeted expenditure for 2017/18 is £1,333,696 with employee costs of £897,183 (67% of budgeted expenditure).

The School was assessed as 'Good' by OFSTED in March 2014.

A review of the five recommendations reported in the previous audit report dated 3 February 2014 found that three recommendations had been repeated (Income, After school club and Voluntary funds).

This audit has identified one high, five medium and two low risk findings.

We identified the following high risk-rated issue as part of the audit:

1. Voluntary Funds (high risk)

At the date of the last audit in February 2014 it was noted that the school was operating an Amenities account. The audit report stated that the funds had not been audited on an annual basis, and the level of accountability and stewardship was not the same standard as for the School's delegated budget. In February 2014, the school agreed to close the Amenities account. Due to staff changes in school, records after August 2010 could not be found during this audit visit.

The accounting records for the voluntary fund were not available at the audit. It could not be confirmed that the account had been closed subsequent to the last internal audit visit and the balance transferred to the school's delegated budget.

Agreed Actions:

The school will continue investigations with the support of the Schools Finance Support Service and Governors to locate missing paperwork. If the accounting records are located by the school, then the school will submit

audited accounts to Governors in accordance with the Financial Guide for schools section 10. If the accounting records cannot be located by current staff, then the school will obtain records from the school bankers to establish that the Amenities account was closed, and the destination of the final balance. This information will be presented to Governors.

Responsible officer: Headteacher/Governors/Office staff

Target date: Summer term 2018

We identified the following medium risk-rated issues as part of the audit:

2. Income (medium risk)

Record keeping for breakfast club income received into the school should be reviewed and updated to comply with the financial guide for schools. Adequate records should be maintained to provide a complete record of payments to date and outstanding debts. A system should be created where a regular review of income is undertaken by a senior member of staff.

3. Purchasing (medium risk)

Procedures when using the school credit cards should be reviewed, documented and agreed by Governors to ensure a complete audit trail, separation of duties and proof of receipt of goods. Delivery notes should always be signed.

4. Contracts (medium risk)

A signed contract was not available in school for the cleaning contract. No evidence of review of the cleaning contract. Evidence was not retained to confirm compliance with Contract Standing orders for schools when entering into agreements for leased photocopiers.

5. Lettings (medium risk)

The school should have an up to date signed agreement with regular users of the school premises, stating that they agree to the terms and conditions of hire. Administration arrangements should be adequate and effective.

6. Assets (medium risk)

The IT inventory was not found to be complete. No evidence of annual review or Governor Authorisation of disposals.

Management accepted our findings and agreed appropriate actions to be implemented. We will bring a progress update to the Audit Committee on the high risk finding in November 2018.

4.0 Progress against plan

Stage	Name of review	Report classification	Total findings	Ratings				
				Critical	High	Medium	Low	Advisory
Quarter 4								
Complete	Accounts Payable	Limited	3	-	2	1	-	-
Complete	St. Paul's CE Primary School, N11	Limited	8	-	1	5	2	-
Complete	Staff Performance Reviews	Reasonable	5	-	1	2	1	1
Complete	Accounts Receivable	Reasonable	3	-	1	2	-	-
Complete	Fixed Asset Register	Reasonable	3	-	1	2	-	-
Complete	Council Tax	Reasonable	2	-	-	2	-	-
Complete	NNDR	Reasonable	1	-	-	1	-	-
Complete	Cambridge Education governance including contract management	Reasonable	5	-	-	4	1	-
Complete	Transformation – The Way We Work (Benefits Management, Stakeholder Engagement and Planning & Delivery)	Reasonable	5	-	-	3	2	-
Complete	Deputyship – money management	Reasonable	5	-	-	3	2	-
Complete	CSG Estates – Rent Reviews	Reasonable	6	-	-	5	1	-
Complete	Wessex Gardens School	Reasonable	3	-	-	2	1	-
Complete	Goldbeaters School	Reasonable	5	-	-	2	3	-

Complete	Jewish Community Secondary School (JCROSS)	Reasonable	3	-	-	2	1	-
Complete	Holy Trinity CE School	Reasonable	5	-	-	2	3	-
Complete	St. Marys and St. John's CE School	Reasonable	6	-	-	3	3	-
Complete	Oakleigh School	Reasonable	3	-	-	2	1	-
Complete	Sacred Heart School	Substantial	4	-	-	1	3	-
Complete	Prevent Follow-Up Phase 2	Management letter, all actions complete (see section 5.4)						
Complete	Income Generation (Advisory)	Management letter issued, no significant issues noted						
Complete	Delayed Transfers of Care (Advisory)	Management letter issued, no significant issues noted						
Complete	Commercial – Contract Management Toolkit (Advisory)	Management letter issued on updated Contract Management Toolkit						
Complete	Troubled Families - Payment by Results - January submission	Claim verified						
Complete	Troubled Families - Payment by Results - March submission 1	Claim verified						
Complete	Troubled Families - Payment by Results - March submission 2	Claim verified						
Complete	Risk Management Framework	Management letter issued, no significant issues noted						
Complete	Barnet Group Assurance Mapping	Management letter issued, comments taken into						

		consideration within Barnet Group's 2018/19 audit plan						
Draft Report	IT Governance - Strategic Decision Making	TBC	-	-	-	-	-	-
Draft Report	Review of new Depot arrangements	TBC	-	-	-	-	-	-
Draft Report	Facilities Management	TBC	-	-	-	-	-	-
Draft Report	Housing Benefit	TBC	-	-	-	-	-	-
Draft Report	Emergency Planning Note: through discussions with management we have agreed to split this into two separate reviews, one of Emergency Planning and one of Business Continuity, both of which are now at the planning stage	TBC	-	-	-	-	-	-
Fieldwork	Comensura - Agency Staff Note: this was added to the plan through the scoping of the Pre-Employment Checks audit	TBC						
Fieldwork	Highways Programme	TBC	-	-	-	-	-	-
Fieldwork	Onboarding process	TBC	-	-	-	-	-	-
Fieldwork	Contract Management - Sport & Physical Activity (SPA)	TBC	-	-	-	-	-	-
Fieldwork	Transformation - Customer Transformation Programme	TBC	-	-	-	-	-	-
Fieldwork	Equalities	TBC	-	-	-	-	-	-
Fieldwork	Freedom Passes	TBC	-	-	-	-	-	-
Fieldwork	Non-Schools Payroll	TBC	-	-	-	-	-	-
Fieldwork	Teachers Pensions – Statutory returns	TBC	-	-	-	-	-	-
Deferred to 2018/19	General Ledger Due to CFO review of internal controls	TBC	-	-	-	-	-	-
Deferred to 2018/19	Budget Monitoring	TBC	-	-	-	-	-	-

	Due to CFO review of internal controls								
Deferred to 2018/19	Treasury Management Due to CFO review of internal controls	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Cash Management Due to CFO review of internal controls	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Integra Issue Management Due to CFO review of internal controls	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Schools Payroll Due to the introduction of a new payroll system for schools we have deferred this review	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Health & Safety – Project Management Due to the resource needed for the implementation of actions from the Transformation Benefits Realisation audit we agreed to defer this review	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Business Continuity Due to the resource required for supporting the Emergency Planning audit we agreed to defer this review as it involved the same officers	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Elections follow-up - Advisory We have deferred this review until after the May 2018 elections	TBC	-	-	-	-	-	-	-
Deferred to 2018/19	Pardes House School Had been scheduled for March 2018, deferred to April 2018 at the request of the school so that they could focus on financial year end	TBC	-	-	-	-	-	-	-
Cancelled	SWIFT to Mosaic Data Migration We commenced a management review of the SWIFT to Mosaic data migration in Adults & Communities. Due to delays with the Mosaic implementation, we were unable to complete the review as planned. Our initial findings at the point of cancellation were shared with the service to consider in accordance with their ongoing risk management over the Mosaic implementation.	N/A							
Cancelled	Public Health Delivery Model 2018 Onwards Due to the service coming fully in-house	N/A							

Quarter 3								
Complete	Pensions Admin	Limited	9	-	2	7	-	-
Complete	S106 / CILs expenditure	Limited	7	-	3	1	2	1
Complete	Transformation - Benefits Realisation	Limited	3	-	3	-	-	-
Complete	Elections Management – Annual Canvass	Management letter issued – see section 3.0	5	-	3	2	-	-
Complete	Purchase Cards follow-up	Follow-up report issued – see section 5.3	3	-	1	2	-	-
Complete	Eligibility to Work - Pre-Employment Checks (Non-Schools) (Joint with CAFT)	Reasonable	3	-	1	2	-	-
Complete	Troubled Families – Payment By Results – December 2017 submission	Data integrity issues meant we were unable to successfully verify the claim; it was therefore not submitted	1	-	1	-	-	-
Complete	Special Project Initiation Requests (SPIRs)	Reasonable	4	-	-	2	1	1
Complete	St. James Catholic High School	Reasonable	8	-	-	4	4	-
Complete	Bell Lane School	Reasonable	8	-	-	3	5	-
Complete	Queenswell Junior School	Reasonable	6	-	-	4	2	-
Complete	Childs Hill School	Reasonable	6	-	-	1	5	-
Complete	Education, Health & Care Plans	Substantial	-	-	-	1	1	2
Complete	Capital Development Pipeline – Stag House	Substantial	4	-	-	-	3	1
Complete	Coppetts Wood School	Substantial	4	-	-	1	3	-
Complete	Performance Management Framework (Advisory)	Management letter issued on updated Performance						

		Management Framework							
Complete	Eligibility to Work - Pre-Employment Checks (Schools) (Joint with CAFT)	Management letter issued to schools							
Complete	Troubled Families – Payment By Results – October 2017 submission	Claim verified							
Quarter 2									
Completed	Regeneration – Benefits Realisation	Limited	2	-	2	-	-	-	-
Completed	Menorah High School for Girls	Limited	10	-	1	8	1	-	-
Completed	Friern Barnet School	Reasonable	6	-	1	2	3	-	-
Completed	Woodcroft School	Reasonable	5	-	1	1	3	-	-
Completed	Planning Applications and Enforcement (Joint with CAFT)	Reasonable	8	-	-	5	1	2	-
Completed	Cromer Road School	Reasonable	6	-	-	2	4	-	-
Completed	Core HR Upgrade	Substantial	3	-	-	1	2	-	-
Completed	Prevent	Management letter issued and followed up – see section 3.3							
Completed	Prevent Follow-Up	Follow-up report issued – see exempt report appendix 2							
Completed	IT Change Management Follow-Up	Follow-up report issued – see section 4.2							
Completed	IT Risk Diagnostic	Management letter issued – see section 3.1							
Completed	GDPR Readiness Review	Management letter issued – see section 3.2							

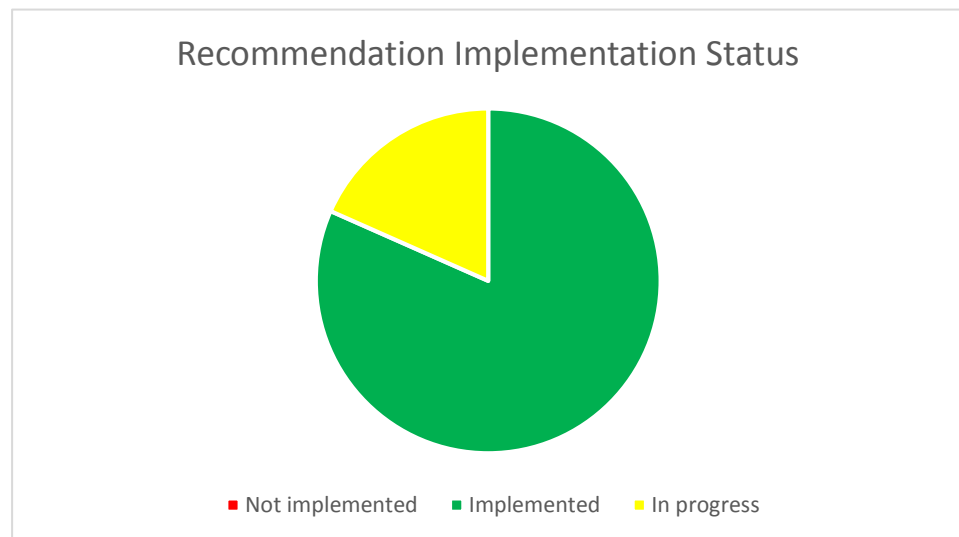
Completed	Disabled Facilities Grant (DFG) 2016/17	Claim verified						
Completed	Disabled Facilities Grant (DFG) 2017/18	Claim verified						
Completed	Bus Subsidy Grant	Claim verified						
Completed	Troubled Families – Payments By Results	Claim verified						
Quarter 1								
Completed	Community Infrastructure Levy (CIL) and Section 106 (S106) – Phase I, Income	Limited	7	-	1	4	1	1
Completed	Nursery Places – Free Early Education Funding	Limited	7	-	1	4	1	1
Completed	Contract Register Maintenance	Reasonable	5	-	1	2	1	1
Completed	Non-Schools Payroll	Reasonable	5	-	-	5	-	-
Completed	Pensions Administration	Reasonable	4	-	-	3	1	-
Completed	Water Safety	Reasonable	3	-	-	3	-	-
Completed	Commercial Waste – achieving income target (Joint with CAFT)	Reasonable	5	-	-	5	-	-
Completed	Livingstone School	Reasonable	5	-	-	2	3	-
Completed	St. John’s N11 School	Reasonable	7	-	-	2	5	-
Completed	Brunswick Park School	Reasonable	7	-	-	2	5	-
Completed	Hollickwood	Reasonable	5	-	-	3	2	-
Completed	Northway	Reasonable	4	-	-	3	1	-
Completed	Safeguarding – Family Services and Education & Skills (Roles & Responsibilities and Enquiries & Safeguarding Reviews)	Substantial	1	-	-	1	-	-

Completed	Beis Yaakov School	Substantial	3	-	-	1	2	-
Completed	Mapledown School	Substantial	3	-	-	1	2	-
Completed	Troubled Families - Payment by Results Q1	N/A	-	-	-	-	-	-
Completed	Estates / Health & Safety compliance & Subcontractor ordering follow-up	N/A	-	-	-	-	-	-

5.0 Follow Up

5.1 Summary

5.1.1 The wheel below demonstrates how many high priority actions due this period have been implemented, are in progress or are not implemented.



5.3 Outstanding actions

5.3.1 During this period we followed up 9 high priority actions which were found to be outstanding. These high priority actions are summarised below:

Name of report	Agreed Action	Status (Not Implemented / In Progress)	Owner	Due Date
1. Highways Programme (March 2017)	Performance Management 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.	In Progress The suite of KPIs has been reviewed and one obsolete indicator, relating to weeds, has been removed. Three additional performance indicators, relating to Customer Services and already in use within the CSG contract, are being proposed by the Council and	Strategic Lead Commissioner - Transport and Highways, LBB Service Director – Highways, Re	Original: 30 June 2017 1st Revised date: 31 October 2017

	These indicators will be added to those measured and reported by the contractor on a monthly basis as appropriate.	are in the process of being agreed with Re.	Contract Performance and Traffic Manager, Re	2nd Revised date: 31 March 2018 3rd Revised date: 31 May 2018
2. Highways Programme (March 2017)	Performance Management The Council and Re will discuss the alignment of performance targets between the London Highways Alliance Contract (LoHAC) 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.	In Progress The Council and Re have discussed the alignment of performance targets between the LoHAC contract and those in place to monitor Re's performance. Certain elements of the reported performance are the responsibility of Re and others are the responsibility of Conways Aecom. Recommendations have been made by Re to move this issue forward e.g. to change the Data Quality sheets so this separation of responsibility between Re and Conways is clear. If accepted, the KPIs in question will only include the elements that Re can influence.	Interim Commercial Advisor, LBB Strategic Lead Commissioner - Transport and Highways, LBB Service Director – Highways, Re Contract Performance and Traffic Manager, Re	Original: 30 June 2017 1st Revised date: 31 October 2017 2nd Revised date: 31 March 2018 3rd Revised date: 31 May 2018
3. Highways Programme (March 2017)	Performance Management 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.	In Progress Review of evidence ongoing, verbal update to be given to Audit Committee	Contract Performance and Traffic Manager	Original: 31 July 2017 1st Revised date: 31 January 2018 2nd Revised date (if applicable): TBC
4. Regeneration – Benefits Realisation	Benefits identification and definition	In Progress	West Hendon Regeneration	Original: 31 January 2018

<p>(October 2017)</p>	<p>b) Following training Project Managers will review and update project benefit profiles for the three schemes reviewed and ensure they contain all the required information to fully define planned benefits.</p>	<p>We found that the benefits trackers for all three programmes had been updated since our initial review. We reviewed the trackers and noted that many fields had been completed. For example:</p> <ul style="list-style-type: none"> - Benefits owners had been clearly identified and were no longer referenced the beneficiary; - There was a clearer link between benefits, measurement and source data; and - Dis-benefits had been identified. <p>Whilst we noted that the benefits trackers had been updated and benefits were more well defined, we did note that management had identified some areas which needed populating. For example,</p> <ul style="list-style-type: none"> - baseline evidence sources had not been clearly identified in all cases; and - baselines were not clearly articulated <p>These changes should be completed to ensure the action has been fully implemented.</p> <p>Further action for full implementation: Project Managers will review and update project benefit profiles for the three schemes reviewed and ensure they contain all the required information to fully define planned benefits.</p>	<p>Programme Manager</p> <p>Graham Park Regeneration Programme Manager</p> <p>Granville Rd Regeneration Programme Manager</p>	<p>Revised: 31 May 2018</p>
<p>5. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits identification and definition</p>	<p>In Progress</p> <p>This action was confirmed as being implemented for the Regeneration</p>	<p>Brent Cross Programme Director, Re</p>	<p>Original: 28 February 2018</p>

	<p>c) The Council and Re will consider whether this recommendation is applicable to other projects across the Regeneration Programme.</p>	<p>Programmes and Strategic Planning teams.</p> <p>Regarding Brent Cross, we did find evidence to support that the Project Management Office Coordinator for the Brent Cross Programme had attended the Benefits Realisation workshops mentioned above.</p> <p>The Thameslink Project Management Office has been updating the Project Execution Plan to update the benefits realisation plan to roll it out for the team.</p> <p>Further action to ensure full implementation:</p> <ol style="list-style-type: none"> 1. Set up and conduct Benefit Realisation Training 2. Create Benefits Realisation Trackers 3. Identify dis-benefits 4. Report Regular update on the BXT Monthly Progress Report (MPR) to the client (LBB) review 5. Realise benefits and dis-benefits by the end of financial year 2018/19 		<p>Revised: 31 May 2018</p> <p>Benefits Realisation: F/Y 2018/19</p>
<p>6. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits identification and definition</p> <p>d) The Council and Re will agree guidance to assist Regeneration Managers in the identification and reporting of dis-benefits. This will be reported to the LBB/Re Growth and Regeneration Operations Board.</p>	<p>In Progress</p> <p>Management confirmed that there have been discussions between Re and LBB regarding disbenefits, including at this February’s Growth and Regeneration Operations Board (GROB) attended by senior management from both organisations. These discussions were evidenced within the minutes of the meeting.</p> <p>Management confirmed that draft</p>	<p>Strategic Lead, Development and Regeneration, LBB</p> <p>Director of Place, Re</p>	<p>Original: 31 January 2018</p> <p>Revised: 31 May 2018</p>

		<p>guidance will be sent out for agreement before the end of March.</p> <p>As guidance has not yet been formally agreed and reported to GROB, we consider this recommendation is partly implemented.</p> <p>Further action to ensure full implementation:</p> <ul style="list-style-type: none"> • Once the draft guidance has been issued, the Council and Re will formally agree and issue the document. The finalised guidance will then be reported to the LBB/Re GROB. 		
<p>7. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits monitoring, measurement and realisation</p> <p>b) Following training Project Managers will review and update project benefit profiles for the three schemes reviewed and ensure that:</p> <ul style="list-style-type: none"> • Wherever possible phase-specific benefits are identified within benefit profiles so that for closed phases the realisation of benefits is fully assessed at the point of closure and any failure to realise benefits can be understood and inform future phases. • Measurement criteria within benefit profiles are reassessed to ensure that they support benefits monitoring and realisation. This should logically allow progress from the baseline point towards the target to be measured and articulated. • A clear schedule for planned benefits monitoring activity and governance updates is agreed, for 	<p>In Progress</p> <p>See narrative above for 'Benefits identification and definition' finding (b)</p>	<p>West Hendon Regeneration Programme Manager</p> <p>Graham Park Regeneration Programme Manager</p> <p>Granville Rd Regeneration Programme Manager</p>	<p>Original: 31 January 2018</p> <p>Revised: 31 May 2018</p>

	<p>example the benefits tracker should be updated to include planned information on an annual basis and progress reported to the Growth and Regeneration Operations Board.</p> <ul style="list-style-type: none"> • Profiles are aligned with the information contained within Annual Growth and Regeneration Programme Report to ensure that benefits are consistently and fully defined and monitored. 			
<p>8. Regeneration – Benefits Realisation (October 2017)</p>	<p>Benefits monitoring, measurement and realisation</p> <p>c) The Council and Re will consider whether this recommendation is applicable to other projects across the Regeneration Programme.</p>	<p>In Progress for Brent Cross (please see item 5 above).</p> <p>Implemented for Regeneration Programme and Strategic Planning</p> <p>See narrative above for ‘Benefits identification and definition’ finding (c)</p>	<p>Brent Cross Programme Director, Re</p>	<p>Original: 28 February 2018</p> <p>Benefits Realisation: F/Y 2018/19</p>
<p>9. Elections Management – Annual Canvass (January 2018)</p>	<p>Documentation relating to the canvass process (control design)</p> <p>Management will identify the key processes within the electoral registration cycle and design and issue Barnet-specific procedure documents for these tasks which align to the relevant statutory requirements. The documents will stipulate key roles and responsibilities of Electoral Services Team members in the completion of their duties around electoral registration.</p>	<p>In Progress</p> <p>We were provided with evidence that staff have access to guidance documents from the Electoral Commission which clearly identify the key processes within the electoral registration cycle and the responsibilities of Electoral Registration Officers. Management confirmed that the core training carried out for all officers is based on these documents. As such, we are comfortable that the relevant statutory requirements are known to officers and clearly documented.</p> <p>Management provided the Electoral Services workplan for review. This identifies key tasks and processes within the electoral registration cycle, their frequency and their owners and reviewers. However, it is not in itself a procedure document as it does not describe the tasks and processes identified. Within the document, there are references to core training, individual training and Elector8 online help as the</p>	<p>Head of Electoral Services</p>	<p>Original: 31 March 2018</p> <p>Revised: 30 June 2018</p>

resources to be used as guides to the processes in place, however there are no direct links to these resources.

The wording within the workplan indicates that the majority of processes are currently under review and will be documented and cascaded to the team once that review process is complete. As such, we consider this recommendation to be partially implemented.

5.4 Completed actions

5.4.1 During this period we followed up 40 high priority actions which are deemed to have been implemented or superseded. These are listed below:

Name of report	Agreed Action and Due Date
<p>1. Re Operation Review - Phase 2: Operating Effectiveness of Controls</p> <p>(January 2017)</p>	<p>Highways: ad hoc inspections – Control Design</p> <p>Re will establish prioritisation criteria to be applied by the Customer Hub team to systematically assess the severity of a reported defect and to enable enquiries to be prioritised accordingly. These criteria will be shared and agreed with the Council.</p> <p>The Council and Re will agree an ongoing assurance mechanism to enable the Council to monitor the performance of ad hoc inspections. This will consist of the Council reviewing a sample of enquiries to assess the reasonableness of the assessment applied and assess whether follow up action was appropriate and performed in a timely manner based on the severity of the issue.</p> <p>Original: 31 March 2017</p> <p>1st Revised date: 31 July 2017</p> <p>2nd Revised date: 30 November 2017</p> <p>3rd Revised date: 31st March 2018</p>
<p>2. Contract Register Maintenance</p> <p>(July 2017)</p>	<p>Roles & Responsibilities</p> <p>Further operational guidance, setting out roles and responsibilities for respective parties involved in maintaining the contract register, will be produced. This will include a RACI matrix (Roles, Accountability, Consult, Inform) to map out respective responsibilities and will clarify that contract managers are responsible for communicating changes to contract details held within the Curtis Fitch system. This will be communicated to stakeholders through periodic training provided.</p> <p>Original: 31 August 2017</p> <p>1st Revised: 31 December 2017</p>

	2nd Revised: 31 March 2018
3. Contract Register Maintenance (July 2017)	<p>Roles & Responsibilities</p> <p>A mechanism for communicating changes to the register will be developed. A pro-forma that captures the changes required in a standardised format will be developed and uploaded to the Council's intranet. A central mailbox will be created and completed change forms will be sent to this central mailbox that will be monitored by the procurement team for processing.</p> <p>Original: 31 August 2017</p> <p>1st Revised: 31 December 2017</p> <p>2nd Revised: 31 March 2018</p>
4. Contract Register Maintenance (July 2017)	<p>Roles & Responsibilities</p> <p>An annual exercise will be performed whereby contract register extracts from Curtis Fitch will be communicated to delivery units. Delivery units will be required to review the extract and confirm this is accurate and complete based on their knowledge of contracts in place.</p> <p>Original: 31 August 2017</p> <p>1st Revised: 31 December 2017</p> <p>2nd Revised: 31 March 2018</p>
5. Prevent (Part of the Contest Framework) (August 2017)	<p>Roles & Responsibilities: Control design & Operating effectiveness</p> <p>Prevent Strategy finalised and communicated to all appropriate stakeholders.</p> <p>Original target date: 6th September 2017</p> <p>New Target Date: 30th October 2017</p>
6. Prevent (Part of the Contest Framework) (August 2017)	<p>Roles & Responsibilities: Control design & Operating effectiveness</p> <p>Document the roles and responsibilities of all Officers and Directors within the authority for Prevent.</p> <p>Original target dates: 6th September 2017</p> <p>Revised Target Date: 30th November 2017</p> <p>New Target Date: 31 March 2018 for wording around Assurance Director responsibility to be agreed (and to be updated accordingly within Factsheet at first annual review in January 2019)</p>
7. Prevent (Part of the Contest Framework) (August 2017)	<p>Roles & Responsibilities: Control design & Operating effectiveness</p> <p>Agree sustainable funding model for prevent coordinator role before Home Office funding agreement expires.</p>

	<p>Original target date: 1st October 2017</p> <p>New Target Date: 30th November 2017</p>
<p>8. Prevent (Part of the Contest Framework) (August 2017)</p>	<p>Training: Control design & Operating effectiveness Document the training needs of officers within the Council and identify the population to be trained.</p> <p>Original target date: 30th October 2017</p> <p>New Target Date: 30th November 2017</p>
<p>9. Prevent (Part of the Contest Framework) (August 2017)</p>	<p>Training: Control design & Operating effectiveness Programme to be developed setting out how and when the identified population will receive training. As part of this Prevent Training will be integrated into safeguarding training, and induction programmes for appropriate staff</p> <p>Original target date: 30th October 2017</p> <p>New Target Date: 30th December 2017</p>
<p>10. Prevent (Part of the Contest Framework) (August 2017)</p>	<p>Training: Control design & Operating effectiveness Barriers to effective implementation to cascade model (incl. funding) to be addressed and this approach to be fully implemented.</p> <p>Original target date: 30th October 2017</p> <p>New Target Date: 30th December 2017</p>
<p>11. Prevent (Part of the Contest Framework) (August 2017)</p>	<p>Training: Control design & Operating effectiveness Evaluation and management information relating to prevent training to be undertaken on a quarterly basis, and reported to SCB Assurance & CEO including;</p> <ul style="list-style-type: none"> - Number of train the trainers per Delivery Unit / Agency - % of those train the trainers who have delivered 2 or more WRAP3 sessions - % of target workforce trained - Evaluation / feedback of training - Performance against budget - Training risks & issues <p>Original target date: 30th October 2017</p> <p>New Target Date: 30th November 2017</p>
<p>12. Prevent (Part of the Contest Framework) (August 2017)</p>	<p>Risk Assessment: Control Operating Effectiveness</p>

	<p>Counter Terrorism Local Profile (CTLP) to be reviewed to ensure appropriate actions to address all key risk themes are incorporated into the action plan.</p> <p>Original target date: 6th September 2017</p> <p>New Target Date: 30th December 2017 (Reflect the latest version of the CTLP expected in November 2017)</p>
13. Prevent (Part of the Contest Framework) (August 2017)	<p>Governance – Control Operating Effectiveness</p> <p>Templates for reporting to CEO and SCB to be developed.</p> <p>Original target date: 1st October 2017</p> <p>New Target Date: 30th November 2017</p>
14. Prevent (Part of the Contest Framework) (August 2017)	<p>Governance – Control Operating Effectiveness</p> <p>Prevent updates to be added to forward plans for all governance committees / boards as set out in the strategy once approved, and nature of these updates to be confirmed.</p> <p>Original target date: 14th August 2017</p> <p>New Target Date: 30th November 2017</p>
15. Prevent (Part of the Contest Framework) (August 2017)	<p>Governance – Control Operating Effectiveness</p> <p>Head of Safeguarding (Adults & Children’s) to review local policies and ensure Prevent is appropriately reflected.</p> <p>Original target date: 31st October 2017</p> <p>New Target Date: 31st October 2017 for review; and 30th January to implement recommendations.</p>
16. Purchase Cards follow-up (October 2017)	<p>Allocation of expenditure (Control design)</p> <p>System functionality issues will be resolved as soon as possible. The control issue and associated risks will be presented to the Integra working group in order to prioritise the resolution of this issue.</p> <p>Original: 31 March 2017</p> <p>1st Revised date: 31 March 2018</p>
17. Regeneration Benefits Realisation (October 2017)	<p>Benefits identification and definition</p> <p>a) Management will provide project managers with training on how to fully define project benefits and the level of information they are expected to produce and maintain. This will include ensuring project managers understand:</p> <ul style="list-style-type: none"> ○ The difference between an output and a benefit and how to fully describe planned benefits / dis-benefits. ○ How to determine methods of measurement for planned benefits and the source data required. ○ How to assign owners to specific benefits to ensure they are realised ○ How to determine baseline measures by which progress of realisation can be measured

	<ul style="list-style-type: none"> ○ How to determine sufficiently detailed targets by which realisation can be measured. <p>Original: 31st January 2018</p>
18. Regeneration Benefits Realisation (October 2017)	<p>Benefits monitoring, measurement and realisation</p> <ul style="list-style-type: none"> a) As part of the above management will provide project managers with training on how to plan for and fully monitor the realisation of planned benefits, including the level of information they are expected to produce and maintain. <p>Original: 31st January 2018</p>
19. Woodcroft School (October 2017)	<p>Income</p> <p>Strict income controls and procedures will be put in place to ensure effective financial management. The school will introduce an internet based cashless income collection system for school meal income and trips. Detailed records showing payments to date and outstanding debts will be introduced for all income sources. Independent checks will be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced. Reference: The Barnet Schools Financial Guide, section 7 (Income collection and administration)</p> <p>Original: 31 December 2017</p>
20. Friern Barnet School (November 2017)	<p>Payroll</p> <p>A detailed documentation of systems, procedures, duties and responsibilities for the payroll system will be written and agreed by Governors. Cover will be agreed for all officers included in the payroll system. The school will complete monthly salary monitoring to comply with the financial guide for schools.</p> <p>Original: 31 December 2017</p>
21. HR Eligibility to Work – Pre-employment checks (non-schools) (November 2017)	<p>Disclosure and Barring Service (DBS) requirement and status monitoring – control operating effectiveness</p> <p>Arrangements to stream line and make the capturing and collation of DBS data more efficient will be implemented.</p> <p>Original: 1 December 2017</p> <p>1st Revised date: 31 March 2018</p>
22. Troubled Families payment-by-results (PbR) programme - January 2018 submission (December 2017)	<p>Data Quality and Quality Assurance</p> <p>Management will review the BOXI report used to generate outputs for the audit process and ensure that it is working effectively and as required. Specifically, the BOXI report will:</p> <ul style="list-style-type: none"> • Accurately lists all families ‘attached’ to the scheme; and

	<ul style="list-style-type: none"> • Accurately document the issues which have been identified and for which 'significant and sustained' progress has been realised for the families in each submission. <p>Original: January 2018</p>
<p>23. Troubled Families payment-by-results (PbR) programme - January 2018 submission (December 2017)</p>	<p>Data Quality and Quality Assurance</p> <p>Management will review previous submissions to ensure that families have not been claimed for incorrectly as the family was still in receipt of out of work benefits and 'significant and sustained' progress against this problem was not documented at the point of submission (for example by cross-matching DWP data with the list of claimed for families).</p> <p>Original: March 2018</p>
<p>24. Troubled Families payment-by-results (PbR) programme - January 2018 submission (December 2017)</p>	<p>Data Quality and Quality Assurance</p> <p>The MHCLG will be notified when incorrect claims have been made.</p> <p>Original: March 2018</p>
<p>25. Troubled Families payment-by-results (PbR) programme - January 2018 submission (December 2017)</p>	<p>Data Quality and Quality Assurance</p> <p>Management will review data quality checks which are to be made before submitting claims to Internal Audit to ensure that submissions do not contain any families which are not eligible for the scheme (for example by management should check that a sample of Families have not regressed against each problem number, not just those which have been identified).</p> <p>Original: January 2018</p>
<p>26. Troubled Families payment-by-results (PbR) programme - January 2018 submission (December 2017)</p>	<p>Data Quality and Quality Assurance</p> <p>Management will ensure that data quality expectations are clearly documented and communicated to all Troubled Families Team members. These documented expectations will include:</p> <ul style="list-style-type: none"> • The need to verify that all families are checked against all lists of previously claimed-for families. The verification process will include a similar approach taken to internal audit by which names and dates of birth of families within submissions are duplicate checked against a list of previously claimed for submissions; • The requirement to ensure that at the time of submission there is no regression against all problems and the data sources to be considered. The document will include the data sources to be checked; and • Any data quality checks which are to be performed by management. <p>Original: January 2018</p>
<p>27. Transformation Benefits Realisation (December 2017)</p>	<p>Benefits Identification and Definition</p> <p>a) Management will provide project managers with training on how to fully define project benefits and the level of information they are expected to produce and maintain. This will include ensuring project managers understand:</p>

	<ul style="list-style-type: none"> • The difference between an output and a benefit and how to fully describe planned benefits / dis-benefits. • How to determine methods of measurement for planned benefits and the source data required. • How to assign owners to specific benefits to ensure they are realised • How to determine baseline measures by which progress of realisation can be measured • How to determine sufficiently detailed targets by which realisation can be measured. • How to use the benefit profile template within the Council's Project Management Toolkit. <p>Original: 31 March 2018</p>
28. Transformation Benefits Realisation (December 2017)	<p>Benefits Identification and Definition</p> <p>c) Senior management will review key (high profile, high impact) projects to ensure that benefits identified for each project are SMART (Specific, Measurable, Achievable, Realistic and Timely).</p> <p>Original: 31 March 2018</p>
29. Transformation Benefits Realisation (December 2017)	<p>Benefits Measurement and Monitoring</p> <p>a) As part of the above training management will provide project managers with training on how to plan for and fully monitor the realisation of planned benefits, including the level of information they are expected to produce and maintain.</p> <p>Original: 31 March 2018</p>
30. S106 / CILS Expenditure (January 2018)	<p>S106 and CIL expenditure and monitoring</p> <p>RE Management and CSG Finance will ensure the reconciliation of RE monitoring data with CSG Integra data is completed. This will include cross-referring to the Uniform system.</p> <p>Due date: 28 February 2018</p>
31. S106 / CILS Expenditure (January 2018)	<p>S106 and CIL expenditure and monitoring</p> <p>The Chair of the CSOG will ensure that CSOG meetings include discussion of funds coming to the end of their expiry date.</p> <p>Due date: 28 February 2018</p>
32. S106 / CILS Expenditure (January 2018)	<p>Specific development non-financial obligation tracking and verification</p> <p>As part of their meetings the CSOG will challenge of delivery of non-financial obligations within S106 agreements.</p>

	Due date: 28 February 2018
33. S106 / CILS Expenditure (January 2018)	<p>Specific development non-financial obligation tracking and verification</p> <p>For transparency, a summary of non-financial obligations delivered through S106 schemes will be incorporated into the Annual Regeneration and Growth Programme Report which is due to be presented to the Assets, Regeneration and Growth Committee in March 2018.</p> <p>Due date: 12 March 2018</p>
34. Elections Management – Annual Canvass (January 2018)	<p>Completeness of property lists sent to canvassers for a face-to-face visit</p> <p>Superseded – alternative recommendation identified to improve the next annual canvass:</p> <p>Management will update their annual canvass project plan to add in a step prior to the first allocation of properties to canvassers. This step is to assess whether or not any properties have a HEF recorded as received prior to the canvass start date. Any such properties will be manually added to canvassers' rounds. Where there are any late additions to canvassers' rounds, management will monitor that these properties are visited by canvassers in a timely manner.</p> <p>Revised implementation date: 31 October 2018.</p>
35. Elections Management – Annual Canvass (January 2018)	<p>Processing of HEFs returned by post</p> <p>Management will redesign HEFs to ensure that they are designed to limit processing errors. This will include removal of the unnecessary barcode on page 1 of the HEF.</p> <p>Original: Implemented after audit fieldwork November 2017</p>
36. Elections Management – Annual Canvass (January 2018)	<p>Escalation Process</p> <p>Management will ensure there is a written escalation process in place so that senior management are made aware of issues relating to the canvass or other elections processes as appropriate.</p> <p>Original: 31 March 2018</p>
37. Pensions Administration (January 2018)	<p>Scheme Data Quality</p> <p>We will review the quality of conditional data by 28 February 2018 as per the agreed service improvement plan and will update this data, as agreed with the scheme manager, prior to the triennial review of the fund due as at 31 March 2019.</p> <p>Original date: 28th February 2018 (analysis completed)</p> <p>Note: CSG will need to update the scheme data as agreed with the scheme manager prior to the triennial review of the fund due as at 31 March 2019. Internal Audit will follow-up to confirm that this has been done and will report back to Audit Committee accordingly.</p>
38. Pensions Administration (January 2018)	Scheme Data Quality

	<p>We will discuss how to complete employer's end of year returns at the planned employers' forum to ensure that employers are aware of requirements. We will inform employers that they will need to sign a statement saying that what has been submitted is accurate, and that they have done their own checks prior to submission. We will also ensure scheme employers are aware of our ability to charge them the cost of undertaking work to rectify issues in their initial submissions.</p> <p>Original date: 28th February 2018</p>
<p>39. Pensions Administration (January 2018)</p>	<p>Preparation of Annual Benefit Statements</p> <p>We will prepare a detailed project plan for the provision of annual benefit statements, as well as the other key milestones in the Scheme Year Planner and the Triennial valuation, and this will be approved by the Council. Progress will be monitored and managed by specialist project managers. Progress against the agreed plan will be reported to the monthly CSG pensions administration contract monitoring meetings.</p> <p>Original date: 31st March 2018</p>
<p>40. Pensions Administration (January 2018)</p>	<p>Preparation of Annual Benefit Statements</p> <p>We will consider how we can change the relationship with employers and their payroll providers to encourage compliance with scheme requirements, such as reminding employers of the scheme's ability to recharge the cost of any rectification work undertaken by the fund, and reporting employers to TPR for breaches of law.</p> <p>Original date: 28th February 2018</p>

5.5 Follow-up of Medium priority actions

This quarter, at the request of the Audit Committee, we have also undertaken follow-ups of the remaining Medium priority actions resulting from the following Limited Assurance report from Q1:

- **Nursery Places – Free Early Education Funding (FEE)**

Agreed Action(s)	Responsible Officers	Target Date	Audit Assessment March 2018
<p>2. Interim and Final Payments 2a) Management will review the appropriateness of awarding an 80% advance payment to providers in time for any changes to be made for April 2018 after consultation in 2017/18 regarding the 30 hour offer.</p>	Head of Early Years - Early Intervention & Prevention	30/04/2018	Implemented

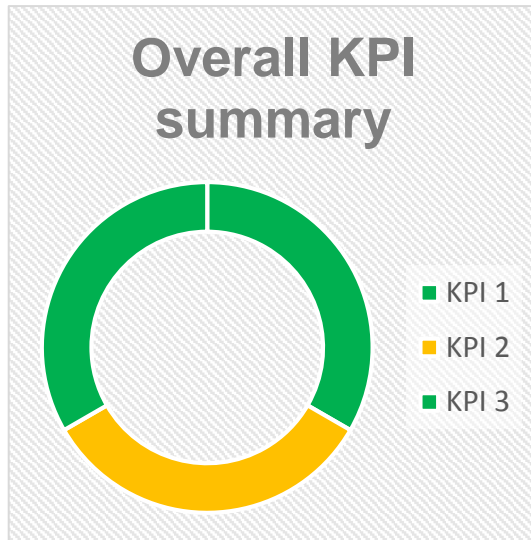
As part of our 2017/18 audit plan we allowed additional audit days to undertake a sample of follow-ups across Medium priority recommendations. This quarter we have followed up the remaining Medium priority actions raised under the Contract Register Maintenance audit. The results are below:

Contract Register Maintenance

Agreed Action(s)	Responsible Officers	Target Date	Audit Assessment March 2018
<p>1b. Compliance analysis - Control design</p> <p>We will document the rationale for why some expenditure is considered potentially high risk, for example high monetary value or for a service provided to vulnerable adults or children.</p>	<p>Procurement Transformation Lead, CSG</p>	<p>September Procurement board 2017</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>1c. Compliance analysis - Control design</p> <p>We will present a high level summary of the results of the compliance testing to senior management in the Commissioning and Commercial teams. This will include an analysis of non-compliant expenditure across delivery units as well as details of high value or high risk compliance issues identified. We will also include a summary of this exercise periodically as part of the Procurement Board agenda.</p>	<p>Procurement Transformation Lead, CSG</p>	<p>September Procurement board 2017</p>	<p>TBC – verbal update to be given to Audit Committee</p>
<p>2a. Contract register data capture - Control design and operating effectiveness</p> <p>We will investigate whether the automated controls in place are operational to ensure mandatory fields are completed consistently.</p>	<p>Procurement Transformation Lead, CSG</p>	<p>July 2017</p>	<p>TBC – verbal update to be given to Audit Committee</p>

Appendices

Appendix A: Key performance indicators (KPIs)



Fully Achieved

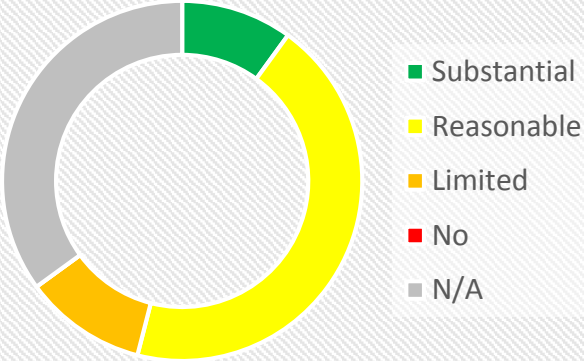
Partially Achieved

Not Achieved



KPI	Target	Results	Comment										
1. % of Plan delivered	95%	95%	<p>In Q2 we proposed a change to how performance against this target is measured in that now work in progress is incorporated as follows:</p> <table border="1"> <tr> <td>Not Started</td> <td>0%</td> </tr> <tr> <td>Planning</td> <td>20%</td> </tr> <tr> <td>Fieldwork</td> <td>50%</td> </tr> <tr> <td>Draft Report</td> <td>90%</td> </tr> <tr> <td>Complete</td> <td>100%</td> </tr> </table> <p>Applying these %s to work in progress show that we have delivered 95% of our plan.</p> <p>For comparison, under the previous method of measurement (completed reports / total planned audits) performance would have been stated as being at 80% against the 95% target.</p> <p>0-49% = Not Achieved 50-94% = Partially Achieved 95% = Fully Achieved</p>	Not Started	0%	Planning	20%	Fieldwork	50%	Draft Report	90%	Complete	100%
Not Started	0%												
Planning	20%												
Fieldwork	50%												
Draft Report	90%												
Complete	100%												
2. Verification that at least 90% of Critical and High Risks have been mitigated by management at the time of follow up	90%	82%	<p>0-49% = Not Achieved 50-89% = Partially Achieved 90% = Fully Achieved</p>										
3. Average customer satisfaction score for year to meet or	85%	100%	<p>0-49% = Not Achieved 50-84% = Partially Achieved</p>										

Assurance Ratings



<p>exceed acceptable level for at least 85% of completed surveys</p>			<p>85% = Fully Achieved</p>
<p>4. % of reports year to date achieving:</p> <ul style="list-style-type: none"> •Substantial •Reasonable •Limited •No Assurance •N/A 	<p>N/A</p>	<p>10%</p> <p>44%</p> <p>11%</p> <p>0%</p> <p>35%</p>	

	<p>Audit Committee</p> <p>19th April 2018</p>
<p>Title</p>	<p>Corporate Anti-Fraud Team (CAFT) Annual Report 2017/18</p>
<p>Report of</p>	<p>Clair Green – Assurance Director</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>KEY</p>	<p>No</p>
<p>URGENT</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix 1 - CAFT Annual Report 2017/18</p>
<p>Officer Contact Details</p>	<p>Clair Green clair.green@barnet.gov.uk 0208 359 7791</p>

<p>Summary</p>
<p>This report covers the period 1st April 2017 – 31st March 2018 and represents an up-to-date picture of the work undertaken by Corporate Anti-Fraud Team (CAFT) during that time.</p>

<p>Recommendations</p>
<p>1. That the Committee note the CAFT Annual Report covering the period 1st April 2017 – 31st March 2018</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee included in the work programme for 2017/18 that quarterly progress reports on the work of the Corporate Anti- Fraud Team are produced to this meeting.

2. REASONS FOR RECOMMENDATIONS

- 2.1 N/A

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 None

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team (CAFT) supports this by continuing to provide an efficient value for money anti-fraud activity, that is able to investigate all referrals that are passed to us to an appropriate outcome, whilst continuing to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering, other criminal activity, and deterrent measures, policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the new corporate priorities and principles.

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

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

5.3 Legal and Constitutional References

- 5.3.1 Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- 5.3.2 The Council's Constitution – Article 7 - 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 of discrimination

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

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

5.6 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 20 April 2017 (Decision Item 12) – the Audit committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan 2017-18

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Corporate Anti-Fraud Team (CAFT) Annual Report 2017/18

The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2017-18 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 Finance 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.

Blue Badge Fraud and Misuse featured heavily within the CAFT programme in 2017-18. As such 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.

CAFT have continued to offer '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.

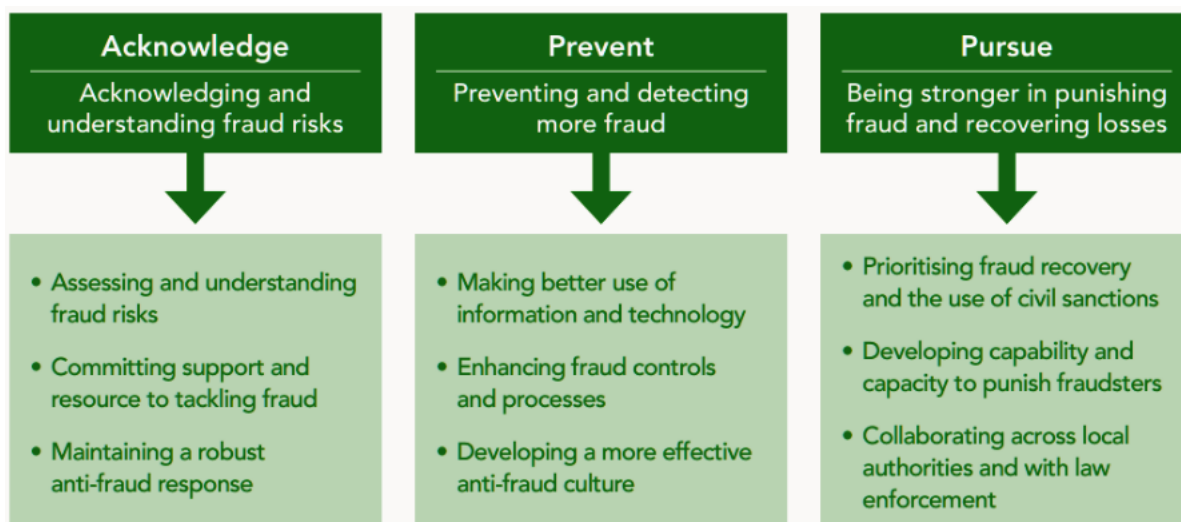
In summary CAFT continue to provide an efficient value for money counter fraud service and is able to investigate all referrals or data matches to an appropriate outcome. CAFT also provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies 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 CAFT work 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 2017 - 18**

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 2017-18 we also continued to consider and incorporate the six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication** and **Collaboration**) and as such 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.

We have continued to deliver our communications strategy which is aimed to increase CAFT’s profile, 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. A good example of this is the publicity campaign that supported ‘fraud awareness week’ which included use of social media for the first time.

We continue to 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 continue to work closely with the communications team to ensure that press releases are made in relation 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
August 2017	CAFT officers delivered bespoke Blue Badge Fraud Awareness sessions to approx. 60 NSL Civil Enforcement Officers as well as members of the council's parking team
November 2017	CAFT delivered an internal Fraud Awareness lunch and learn session which formed part of the International Fraud Awareness week. This session highlighted the work of the team as well how and when to make referrals and focused on Frauds that the team had investigated.
Ongoing	CAFT conducted face to face bespoke Fraud Risk Awareness session to various teams within Barnet Homes such as neighbourhood housing teams and associated teams.
Ongoing	CAFT delivered face to face bespoke Fraud Risk sessions across various Delivery Units as well as 'new manager' induction training on a regular basis

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	
November 2017	CAFT conducted a number of pro-active operations throughout the International Fraud Awareness Week; including holding a stall at Middlesex university, The Broadwalk Centre in Edgware and Barnet House Housing reception. These events were all accompanied by press releases and use of social media advising where CAFT officers would be so that members of the public to visit or contact us.
December 2017	Publicity exercise in the Barnet at Home Magazine highlighting results of the Fraud Awareness Week
Ongoing	Utilisation of the council's social media accounts to highlight Blue Badge Misuse and Fraud

Acknowledging (and detecting) Fraud

As the council's dedicated fraud team, CAFT consists of qualified 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 fraud responsibilities and arrangement details in all major contracts and in addition an 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.

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 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 to have more targeted risk based approach.

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

We 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 an established 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 2017/18 plan

CAFT Pro-active review	Outcome
<p>Children’s - Schools Admissions Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.</p>	<p>We were unable to conduct this exercise as a proactive review due to level of re-active work on the team.</p>
<p>CSG – Fixed Asset Register Proactive targeted anti-fraud work in this area to cross match data from Land Registry and internal LBB records to identify and confirm assets</p>	<p>In November 2017 CAFT obtained access to Land registry records and cross matched these against the councils fixed asset register. This matching scrutinised the residential properties (freehold and leasehold) as well as commercial and empty land sites. 1 site (derelict property valued at £625K) has been identified as not being on the councils internal list of assets. A further 8 sites remain under investigation awaiting information and site visits</p>
<p>National Fraud Initiative data matching exercises 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>In October and December 2016 Barnet Council submitted a number of data sets to the Cabinet office for matching against other public-sector data sets. This matching process returned 12,705 matches to Barnet that required investigation due to indications of fraud. 3020 of these matches were deemed to be recommended matches requiring the authority to investigate and report the outcome. 1427 cases have been investigated resulting in the identification of £338,399 of fraud and or system error which is currently being recovered.</p>
<p>Disabled Blue Badge Street Operations 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 <u>eight</u> intelligence led pro-active ‘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"> • The first Operation spanned a half day and was carried out on <u>25th May 2017</u> in the Golders Green area. As a result of this exercise 7 cases were identified for further investigation. Out of these 1 was a forgery, 2 were cancelled and 4 were being misused. 6 badges were also seized during the day. • The second Operation was carried out on <u>28th June 2017</u> in the Edgware and Mill Hill areas. As a result of this operation 13 cases were identified for further investigation. Out of these 1 was a cancelled badge and 12 were being misused. 5 badges were also seized during the day. • The third Operation was carried out on <u>23rd August 2017</u> in the Finchley Area. 10 cases were identified as possible Fraud or Misuse and referred for further investigation. Out of these 2 badges were found to be lost or stolen, the remaining 8 cases were confirmed as being misused. 8 badges were seized also during this operation. • The fourth Operation was carried out on <u>28th September 2017</u> in the High Barnet Area. 8 cases were identified as possible fraud or misuse and referred for further

investigation. Out of this **1** badge was found to be a cancelled badge and the remaining **7** were confirmed as being misused. **4** badges were also seized during this operation.

- The fifth Operation was carried out on 24th October 2017 in the Hendon Area. **14** cases were identified as possible Fraud or Misuse and referred for further investigation. **8** badges were seized during this operation. **3** of these badges were found to be lost/stolen or cancelled, the remaining **11** cases were confirmed as being misuse.

Two Blue Badge Operations during Fraud Awareness Week 14th – 18th November 2017

The week saw the Corporate-Anti Fraud Team come together with colleagues from other council enforcement teams including Trading Standards, Licencing, NSL Street Enforcement, Re Noise Reduction Teams, Community Protection Teams and the Police.

The purpose of the week-long operation was to have a high visibility presence in the Edgware and Burnt Oak areas and to carry out anti-fraud exercises such as Blue Badge Fraud and Tenancy Fraud as well as to tackle some of the anti-social behaviour issues in the area, such as littering, fly-tipping and unauthorised street trading.

- Operations sixth and seventh operations took place during this week gave the following results:

Number of Blue Badges verified throughout the week-long operation	494	
Number of Fraud / misuse cases identified	38	All 38 cases were considered for caution or formal prosecution
Number of badges seized	23	15 re misuse, 8 re Fraud i.e. stolen/ forged
Number of badges remaining at the scene	15	14 re misuse, 1 re Fraud i.e. stolen/ forged
No. of PCN's issued relating to BB fraud /misuse	23	Where evidence of misuse/ fraud is obtained PCNs are issued immediately
No of PCN's issued not relating to BB fraud /misuse	13	During Blue Badge operations, other parking offences come to light and are dealt with accordingly

- The eighth Operation was carried out on 6th March 2018 in the Hendon Area. **9** cases were identified as possible Fraud or Misuse and referred for further investigation. **1** of these badges was found to be counterfeit, **1** was an expired badge & the remaining **8** cases were confirmed as being misuse. **2** badges were also seized during this operation including the counterfeit badge.

Overall street based operations have resulted in 56 Blue Badges (20% of all blue badge investigations) being seized. *(Full statistics on Blue*

	<i>Badge misuse/fraud are reported within section 3 of the report – Performance Indicators)</i>
<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 there is a commitment for Tenancy Fraud officers to carry out four pro-active exercises across the borough</p>	<ol style="list-style-type: none"> 1. In April 2017, CAFT began a pro-active verification exercise that covered all right to buy applications received by Barnet Homes. Officers verified that the correct tenant was residing in the property and made enquiries regarding how the purchase would be funded to combat any money laundering concerns. Since April 2017, Barnet Homes have received 184 right to buy applications. This verification process has resulted in 45 applications being stopped due to concerns relating to funding and the use of the properties. 1 case has been passed to our legal team for criminal proceedings to begin and 93 applications were confirmed as being eligible to proceed to the purchase stage. A further 45 applications remain under investigation awaiting further verification. 2. In August 2017, CAFT conducted a pro-active verification exercise on all properties owned by the Registered Social Landlord (RSL) Notting Hill, within the borough. This meant that the 246 properties were visited by Tenancy Fraud Investigators. The exercise resulted in one case being prepared for our legal team to commence both civil and criminal actions with the tenants at a further 17 properties still currently being investigated. 3. In November 2017, Tenancy Fraud Officers were involved in a week long pro-active exercise linked to International fraud awareness week. One of the objective of this exercise was to have a high visibility presence in a dedicated area to promote Tenancy Fraud Awareness. Approx. 500 properties were visited to verify the correct tenants were residents, as a result of this one property was recovered with a further two cases remaining under investigation. 4. In March 2018, Tenancy Fraud Officers began a new pro-exercise targeting a percentage of Barnet Homes tenants who fall into a particular ‘fraud indicator’ for Tenancy Fraud – as this exercise is in initial stages further details on the outcome of this exercise will be reported in following months.

Table 2 provides details of joint CAFT and Internal Audit Reviews and overall assurance ratings as set out within the 2017/18 plan. Further details of these reviews can be found in the relevant internal Audit quarterly progress reports.

CAFT and Audit Joint Reviews	Overall Assurance Rating	Summary of Findings	Relevant quarter issued in / Link to Internal Audit Report
Non-Schools Payroll	Reasonable	There were 2 medium risk ratings found relating to system access to core and overtime payments.	Q1 audit progress report
Key Financial Systems - Pensions	Reasonable	There was 3 medium and one low risk recommendation	Q1 audit progress report

		findings identified relating to policy and procedures.	
Nursery places	Limited	There was 1 high risk finding relating spot checks and referrals to CAFT, there were 3 medium risks findings relating to interim payments & head count issues, fee guidance updates and single point failure, and finally two low risk findings relating to payments made to providers and downloads of OFSTED information. There was also one advisory recommendation.	Q1 audit progress report
Commercial Waste – achieving income target	Reasonable	There were 5 medium risk findings which covered Vehicle tracker monitoring, excess waste, commercial waste sacks policy, Commercial waste bag security and FPN enforcement	Q1 audit progress report
Re Operational Review – Planning and Enforcement	Reasonable	There were 5 medium risk findings which covered the self-review of enforcement cases, false representations, conflicts of interest, referral to area planning committees and discharging of powers and minutes. There was also 1 low risk finding which related to lessons learnt from the planning inspectorate	Q3 Audit Progress Report
Eligibility to Work - Pre-Employment Checks - Non-Schools	Reasonable	There was 1 High risk finding relating to DBS monitoring and 2 medium risk findings relating to work permit follow up arrangements and operating effectiveness of pre-employment checks.	Q3 Audit Progress Report
Accounts Payable	Limited	There was 1 high-risk finding in relation to the potential for duplicate payments	Q4 Audit Progress report
Accounts Receivable	Reasonable	There was 1 high risk finding relating to control design.	Q4 Audit Progress report
Fixed Asset Register - Corporate Landlord –	Reasonable	There was 1 High risk finding relating to data quality in Atrium and 2 Medium risk findings relating to Risk management and Fraud awareness	Q4 Audit Progress report
Deputyship – money management	Reasonable	There were 3 medium risk findings relating to Peer review of transactions, Client data and Property visits.	Q4 Audit Progress report

Comensura	In progress
Review of new Depot arrangements	In progress
Freedom Passes	In progress

3. Performance Indicators

Table 3 provides an update against all performance indicators as set out within the 2017/18 plan

Performance Indicator	2017-18	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	27	
Number of new fraud investigations	55	
Total Number of closed fraud investigations	64	1 case was successfully prosecuted and 1 was given a Formal Caution. <i>(please refer to noteworthy investigations sections of the report for further details if fraud is proven)</i> . 30 closed No fraud, 21 closed insufficient evidence and 2 cases referred to the police. 9 were closed after Advice and Assistance was given to respective departments.
Total number of on-going fraud investigations	18	Of these 18 cases 1 relates to Schools and Learning, 3 relate to School admissions, 1 relates to Family Services, 4 relate to Waste and recycling, 1 relates to Property services, 2 relate to Barnet Homes, 1 relates to Estates, 1 relates to Parking, 1 relates to Environmental Health, 1 relates to Assisted Travel, 1 relates to Adults & Communities and 1 relates to Parking
Number of staff* no longer employed / dismissed as a result of CAFT investigations	5	*This included LBB/Agency/Temporary staff and/or partner organisations or subsidiary holdings. Please refer 'Corporate Fraud Noteworthy Investigation' 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	37	
Number of new BB referrals received	355	

Number of BB cases closed	274	36 cases were successfully prosecuted and 86 were given Formal Cautions (<i>Please refer to noteworthy investigations sections</i>) 14 closed No fraud, 51 Warning letters issued, 73 closed insufficient evidence and 2 cases referred to the police, 1 staff dismissal & 11 were closed Fraud Proven (no further action)
Open On-going BB investigations	118	33 cases are already with our legal team for prosecution
Financial Investigations - a Financial Investigation under the Proceeds of Crime Act 2002 ensures that any person's subject to a criminal investigation by Barnet do not profit from their criminal action		
Number of carried forward Financial investigations from 17-18	11	
Number of new Financial investigations	13	
Number of closed Financial investigations	5	1 of these were closed as No Fraud 1 of these were referred to Police 3 of these were closed due to insufficient evidence
Total Number of on-going Financial investigations	19	Of these ongoing investigations: - 8 relate to Planning 3 relate to Tenancy Fraud 1 relates to direct payments 5 relate to investigations undertaken on behalf of L.B Haringey 1 relates to Re 1 relates to Care Services Delivery
Tenancy Fraud Team prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven. CAFT provide a detailed monthly statistical report, along with a more comprehensive half year and year-end report to Barnet Homes outlining how many properties have been recovered, along with a list of all referrals from the neighbourhood officers and the status of the cases referred		
Number of carried forward Tenancy Fraud investigations from 2016-17	91	
Number of new Tenancy Fraud Cases referred to CAFT	315	
Number of new Right to Buy applications where information submitted was verified by CAFT	184	
Total number of cases	590	
Number of Tenancy cases closed resulting in a property being recovered	61	36 relate to standard tenancies <i>8 were recovered via civil court action due to evidence of subletting. 2 properties were recovered after outright possession orders were granted due to non-occupancy and 26 sets of keys were voluntarily surrendered as a result of CAFT investigations.</i> 11 relate to succession applications <i>where the property was voluntarily surrendered by relatives who had no</i>

		<p><i>valid succession rights</i> 14 relate to emergency accommodation <i>1 was recovered via civil court action due to subletting</i> <i>13 were voluntarily surrendered due to tenants not being resident or no longer needing the property</i></p>
Number of Tenancy cases closed with no fraud being identified	240	These cases were all investigated. All were closed due to no fraud being identified
Number of Housing Applications refused because of CAFT verification process	12	CAFT work closely with the Housing Options Team and carry out verification exercises for identifying inaccurate information being submitted on housing application forms. These exercises allow us to reserve the housing waiting list for only those who have a legitimate need for social housing
Number of mutual exchanges prevented because of CAFT intervention	1	Since April 2017 all mutual exchange applications are validated by CAFT to prevent unlawful house swapping.
Assignments refused as a result of CAFT intervention	2	CAFT check all assignments applications. These are when the tenant tries to assign the tenancy to another person
Number of Right to Buy cases closed due to applications being denied	45	A saving of £4,169,000.00 in discounts on these properties was achieved by preventing the sale of the properties due to the application being withdrawn as a result of CAFT investigations.
Number of Right to Buy cases closed after the application was validated by CAFT as being genuine	93	All Right to Buy cases are validated by CAFT. These cases were validated as having no issues and so allowed to progress through the Right to Buy Process with Barnet Homes
Total number of cases closed	454	
Total number of on-going Tenancy Fraud Investigations.	85	
Number of cases with legal awaiting court action	5	
Total number of on-going right to buy Investigations.	46	
Number of Tenancy Fraud cases being carried forward into Q1 2018-19	136	
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.	Four anonymous letters were received under whistleblowing policy in the last year – all at the same time during Q3. These matters all related to Family Services (FS). In response to these letters an independent review was commissioned and the findings of that review concluded that most matters either were already known and being addressed through the FS Improvement Plan or unfounded. There were some	

	additional recommendations for consideration for further improvement. The findings have been shared with the Chief Executive, Director of Children’s Service, Chair of the FS Improvement Board, and Ofsted.
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4. Noteworthy investigations summaries for 2017/18

Corporate Fraud Investigations

Case 1 relates to an individual who falsified documentation in order to appeal several parking tickets that he had received within the borough. By using altered breakdown reports he appealed tickets on the basis that he was not able to start or move his vehicle. He was prosecuted and fined £1,000 and ordered to pay costs of £1,000 and a victim surcharge of £50

Case 2 Relates to a member of refuse staff who was observed by CAFT officers collecting commercial waste when this did not form part of his duties and there was no trade waste agreement in place, the member of staff was dismissed from his employment as an agency member of staff.

Case 3 relates to two members of waste and recycling who were alleged to have collected private household waste from the driveway of a property in the borough using a council vehicle, evidence was obtained and both members of staff were interviewed regarding the allegation, neither was able to offer an acceptable explanation and both were dealt with under the council’s disciplinary procedure, resulting in neither of them continuing to be employed by the council.

Case 4 relates to an individual who was carrying out canvassing visits on behalf of the council, suspicion arose that the visits were being recorded as completed without him conducting the visit resulting in him receiving payment to which he was not entitled, he was interviewed under caution for offences contravening the Fraud Act 2006 and admitted to recording some visits that he had not done as being completed successfully. Due to the amount of money involved being low, he was given a Formal Caution and voluntarily paid back the lost council funds as well as the costs of the investigation. He will no longer be employed by the council for the canvassing duties.

Case 5 relates to an additional ongoing financial fraud investigation, however due to the ongoing nature of this investigation this will be reported to the Audit Committee members separately and in exempt session in accordance with Sections 100A-H and Schedule 12A Local Government Act 1972. Once the investigation is concluded and the information is in the public domain it will be reported within the main body of the CAFT reports.

Blue Badge Prosecutions

Case 1 relates to the misuse of a child’s disabled blue badge by the child’s father. He was interviewed under caution and during the time the case was being considered for further action, he was caught misusing the same badge once again. He was interviewed a second time where he admitted misuse on both occasions. He pleaded guilty at Willesden Magistrates and was sentenced to a £461 fine, £30 victim surcharge and ordered to pay costs of £802.89

Case 2 relates to the misuse of a child’s disabled blue badge by the child’s father. He was using it to park up for work purposes. He pleaded guilty at Willesden Magistrates and was sentenced to a £800 fine, £80 victim surcharge and ordered to pay costs of £654.85

Case 3 relates to the use of a counterfeit badge, the defendant was found to have been using a copy of his mother’s disabled badge which had been cut to size and laminated in an attempt to make it appear genuine, the suspect was prosecuted for the offence and received the maximum £1,000 fine. He was also ordered to pay costs of £1,001 and a victim surcharge of £100, this case received national newspaper coverage as the suspect was a multi-millionaire businessman.

Case 4 Relates to the misuse of a cancelled badge in Mill Hill. The driver of the vehicle was identified and failed to attend an interview under caution on several occasions. She was prosecuted and found guilty of the offence of blue badge misuse. She was sentenced to the maximum fine of £1,000, ordered to pay costs of £950 and a victim surcharge of £100

Case 5 relates to the use of a counterfeit blue badge by an employee of Middlesex University who had made a photocopy of a relative’s badge and used this to park for free whilst at work. He pleaded guilty the offence of ‘use of Articles in Fraud’

(section 7 Fraud Act 2006) and was sentenced at Harrow Crown Court to 60 hours of unpaid work, ordered to pay costs of £370.00 and an £85 victim surcharge.

Case 6 relates to the misuse of a blue badge by a member of NSL staff who was contracted to provide environmental enforcement within the borough. The staff member was suspected of misusing a badge belonging to a relative to park close to his place of work. The case relied heavily on strong circumstantial evidence which was insufficient to meet the burden of proof required in a Magistrates court. However, the evidence was passed to NSL who carried out a disciplinary hearing which resulted in the employee being dismissed

Case 7 relates to the misuse of a relatives disabled blue badge by the badge holder's wife. On two occasions, she was witnessed on CCTV using the badge for her own benefit, although at interview she denied this stating that her husband went in to the restaurant by using the rear door. She eventually pleaded guilty at Willesden Magistrates and was sentenced to a fine of £154, ordered to pay costs of £1000 and a £30 victim surcharge.

Case 8 relates to the misuse of stolen disabled blue badge that was observed being used on a vehicle in a pay by phone bay. This same badge was seen being used a couple of days later on this vehicle by a CAFT Officer who then seized the badge. At interview, the defendant stated that she thought it was her friend's grandmothers badge and thought they were going to pick her up. She pleaded guilty at Willesden Magistrates. She was fined £150.00, ordered to pay costs of £500.00 and a victim surcharge of £30.00.

Case 9 relates to the misuse of a deceased persons badge. At interview, he stated that he had used the badge as he had his own medical problems. He pleaded guilty and the Magistrates sentenced him to a Conditional Discharge of 6 months, £200 costs and £20 Victim surcharge.

Case 10 relates to the misuse of a deceased persons badge by her son in law. He said that on the day he was in a rush and he displayed the badge and then left the badge on display for the whole day. He also admitted that he had misused the badge on a number of other occasions. He pleaded guilty at Willesden Magistrates court and he was sentenced to a fine of £461, ordered to pay costs of £804.78 and a victim surcharge of £46.

Case 11 relates to the misuse of a child's blue badge by the badge holder's older sister enabling her to park for free at University. Evidence showed that she had misused the badge on four different occasions. She pleaded guilty at Willesden Magistrates and they sentenced her to a £230 fine for each of the four offences, ordered to pay costs of £767.97 and a victim surcharge of £30.00 totalling £1,717.97.

Case 12 relates to the misuse of a child's blue badge by the badge holders mother. She misused the badge on two occasions as she was running late for University. She pleaded guilty at Willesden Magistrates and was sentenced to a Conditional Discharge for 12 Months, ordered to pay costs of £200 and a Victim Surcharge of £20.00.

Case 13 relates to the misuse of a deceased persons badge by the badge holder's daughter. She pleaded guilty at Willesden Magistrates court and was sentenced to a fine of £500, ordered to pay costs of £459.91 and a victim surcharge of £50.

Case 14 relates to the misuse of a deceased persons badge. The driver of the vehicle chose not to attend an interview under caution and instead wrote in a letter fully admitting the offence and sent the cancelled badge to CAFT. In the letter, she admitted liability and was extremely remorseful. She pleaded guilty at Willesden Magistrates court and was sentenced to a fine of £180, ordered to pay costs of £371.00 and a victim surcharge of £30.00

A further 22 cases of blue badge Fraud were put before the courts. All of which were found guilty with Fines being issued and costs being awarded to the council.

Simple Cautions (previously known as Formal or Police Cautions)

The aims of the simple caution scheme are:

- *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/investigation 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.*

Eighty-Six cautions were administered by CAFT in 2017-18 where disabled blue badges were found being misused. Following investigative interviews under caution, the circumstances of these cases allowed CAFT to consider them to be dealt with by way of the administration of a formal caution of which: -

- **Forty-nine** of these cases related to instances where errands were being run by family members on behalf of the badge holder. These errands related to the collection of items such as medication. The offenders stated that they believed that the badge could be used for such action but when the Blue badge scheme was explained to them they realised that their actions fell outside of what was permitted.
- **Seven** cases related to situations where the offenders had been given permission by the badge holder to use the badge. The offenders stated that they believed that they could use the badge with permission. When the Blue badge scheme was explained to them they realised that their actions fell outside of what was permitted. In all five cases warning letters were sent to the Badge holders.
- **Twenty-Three** cases related to a situation where the offender used the badge to allow them to park close to a school where they were due to collect a child who was not the Badge holder or misused a badge for the sole purpose of conducting their own shopping or to allow them to park near their places of work / study
- **Seven** Cases relate to the offender forgetting to remove the badge after being with the badge holder earlier on the same day

Tenancy Fraud Investigations

Ms A had a two bedroom flat in Barnet. A referral was received following the gas safety team visiting the property and having concerns that the tenant was not resident. An investigation showed that the tenant actually owned another property and was living elsewhere. Following an interview under caution, Ms A decided to hand the keys back and surrendered the tenancy. The matter was passed to our legal team for criminal proceedings. Ms A pleaded guilty and received a custodial sentence of 12 months and ordered to pay £20,000 in compensation, along with £3,174 prosecution costs.

Ms B obtained a two-bedroom emergency accommodation on the basis of being a single parent with one daughter. A referral was received from the housing needs team stating that there were suspicions that the daughter was not resident with Ms B. The investigation confirmed that the daughter had not been living with Ms B prior to the application being made. Ms B was asked to attend an interview under caution. She initially maintained that her daughter was resident, but when questioned further, admitted this was not correct. Notices to quit were issued and the matter was passed to our legal team resulting in an outright possession order being granted by the civil courts. Bailiff's subsequently recovered the property. The case was also passed to our legal team for criminal proceedings concerning the housing application. Ms B pleaded guilty and received a custodial sentence of 24 weeks, suspended for 2 years and ordered to do 150 hours of unpaid work. She was also ordered to pay costs of £1000.

Mr C had a two-bedroom flat in Barnet. This property was looked into as part of a pro-active exercise during fraud awareness week. A visit was conducted by Tenancy Fraud officers who established person other than the rightful tenant was residing in the property. Mr C immediately got in touch with CAFT and voluntarily handed the keys back.

Ms D had a two-bedroom flat in Barnet. As part of the Right to Buy verification process officers identified evidence showing that Ms D had links to another property. Officers visited this other property and found Ms D was actually residing there. She was subsequently interviewed under caution which resulted in her voluntarily handing the keys back. The case is currently with our legal team for criminal proceedings.

Ms E had a two-bedroom flat in Barnet. As a result of a pro-active exercise, Tenancy Fraud Officers obtained evidence that the tenant was living elsewhere. An unannounced visit was made to the property where persons other than the tenant was found to be residing. Ms E was interviewed under caution regarding the matter and stated that she split her time between the tenancy address and the other address that she was also living at. The case was passed to our legal team for criminal and civil proceedings. Ms E pleaded guilty to the criminal offence and received a 12 months conditional discharge. She was also ordered to pay £12,000 compensation and costs of £1,308. She also agreed to voluntarily surrender the tenancy.

Ms F had a two bedroom flat in Barnet. As part of a pro-active data matching exercise, information was received that showed Ms F actually owned a property elsewhere. Further investigation showed that her child was attending school in the area where she owned the property. Following an interview under caution, Ms F decided to hand the keys back and surrendered the tenancy. The case was passed to our legal team for criminal proceedings and Ms F pleaded guilty at the first opportunity. She was sentenced to 20 months custodial, suspended for 18 months. The matter is still ongoing for confiscation proceedings to recover losses incurred by the council.

Mr G had a two-bedroom house in Barnet. A referral was received from the neighbourhood team who had concerns the tenant was not occupying the property. Numerous visits were made to the property without any response and neighbours stated someone other than the tenant was resident. The investigation showed Mr G was rarely in the country and notices to quit were served. The matter was passed to our legal team to commence civil proceedings. Mr G continually delayed action by writing to the courts, but an outright possession order was granted and bailiffs subsequently recovered the property.

Ms H had a three-bedroom house in Barnet. A referral was received from the neighbourhood team who had concerns that the property was unoccupied. The investigation revealed that the tenant was very rarely in the Country and an unannounced visit by a Tenancy Fraud Officer found the property was being sublet. Ms H refused to attend interviews under caution and the matter was passed to our legal team. An outright possession order was granted and Bailiffs' subsequently recovered the property.

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AGENDA ITEM 9	
 <h2 style="margin: 0;">Audit Committee</h2> <h3 style="margin: 0;">19th April 2018</h3>	
Title	Internal Audit & Anti-Fraud Strategy and Annual Plan 2018-19
Report of	Clair Green – Assurance Director Caroline Glitre – Head of Internal Audit
Wards	N/A
Status	Public
Enclosures	Appendix 1 - Internal Audit & Anti-Fraud Strategy and Annual Plan 2018-19
Officer Contact Details	Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721

Summary
<p>The 2018/19 Internal Audit & Anti-Fraud Strategy and Annual Plan has been formulated after extensive planning meetings with Commissioning Directors, Delivery Units, the Chief Finance Officer, the Deputy Chief Executive, the Assistant Chief Executive 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>

Recommendations
<p>1. That the Committee approves the Internal Audit & Anti-Fraud Strategy and Annual Plan for 2018-19.</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 2018-19 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 & Anti-Fraud Strategy and Annual 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 CAFT planned activity in 2017-18 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 (Article 7) sets out the terms of reference for Committees. The responsibilities for the Audit Committee include providing "independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

5.4 Risk Management

- 5.4.1 The 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 2018-19

Clair Green, Assurance Director

Caroline Glitre, Head of Internal Audit

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INTRODUCTION

Internal Audit

Internal Audit provide independent and objective assurance to the Council, its Members, the Strategic Commissioning Board (including the S151 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 2018/19 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 Directors and their wider teams to identify other sources of assurance and emerging risks;
- 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

To support the Council’s compliance with the General Data Protection Regulations in 2018/19 we will consult with the Data Protection Officer during the year on the planned audits to ensure assurance over GDPR compliance is gained where appropriate.

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 Finance 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 always further develop and strengthen this culture with awareness through communications campaigns, new innovative working practices and the development of our skills and partnership work.

We are committed to closer collaboration with Internal Audit as demonstrated through conducting joint reviews, through intelligence and utilising data from the National Fraud Initiative exercise, to ensure that we have a risk based approach to inform audit reviews and targeted sampling.

Work processes are designed for compliance with legislation and best practice as well as maximum efficiency.

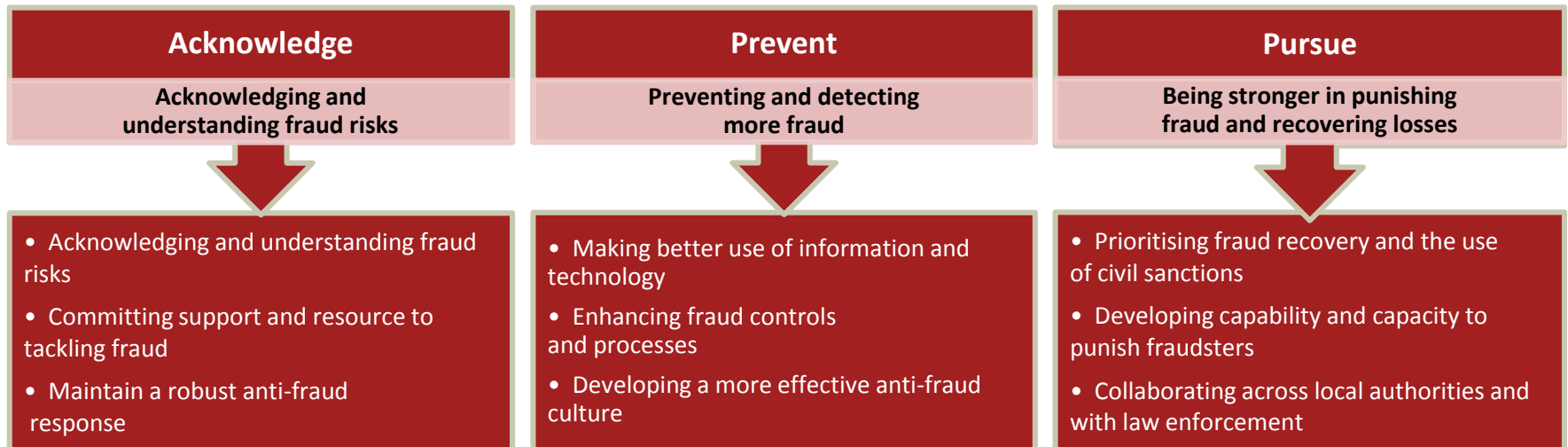
The team is structured so as to support the following work streams:- **Corporate Fraud** (which includes Staff Fraud, Blue Badge Fraud and Misuse Investigations), **Tenancy Fraud** (which includes Housing Needs, Subletting, Right to Buy and Succession fraud) and **Financial Investigations** in accordance 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 asset 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 and Corruption Locally' ([Fighting Fraud and Corruption locally strategy](#)) 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. This will also include relaunching and a phased delivery of e-learning campaign.

- 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 fraud risks will be promoted throughout the year.

Preventing and detecting fraud – It is well established that fraud awareness helps promote and strengthen an anti-fraud culture within an organisation. We will aim to ensure that through targeted communications clear messages will be communicated to all stakeholders that fraud is not acceptable and will not be tolerated. We hope that this will ensure that staff and residents are 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 our ability and 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 will devise a detailed targeted delivery plan for the year.

OVERALL SUMMARY

As summarised in the tables below Internal Audit and CAFT will deliver 1238 audit days and 3080 anti-fraud days in 2018-19. 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 2018/19	Days 2017/18
Cross-Cutting	210	248
Delivery Units *	423	392
Commissioning Group & Assurance Group	252	353
Management, Follow-up and Reporting	200	193
Contingency	153	100
Total Audit Days	1238	1286
CAFT Days **	3080	2625
Total combined Audit and CAFT Days	4318	3911

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

** Increase in CAFT days due to additional funding (2 X fte staff) in relation to Blue Badge Misuse investigations

CROSS-CUTTING REVIEWS 1

Provisional Audit Title	Provisional timing
Business Continuity (DEFERRED FROM 2017/18)	Q1
Health & Safety in Project Management (DEFERRED FROM 2017/18)	Q1
Domestic Violence	Q1
Income Generation – benchmarking report <i>Advisory piece</i>	Q1
Transformation	Q1 and Q3
Schemes of Financial Delegation	Q2
Disabled Facilities Grant (JOINT IA & CAFT REVIEW)	Q2

CROSS-CUTTING REVIEWS 2

Provisional Audit Title	Provisional timing
General Data Protection Requirements (GDPR)	Q3
Performance Management Framework compliance	Q3
Decision making framework - compliance	Q3
Risk Management Framework	Q4
Various grant claims requiring Internal Audit input e.g. Local Transport Capital Block Funding (Pothole Action Fund)	Various

ADULTS & COMMUNITIES

Provisional Audit Title	Provisional timing
Better Care Fund Finalisation of audit and fraud protocol with the Clinical Commissioning Group (JOINT IA & CAFT REVIEW)	Q1
Mosaic (placeholder)	Q4

PUBLIC HEALTH

Provisional Audit Title	Provisional timing
Public Health Grant (JOINT IA & CAFT REVIEW)	Q3

FAMILY SERVICES

Provisional Audit Title	Provisional timing
Embedded Assurance over post-Ofsted visit Practice Improvement plan	Q1-Q4
Troubled Families - Payment by Results	Rolling submissions
Live Unlimited charity – financial controls (Advisory review)	Q1

EDUCATION AND SKILLS

Provisional Audit Title	Provisional timing
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 - Q4

STREET SCENE

Provisional Audit Title	Provisional timing
Waste Health & Safety	Q4

RE

Provisional Audit Title	Provisional timing
Follow up of CFO internal controls review	Q1
Re Operational Review follow-up	Q1
Section 106 / Community Infrastructure Levy expenditure follow-up	Q2
Highways Health & Safety	Q2

BARNET GROUP

Provisional Audit Title	Provisional timing
<p data-bbox="239 422 691 451">Barnet Group Assurance Mapping</p> <p data-bbox="239 508 1108 536">Including review of Barnet Group Internal Audit plan and reports</p> <p data-bbox="239 594 1209 622">Plus contingency for 1 review, pending finalisation of Mazars 2018/19 plan</p>	<p data-bbox="1518 422 1630 451">Q1 – Q4</p>

ASSURANCE GROUP

Provisional Audit Title	Provisional timing
Elections Quality Assurance – Advisory	Q1
Conduct Standards – compliance (JOINT IA & CAFT REVIEW)	Q2

COMMISSIONING GROUP - ENVIRONMENT

Provisional Audit Title	Provisional timing
Highways DLO (JOINT IA & CAFT REVIEW – DEFERRED FROM 2017/18)	Q1
Parking – PCN Cancellations	Q2

COMMISSIONING GROUP / CSG – FINANCE / REVS & BENS

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG – Finance – Key Financial Systems	Follow-up of CFO internal controls review	Q1
	Accounts Payable (JOINT IA & CAFT REVIEW)	Q2
	Accounts Receivable	
	General Ledger	
	Budget Setting and Monitoring (including Managed Budgets)	
	Treasury Management	
	Cash Management	
	Non-Schools Payroll	
	Schools Payroll	
	Pensions Administration	
	Teachers Pensions	
CSG - Revenues & Benefits	Housing Benefits	Q3
	Council Tax	
	NNDR	

COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG – Finance	Capital Programme	Q2
CSG - Finance	Pension Fund Finance and Investment	Q2
CSG - Finance	Integra Issue Management	Q3

COMMISSIONING GROUP / CSG - IT

Provisional Audit Title	Provisional timing
Portfolio and Project Management (IT Management)	Q2
Data Management Procedures (IT Governance)	Q4

COMMISSIONING GROUP / CSG - HR

Provisional Audit Title	Provisional timing
Recruitment – ‘Vacancy Filler’ system	Q3

CAFT CONTINUOUS AND REACTIVE WORK STREAMS

This table details the continuous and re-active investigation work of the team, including high visibility exercises. 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.</p> <p>This covers staff fraud investigations (including where appropriate working closely with HR to support disciplinary offences) and also external fraud attacks on council services and finances.</p> <p>Internal Audit and CAFT are committed to the managed audit approach, which is demonstrated through the number of joint Audit and Fraud reviews listed throughout the workplan. Additionally, any suspected or significant controls weaknesses or fraud risks that are identified throughout the year (and/or as a result of a fraud investigation) are added to the plan as a joint review.</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 at least 60 recovered properties set for 2018/19.</p> <p>We will deliver at least four intelligence led pro-active anti fraud drives as well as work to support Barnet Homes exercises 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 Concessionary Travel Freedom Passes
<p>To investigate and respond accordingly to all suspected frauds and/or misuse relating to Disabled Blue Badges committed within the Borough.</p> <p>We will deliver at up to Eight intelligence led joint (with the Met 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.</p> <p>In addition the CAFT will carryout an assessment of the potential for fraud within the councils administration of Freedom passes.</p>
Cabinet Office - National Fraud Initiative (NFI)
<p>The NFI is a national public sector data matching exercise.</p> <p>Data uploads are due to take place in October 2018 and matches are due to be received in January 2019 for review, risk assessment and/or investigation. These will form part of this years and next years proactive work program and be used to assist in focusing joint work with Audit.</p> <p>CAFT will co-ordinate this exercise for the Council and investigate related referrals.</p> <p>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.</p>
Direct Payments
<p>This is an area that has been highlighted as having a high risk element for local authorities.</p> <p>CAFT will co-ordinate a data matching exercise to confirm that Direct Payments are being made to the correct recipients.</p>

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 90% of Critical and High Risks have been mitigated by management at the time of follow up	90%	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 Successions and Re-assignment applications denied as a result of 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).

	<p>Audit Committee</p> <p>19 April 2018</p>
<p style="text-align: right;">Title</p>	<p>Accounts Closure Improvement Plan – Progress Report</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1 – Accounts Closure Improvement Plan</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Paul Clarke – Paul.Clarke@barnet.gov.uk, 0208 359 2800 Gillian Clelland – Gillian.clelland@barnet.gov.uk, 0208 359 5310</p>

Summary

At its meeting on 2 November 2017, the Committee considered an accounts closure improvement plan which was developed to address the misstatements and weaknesses in the 2016/17 accounts preparation process. The Committee also received a progress report at its meeting on 31 January 2018.

Progress against the plan is updated and monitored on a fortnightly basis in conjunction with the Director of Finance and Head of Finance. This report provides the Committee with an update on Customer and Support Group’s (CSG’s) reported progress against the key actions in the improvement plan.

Whilst some of the originally planned delivery dates were revised over the course of delivering the plan, all actions that impact significantly on the closure of the accounts are now complete. The improvement plan is therefore materially complete and the closure of accounts process, which is now in progress, is being managed through the detailed accounts closure timetable. There are currently no significant concerns that this year’s accelerated timetable will not be achieved and any issues that have been raised to date have been mitigated. This will remain under review as the project nears its conclusion.

Recommendations

1. The Audit Committee are asked to note progress against the accounts closure improvement plan.

1. WHY THIS REPORT IS NEEDED

- 1.1 At its meeting on 2 November 2017, the Committee considered an accounts closure improvement plan which was developed to address the misstatements and weaknesses in the 2016/17 accounts preparation process. A progress report was also presented to the Committee on 31 January 2018.
- 1.2 The improvement plan focuses on the following themes:
- Resourcing issues;
 - End to end management of the accounts and audit process;
 - Changes in the presentation of the financial statements;
 - Specific issues raised in the Audit Completion Report;
 - Pension Fund accounts;
 - External audit process.
- 1.3 Since the last Audit Committee, progress against the improvement plan has continued to be monitored on a fortnightly basis in conjunction with the Council's Director of Finance (S151 officer) and Head of Finance (Deputy S151 officer). This report provides the Committee with an update on CSG's reported progress against the key actions in the improvement plan.
- 1.4 Whilst some of the originally planned delivery dates were revised over the course of delivering the plan, all actions that impact significantly on the closure of the accounts are now complete. The improvement plan is therefore materially complete and the closure of accounts process, which is now in progress, is being managed through the detailed accounts closure timetable. Any items on the improvement plan which are not complete at this point will be monitored as business as usual through the closure timetable.
- 1.5 CSG are confident of achieving the deadlines set within the Closure of Accounts year end timetable and that a robust set of accounts, free of significant errors, will be produced.
- 1.6 The Section 151 Officer and Deputy confirm that all issues and actions of which they are aware are progressing in a way which would indicate they will be delivered to time. Any risks to the closure of accounts timetable that have been identified have been mitigated and work has been undertaken to improve processes and address issues earlier than ever before. The Section 151 Officer and Deputy will continue to monitor and deal with issues as and when they arise.

2. REASONS FOR RECOMMENDATIONS

- 2.1 To ensure that the Audit Committee has appropriate oversight and assurance of the actions being taken to improve the timeliness and quality of the Statement of Accounts and Pension Fund Accounts.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

- 4.1 The Director of Finance (S151 officer) and Head of Finance (Deputy S151 officer) will continue to monitor delivery of the closure of accounts process by CSG Finance.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

- 5.2.1 The improvement plan has been delivered by CSG finance with support from elsewhere in Capita Local Government Services. Additional resources have been added to the CSG closing team, funded by Capita.

5.3 Legal and Constitutional References

- 5.3.1 The Council's Constitution (Article 7) sets out the terms of reference for Committees. The responsibilities for the Audit Committee include providing "independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process".

5.4 Risk Management

- 5.4.1 Delivery of the improvement plan and ongoing close monitoring of the closure of accounts timetable will help to mitigate the risk of similar issues reoccurring in 2017/18 and future years.

5.5 Equalities and Diversity

- 5.5.1 None in the context of this report.

5.6 Consultation and Engagement

- 5.6.1 N/A.

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Accounts Closure Improvement Plan

Theme	Issue Identified	Ref	Action (taken or to be taken)	Deliverable Date	Revised Deliverable Date	Status	RAG (Blue is complete)	Responsible	Update as at 9/4/18
STATEMENT OF ACCOUNTS									
Resourcing issues leading to lack of capacity to review	The accounts preparation has historically relied heavily on a small team which for 2016/17 included a interim resource in a key post. Changes to the Statement of Accounts and difficulties encountered meant that the team had insufficient capacity to undertake sufficient review and quality control as part of the process.	1.1	Closing team to be fully recruited to with appropriately experienced and able staff.	N/A		In progress	A	Assistant Director of Finance (CSG)	The permanent Financial Accountant post has been offered and accepted and the postholder starts 4/6/18. Recruitment to the interim role has been unsuccessful. Resourcing will be kept under close review over the closing period.
		1.2	Prepare a resourcing plan for the closing team which identifies and allocates responsibility for review and quality control processes and demonstrates that there is capacity within the team for these processes to be adequate	31/10/2017	16/02/2018	Completed	G	Head of Finance (closing)	The resourcing plan is set out in the year end timetable, delivery of which is in progress.
		1.3	Allocate responsibility for each note to the accounts to members of the wider CSG finance team including Senior Business Partners and Business Partners	30/11/2017		Completed	B	Head of Finance (closing)	Completed
		1.4	Deliver training sessions / workshops to CSG finance staff, clearly setting out roles and responsibilities and expectations and other key messages arising from the audit and lessons learned review	29/12/2017	18/01/2018	Completed	B	Assistant Director of Finance (CSG)	Completed
End to end management of process	The closure timetable currently finishes at the date the draft accounts are presented for audit therefore it did not provide a proactive and managed mechanism to manage the audit process and other workstreams such as Whole of Government Accounts and Government returns.	1.5	Undertake a critical review of the existing timetable in conjunction with finance business partners and develop a comprehensive closure timetable that is structured to meet the new timescales. Expand the timetable to 31 July and include all accounts related workstreams and audit liaison.	30/11/2017	07/12/2017	Completed	B	Finance manager - Accountancy, Closing and Monitoring (with deputy 151 officer)	Completed
Changes in the presentation of the Financial Statements	The format of the Comprehensive Income and Expenditure Statement (CIES) changed in 2016/17 and a new note was required - the Expenditure Funding Analysis (EFA). The audit identified a number of issues with the CIES, EFA and associated notes including 'grossing' up errors, whereby income and expenditure were overstated, classification errors and some analysis omitted from the notes to the accounts. The issues arose partly due to the amount of manual intervention required to create the CIES from the Trial Balance.	1.6	Review and re-perform 2016/17 CIES and validate compliance with the Code	30/11/2017	31/01/2018	Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
		1.7	Review the structure of the ledger and as far as possible make changes necessary to support the preparation of the Statement of Accounts	29/12/2017	31/01/2018	Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
		1.8	Document any manual, off-ledger adjustments that are required and ensure that these adjustments are subject to a review and authorisation process in line with the process for approval of journal entries	29/12/2017	31/01/2018	Completed	G	Finance manager - Accountancy, Closing and Monitoring	Completed. Rated green because ongoing.
		1.9	As part of the accounts preparation process, undertake analytical review of CIES and other statements and notes at gross expenditure and income level	30/04/2018		Not started	G	Head of Finance (closing)	Not yet due
		1.10	Undertake a review of the errors that occurred in 2016/17 and identify the reasons for each in order that a control can be put in place to avoid such errors reoccurring	30/11/2017	31/01/2018	Completed	B	Head of Finance (closing)	Completed
Specific issues raised in the ISA 260	The auditors identified that many of the control activities which provide assurance over the completeness and accuracy of the Statement of Accounts take place outside of the finance team and raised concerns about a lack of high level understanding and oversight of the complete control framework, and how this provides management with the required level of assurance that the internal control system, as a whole, is suitable for the Council's needs.	1.11	A review of process notes and/or system diagrams should be drawn up for key transaction streams, setting out the key control activities in each place, who has responsibility for their operation, and how their effectiveness is monitored.	29/12/2017	29/03/2018	Completed	B	Assistant Director of Finance (CSG)	Completed
		1.12	All control account reconciliations (including bank reconciliations) are prepared and reviewed at an appropriate level on a timely basis throughout the year, and any differences arising are appropriately explained and cleared in a timely manner. Evidence of this process will be documented and retained.	31/10/2017		Completed (but ongoing)	G	Assistant Director of Finance (CSG)	Completed and ongoing. Rated green because ongoing.
	The audit recommended that a review of CIPFA guidance is undertaken in advance of preparing the 2017/18 Narrative Statement, to identify areas for improvement going forward.	1.13	Produce a skeleton Narrative Statement against the 2017/18 Code and populate, in advance of year end, those aspects of the note for which information is available.	29/12/2017	04/05/2018	In progress	A	Assistant Director of Finance (CSG)	The Code requirements for the Narrative Report have changed significantly to be less financially focused. The 2017/18 report is in progress in conjunction with the Council's strategy team. Deliverable date for completion of final 2017/18 report 4/5/18.

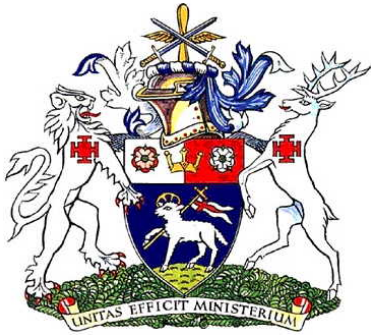
Theme	Issue Identified	Ref	Action (taken or to be taken)	Deliverable Date	Revised Deliverable Date	Status	RAG (Blue is complete)	Responsible	Update as at 9/4/18
Specific issues raised in the ISA 260	The audit identified that the Council is accounting for Community Infrastructure Levy (CIL) income on the basis of when cash is received, not at the point that a chargeable development commences (as required by the Code)	1.14	Review the end to end process for accounting for CIL	17/11/2017		Completed	B	Head of Finance (closing)	Completed
	The audit identified developer deposits which were more than 1 year old at the balance sheet date which indicates a risk that there are some balances which should either be repaid to developers, or recognised as income to the Council.	1.15	Review and resolve historical developer deposit balances on Balance Sheet	30/11/2017	31/01/2018	Completed	B	Senior business partner (Environment)	Completed
		1.16	Review, document and communicate the process for accounting for developer deposits, including periodic and regular review of old deposit balances to ensure that these are repaid or recognised as income on a timely basis.	15/12/2017	31/01/2018	Completed (but ongoing)	G	Senior business partner (Environment) with Head of Finance (closing)	Completed and ongoing. Rated green because ongoing.
	The audit identified that there had been delays in receiving related party transactions declarations and that the disclosure note was not complete and accurate	1.17	Document the escalation process for non returns	31/10/2017		Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
		1.18	Review the disclosure note for compliance with the Code	17/11/2017		Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
	The audit identified classification errors between cash and cash equivalents	1.19	Document the process for classifying investments as cash or cash equivalents, and ensure this is implemented in practice with the necessary checks in place.	30/11/2017		Completed	B	Head of Treasury and Pensions	Completed
	The audit identified a number of issues in respect of accounting for Collection Fund balances within the Council's Balance Sheet	1.20	Re-perform 2016/17 Collection Fund and develop an improved and fit for purpose process for 2017/18	29/12/2017	28/02/2018	Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
		1.21	Review methodologies and working papers and specifically the bad debt provision methodology for the Collection Fund	29/12/2017	29/03/2018	Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
		1.22	Review the Collection Fund account and notes for compliance with the Code	29/12/2017		Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
	The audit identified that the disclosure note on officers' remuneration - exit packages had been prepared on the basis of payments made during the year, rather than exit packages agreed in the year as required by the Code.	1.23	Issue clear instructions to HR / payroll setting out the requirements for the information required and effective dates	31/01/2018		Completed	B	Head of Finance (closing)	Completed
	The audit identified a number of issues in respect of the Financial Instruments disclosure notes which contained misclassifications and areas of non-compliance with the Code	1.24	Review the 2016/17 note against the Code requirements and set up a framework for a fully compliant note	31/01/2018		Completed	B	Head of Treasury and Pensions	Completed
	The Statement of Accounts includes some notes that are immaterial	1.25	Review 2016/17 notes to the accounts for materiality and remove unnecessary or immaterial notes from the 2017/18 accounts (unless Audit Committee have asked for them not to be removed)	31/01/2018		Completed	B	Finance manager - Accountancy, Closing and Monitoring	Completed
	The audit identified that within the property, plant and equipment note all additions are posted first to assets under construction, and then transferred to the relevant asset category, regardless of whether or not they are actually constructed by the Council or direct acquisitions which is not strictly in accordance with Code requirements	1.26	Identify how the Integra asset register module is used elsewhere to identify whether unnecessary transactions for acquisitions can be removed from assets under construction. If possible in the application, this split will be implemented.	31/01/2018	31/03/2018	Completed	B	Head of Finance (closing)	Completed
	The audit identified that the Council had not recognised income (or a debtor) for recoverable housing benefit overpayments held within the housing benefits system	1.27	Work with the revenues and benefits team to assess the recoverability of housing benefit overpayments being recovered from ongoing benefit and ensure that the debtor and impairment provision are reflected in the 2017/18 accounts	31/01/2018	12/03/2018	Completed	B	Senior business partner (corporate) with Head of Finance (closing)	Completed
	The audit identified a number of issues relating to the completeness, accuracy and compliance with the Code of various notes including: - Grants - Pension Schemes - Provisions - Earmarked reserves - Pooled budgets - Dedicated Schools Grant (DSG) - Private Finance Initiative (PFI) - Group accounts	1.28	Review the entire Statement of Accounts and produce skeleton accounts and disclosures, including prior year comparatives. Compare with the model accounts in the Code and with other high performing authorities to ensure best practice is being followed. Share an early copy of the skeleton accounts and disclosures with the auditors to allow opportunity for review of updated disclosures and prior year information in advance of the year end.	29/12/2017	29/03/2018	Completed	B	Head of Finance (closing)	Completed

Theme	Issue Identified	Ref	Action (taken or to be taken)	Deliverable Date	Revised Deliverable Date	Status	RAG (Blue is complete)	Responsible	Update as at 9/4/18
PENSION FUND									
Staff capacity and capability	Previous capacity and capability issues led to numerous historical issues and errors, some of which had not been resolved prior to 2016/17. While capacity was increased, there was still a lack of technical pensions knowledge which led to the accounts being delivered late and there being errors in the first draft.	2.1	A new Head of Treasury and Pensions is now in post who is experienced in the preparation of pension fund accounts and will lead on the preparation of the 2017/18 accounts with appropriate support from within the treasury and pensions team and the wider finance team.	11/05/2018		In progress	G	Head of Treasury and Pensions	In progress
		2.2	All historical issues and errors in the accounts have been resolved.	N/A		Completed	B	Assistant Director of Finance (CSG)	Completed
Quality of underlying membership data	Audit testing of contributions received (£58.6m) relies heavily on membership data held and maintained by Capita Employee Benefits (CEB). Data quality issues were identified as part of the 2016 triennial valuation and, whilst data cleansing is ongoing and a comprehensive pensions administration improvement plan is in place, the audit identified a significant number of queries and errors arising from the quality of membership data.	2.3	Implementation of the pension administration improvement plan relating to data quality will ensure that pension fund data is actively monitored and demonstrated as improving in quality.	29/12/2017	31/08/2018	Ongoing	A	Head of Business Assurance (CEB)	Project ongoing
Delays in responding to auditor queries	A detailed analysis of transactions was not requested from CEB until the start of the audit and this was done on a code by code basis which meant that the auditors had to wait for information to be received before they could select samples. This led to delays in receiving responses to queries which in turn led to delay in the completion of the audit.	2.4	Provide early notification to CEB of audit dates and document key CEB contacts with roles and responsibilities, staff availability and holiday commitments.	28/02/2018		Completed	B	Head of Treasury and Pensions	Completed - although CSG will continue to liaise closely with Capita Employee Benefits throughout the closure of accounts process.
		2.5	Agree an SLA with CEB for turnaround of audit queries.	28/02/2018		Completed	B	Head of Treasury and Pensions	Completed
		2.6	Request a full transaction analysis and analysis of membership movements from CEB, to be provided by in early April, in order that this can inform the accounts preparation process and the auditors, if they wish, can select samples prior to the start of the audit.	31/03/2018		In progress	G	Head of Treasury and Pensions	Information has been requested.
Specific issues raised in the ISA 260	There is no independent authorisation process for journal entries within the Pension Fund environment of Integra. The auditors recommend that this is implemented, in line with the LBB system enforced control environment.	2.7	Journal authorisation will be implemented within the Pension Fund environment of Integra.	31/10/2017		Completed	B	Assistant Director of Finance (CSG)	Completed
	The CIPFA Code of Practice on Local Authority Accounting in the UK (The Code) recommends that all direct investment management expenses are separately identified and disclosed. The Fund has not taken any steps this year to identify and separately disclosed so-called 'hidden' investment management expenses such as transaction costs which are contained within the net gain or loss on disposal of investments. This was a Code recommendation in 2016/17 but will become mandatory from 2017/18.	2.8	Engage with fund managers to ensure that they will be able to provide the information required to comply with the 2017/18 Code on 'hidden' investment management expenses	30/11/2017		Completed	B	Head of Treasury and Pensions	Completed

AUDIT PROCESS

Working effectively with the auditors	The audit process did not conclude in line with pre-agreed deadlines	3.1	Confirmation of new Audit Manager	31/10/2017		Completed	B	Leigh Lloyd Thomas	Completed
		3.2	Confirmation of audit team and areas of responsibility	29/12/2017		Completed	B	Nick Bernstein	Completed
		3.3	Plan for interim audit including timeframes	29/12/2017		Completed	B	Nick Bernstein	Completed
		3.4	Plan for final audit including timeframes	29/12/2017		In progress	A	Nick Bernstein	The Audit Plan sets out details of the audit team and a high level engagement timetable. No other details of the final audit have been received.
		3.5	Agreement of triggers and parameters for escalation so CFO and Members are sighted on issues in order to put rectification plans in place	30/11/2017		Completed	B	Leigh Lloyd Thomas (with Anisa Darr)	Completed
		3.6	Workshop with finance team to review which processes and testing can be brought forward to ensure a completion of audit by the end of July	30/11/2017		Completed	B	Nick Bernstein	Completed

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Audit Committee

19th April 2017

Title	External Audit Plan 2017/18
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Audit Plan to the Audit Committee
Officer Contact Details	Gillian Clelland – Gillian.clelland@barnet.gov.uk , 0208 359 5310
Summary	
This report advises the committee of BDO's audit plan for 2017/18.	

Recommendations
1. The Audit Committee are asked to note BDO's audit plan for 2017/18.
2. The Audit Committee are asked to note the fee of £170,025 for the 2017/18 audit and the fee of £21,000 for certification of the housing benefits subsidy return, as set out in paragraph 6.8.

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 external audit strategy for the audit for the year ended 31 March 2018.

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 2017/18.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 BDO's audit plan for 2017/18 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 Council's Constitution (Article 7) sets out the terms of reference for Committees. The responsibilities for the Audit Committee include providing "independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process".

5.4 Risk Management

- 5.4.1 The audit plan for the year ended 31 March 2018 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 2017/18 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 2017/18 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 2018 sets out the planned BDO external audit team and the engagement timetable.

6.3 The audit plan for 2017/18 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 2017/18 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 2017/18 audit are as follows:

- Group - £15.0m
- Significant components (Council) - £15.0m
- 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 £0.300m, which is based on 2% of the materiality level of the Group (£15.0m). 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 2017/18 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 10-14 of the BDO audit plan:

Significant risk:

- Management override of controls
- Revenue recognition
- Property, plant and equipment and investment property valuations
- Pension liability assumptions
- Presentation of the Comprehensive Income and Expenditure Statement (CIES)

Normal risk:

- Allowances for non-collection of receivables
- Consideration of related party transactions
- Disposal of Mill Hill Depot

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 key audit risks that have been identified in relation to the use of resources audit are as follows, with further details and the planned audit approach set out on pages 15-16 of the BDO audit plan:

Significant risk:

- Sustainable finances

- Family Services

Normal risk:

- Contract management and monitoring

- 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 (2016/17: £170,025) and a separate fee of £21,000 (2016/17: £20,310) 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 2018

19 April 2018

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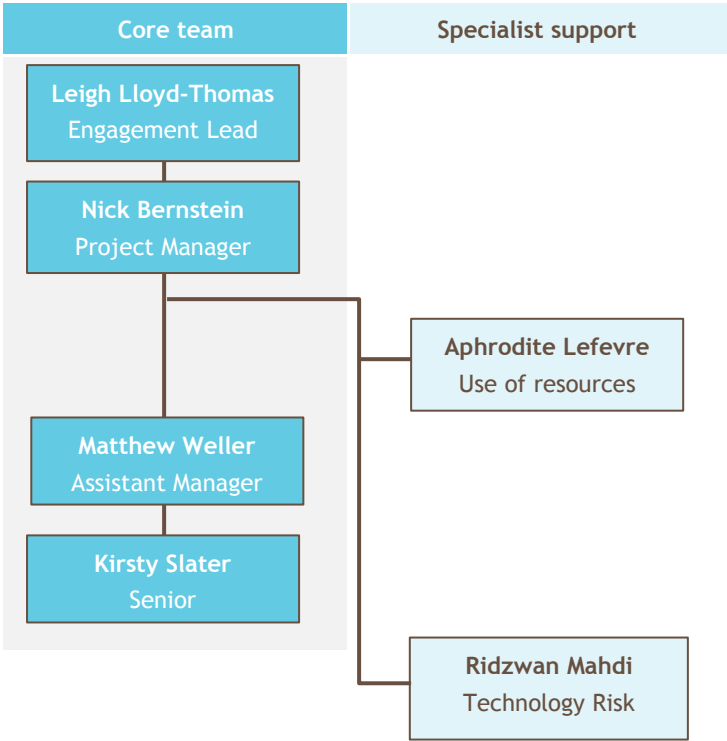
INTRODUCTION

PURPOSE AND USE OF OUR REPORT

We have pleasure in presenting our Audit Plan to the Audit Committee. 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 2018. 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
Nick Bernstein Project Manager	Tel: 020 7034 5810 Nick.Bernstein@bdo.co.uk	Overall management of the audit
Aphrodite Lefevre Director	Tel: 01603 756909 Aphrodite.Lefevre@bdo.co.uk	Use of resources assessment
Matthew Weller Assistant Manager	Tel: 01473 320804 matthew.weller@bdo.co.uk	Management support for the audit
Kirsty Slater Senior	Tel: 020 7893 3794 kirsty.slater@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

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:

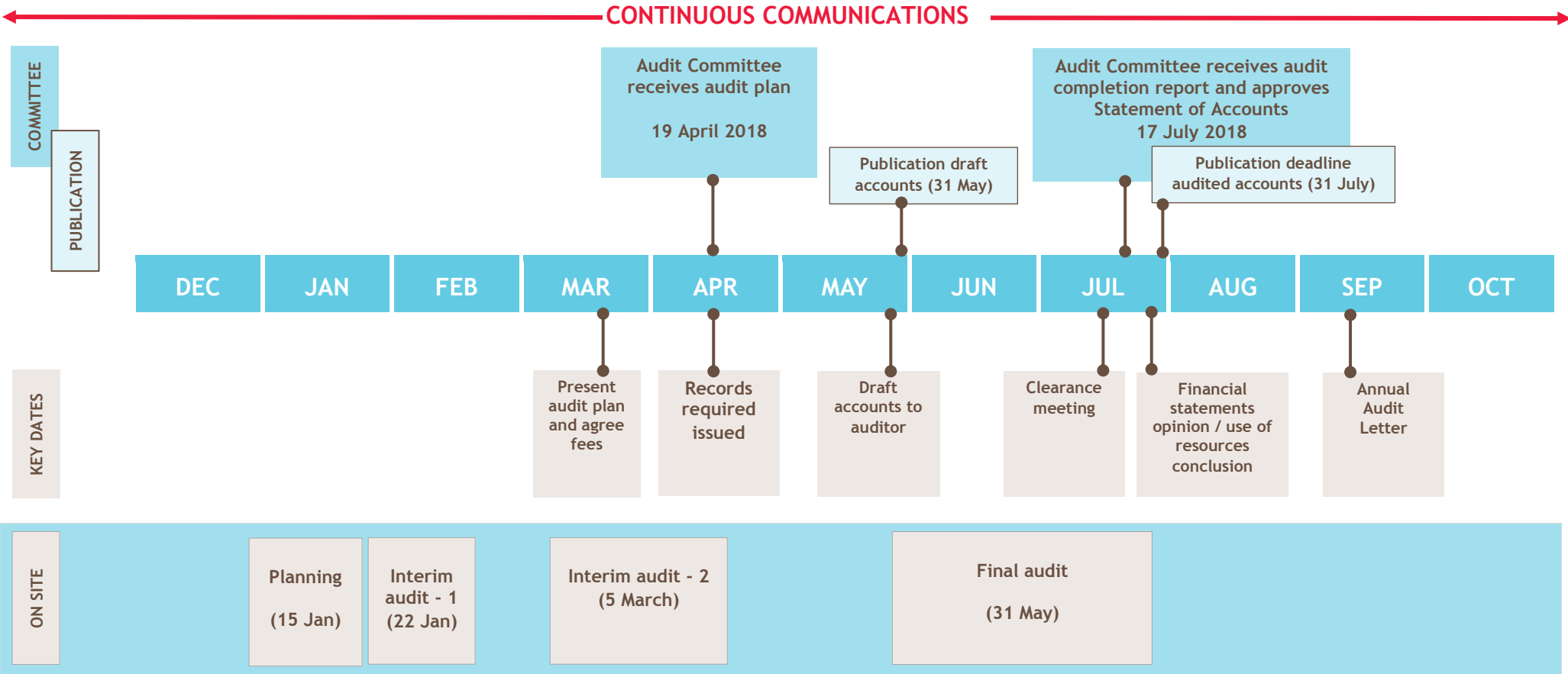
- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 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: Consider the issue of a report in the public interest. Make a written recommendation to the authority.</p>	<p>7 To allow electors to raise questions about the accounts and consider objections. Where necessary, apply to the court for a declaration that an item of account is contrary to law. Where necessary, consider whether to issue an advisory notice or to make an application for judicial review.</p>
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MATERIALITY

GROUP AND COMPONENTS	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Group	£15,000,000	£300,000
Significant components:		
<ul style="list-style-type: none"> Council 	£15,000,000	£300,000
Non-significant components:		
<ul style="list-style-type: none"> The Barnet Group Limited [100% subsidiary] and its subsidiaries <ul style="list-style-type: none"> Barnet Homes Limited Your Choice Barnet Limited TBG Flex Limited Opendoor Homes 	£5,000,000	£300,000
<p><i>Although total income and expenditure in the subsidiary is approximately £68 million (2016/17), 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 £31 million.</i></p>		
Immaterial components excluded from the Group financial statements:		
<ul style="list-style-type: none"> Barnet Holdings Limited BXS Ltd Hill Green Homes Ltd 	-	-

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 2016, the net assets of the entity totalled £6 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 2017, members' interests in the entity totalled £37 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.

It is our understanding that local authority controlled companies are not able to take advantage of the size and threshold exemptions audit exemptions.

Total coverage is expected to be as shown opposite.

SCOPE	EXPENDITURE COVERAGE 2017/18	NET ASSETS 31/3/18	EXPENDITURE COVERAGE 2016/17	NET ASSETS 31/3/17
Full scope procedures - BDO	TBC	TBC	£980m	£751m
Full scope procedures - component auditors	TBC	TBC	£68m	(£29m)
Total	TBC	TBC	£1,048m	£722m

Coverage for 2017/18 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 - BDO:					
Council	94%	104%	BDO UK	Audit of the financial statements prepared under CIPFA Code of Practice on Local Authority Accounting requirements	Undertaken by the group audit team
Full scope procedures - component auditors:					
The Barnet Group Limited	6%	(4)%	Grant Thornton	<p>Audit of the financial statements prepared under Companies Act requirements</p> <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>	Grant Thornton will undertake a statutory audit of the financial statements. We will request sight of the final audit memorandum and audit opinion, and to 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 and group 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.

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 believe 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
- Theft of monies from bank accounts
- Misuse of public assets but without financial impact, such as tenancy sub-letting and blue badges.

Management consider that controls in operation would prevent or detect material fraud.

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 auditing standards 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 bias 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 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. 	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 Review accuracy of asset information provided to the valuer Review assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual. 	<p>We will review independent data of assumptions used by the valuer and compare valuations to relevant price / cost indices for classes of assets.</p>
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 estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2018 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. 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>	<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.</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
Presentation of the Comprehensive Income and Expenditure Statement (CIES)	<p>In the prior year the draft of the accounts presented for audit included material 'grossing up' and 'netting off' errors in the CIES whereby both income and expenditure were materially overstated/understated. We also identified a number classification errors within the prior year draft accounts.</p> <p>Whilst these errors arose partly as a result of the changes to the format of the CIES last year, it was also reported by us that we believed that the Council's ledger structure and chart of accounts meant the level of manual intervention and off-ledger adjustments required presents a risk of error to the accuracy of the financial statements.</p> <p>The Council has taken steps to improve the automation of the ledger for financial reporting purposes. However, a risk of material misstatement remains due to the level of manual adjustments required to the CIES</p>	<p>We will:</p> <ul style="list-style-type: none"> • Build on the work we have performed on the CIES prepared at Month 9 by using a risk based approach to review off ledger adjustments and ensure they have been appropriately prepared • Review sampled income and expenditure items to assess if the classification and treatment in the accounts is correct. 	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
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:</p> <ul style="list-style-type: none"> 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. 	Not applicable.
Consideration of related party transactions	<p>We 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>	<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 - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Disposal of Mill Hill Depot	<p>The Mill Hill Depot is currently included in Investment Properties and valued at 31 March 2017 at £21.4m. The Depot is part of an arrangement with the Inglis Consortium and is valued based on the projected Annual Values of Future Development Income earned from the site, discounted to its present value. The Inglis consortium has three members, of which the Council has a 13.9% share. The final part of the Council's land holding has been sold to the developers following preparation for development of the final phase. The Council receives capital receipts at 13.9% for each completed development and subsequent sale of housing.</p> <p>The Council is considering the most appropriate presentation of disposal of the land and the future expected capital receipts from the development through Inglis for the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the proposed presentation of the land disposal and future expected capital receipts. 	Not applicable.

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>The Council has planned an overspend of £7.9 million. This is made up of an overspend against resources of £6.7 million and a net use of reserves of £1.2 million.</p> <p>The Council has identified that the continued support from reserves would not be viable. The Medium Term Financial Strategy (MTFS) was updated in December 2017 and now forecasts a budget gap prior to identified savings of £39.5 million over the 2-year period from 2018/19 to 2019/20.</p> <p>The Council has identified savings plans in order to address this budget gap in 2018/19 however a £5.9 million gap is currently forecast for 2019/20. The savings targets are significant and achievement of these will be inherently challenging.</p> <p>Initial horizon planning suggests that there may be a further £32.5 million of cost pressures in 2020/21 and this will need to be covered from reserves and additional savings plans to be identified.</p>	<p>We will:</p> <ul style="list-style-type: none"> 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 Monitor the delivery of the budgeted savings in 2017/18 and the plans to reduce services costs and increase income from 2018/19 Review the strategies to close the budget gap after 2018/19. 	Not applicable.

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
Family Services	<p>In April and May 2017, the Council was subject to an Ofsted inspection of its services for children in need of help and protection, children looked after and care leavers. The report found the following services to be inadequate:</p> <ul style="list-style-type: none"> • Children who need help and protection • Children looked after and achieving permanence • Leadership, management and governance. <p>The inspection was critical of the Council and found widespread poor practice and failures in arrangements to ensure the safety of children and young people.</p> <p>The Council has developed an action plan to improve services.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the Ofsted Monitoring Reports issued through the year to determine the direction of travel of the services • Monitor progress against the Family Services Improvement action plan through the work that Internal Audit is completing • Review the minutes of the Children, Education, Libraries and Safeguarding (CELS) Committee • Hold meetings with key individuals to discuss the direction of travel of the services. 	Ofsted Monitoring Reports
Contract management and monitoring	<p>The Council relies heavily on external contractors for the provision of a large number of its frontline and back office services. Some of these contractors are completely separate private sector organisations, whilst others are wholly or partly controlled by the Council.</p> <p>We noted a number of concerns raised around performance of the Customer & Support Group and arrangements for managing performance of other contractors.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the internal audit reports which inform on 2017/18 financial year • Review Management's work around its key contracts to ascertain what assurance arrangements it has in place over contract performance • Hold meetings with key individuals to discuss strategic contract management and performance assurance. 	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 2018.

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 Standard 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.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

ROLE	NUMBER OF YEARS INVOLVED	Rotation to take place before
Leigh Lloyd-Thomas - Engagement lead	3	Audit year ending 31/03/2021
Nick Bernstein - Project manager	1	Audit year ending 31/03/2028

INDEPENDENCE - AUDIT QUALITY CONTROL

ROLE	NUMBER OF YEARS INVOLVED	Rotation to take place before
Engagement Quality Control Reviewer	3	Audit year ending 31/03/2023

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 2018 are:

	2017/18 Proposed fee	2016/17 Actual fee
	£	£
Code audit fee	170,025	170,025*
Certification fee (Housing benefits subsidy)	21,000	20,310
Total code audit and certification fees:	191,025	190,335
Fees for audit related services (see below)	7,750	7,750*
Fees for non-audit services	-	-
TOTAL FEES	198,775	198,085

OTHER FEES ANALYSIS

Audit related services:

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

* The 2016/17 Code audit fee remains subject to amendment to reflect the additional resources required to resolve the issues identified during the audit.

Billing arrangements

We raised invoices for the Code audit fee in two equal instalments, in July 2017 and January 2018. 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) 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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	<p>Audit Committee 19th April 2018</p>
<p style="text-align: right;">Title</p>	<p>External Auditor Progress Report</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>None</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Gillian Clelland – Gillian.clelland@barnet.gov.uk 0208 359 5310</p>

Summary
<p>BDO are the Council’s appointed external auditors for the 2017/18 financial year. BDO will provide the Committee with a verbal report on key issues identified and progress in completing all audit work relevant to the 2017/18 financial year.</p>

Recommendations
<p>1. That the Committee receive a verbal report from BDO.</p>

1. WHY THIS REPORT IS NEEDED

1.1 The Council's external auditors have unrestricted access to those charged with governance which is the Audit Committee for the Council and the Pension Fund Committee for the Barnet Pension Fund.

1.2 Quarterly updates on audit progress are provided to the Audit Committee by the external auditors to highlight progress, concerns, issues and risks.

1.3 The auditors will also provide a verbal update on objections received from local government electors relating to the 2015/16 and 2016/17 accounts.

2. REASONS FOR RECOMMENDATIONS

2.1 None.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4. POST DECISION IMPLEMENTATION

4.1 None.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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

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

5.2.1 The external audit covers the audit of the Council's accounts, financial performance, value for money and financial resilience. This report provides the auditors with an opportunity to highlight any potential concerns before the final audit on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

5.3 Legal and Constitutional References

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

5.3.2 The Council's Constitution (Article 7) sets out the terms of reference for Committees. The responsibilities for the Audit Committee include providing "independent assurance of the adequacy of the risk management framework

and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process".

5.4 Risk Management

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

5.5 Equalities and Diversity

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

5.6 Consultation and Engagement

There are no consultations or engagements relevant to this report.

6. BACKGROUND PAPERS

6.1 None

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**London Borough of Barnet
Audit Committee Forward Work
Programme - April-July 2018**

Contact: Tracy Scollin 020 8359 2315 tracy.scollin@barnet.gov.uk

Title of Report	Overview of decision	Report Of (<i>officer</i>)	Contributing Officer (s)
19 April 2018			
Internal Audit Exception Recommendations and Progress Report Q4: 1 January-30 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 Team (CAFT) Annual Report 2017-18	The CAFT annual report provides a summary on the outcome of all CAFT work undertaken during 2017-18 including progress against the objectives as set out in the Annual Fraud Strategy and Work Plan.	Assurance Assistant Director	Head of Counter Fraud Operations
Internal Audit and Anti-Fraud Strategy and Annual Plan 2018-19	To approve the 2018/19 Internal Audit & CAFT Plan.	Assurance Assistant Director	Head of Counter Fraud Operations
External Auditor Progress Report 2017-18	This report advises the committee of the BDO's audit planning report for 2017-18.	Director of Resources (Section 151 Officer and Chief Finance Officer)	External Auditors
Limited Assurance Audit Reports	Review focused on key controls in place across a number of financial systems that are integral to the Council's day-to-day operation.	Head of Internal Audit	

Title of Report	Overview of decision	Report Of (<i>officer</i>)	Contributing Officer (s)
Accounts Preparation Timetable	Update on key deadlines and milestones from the timetable.	Director of Resources (Section 151 Officer and Chief Finance Officer)	
Accounts Closure Improvement Plan	TBC	Director of Resources (Section 151 Officer and Chief Finance Officer)	
17 July 2018			
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	
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.		

